

Board of Directors

Mr. Prabhakar Ram Tripathi	Chairman
Mr. E. Sudhir Reddy	Vice Chairman
Mr. E. Sunil Reddy	Managing Director
Mr. S. C. Sekaran	Executive Director
Mr. R. Balarami Reddy	Non-Executive Director
Mr. T.N. Chaturvedi	Non-Executive Director
Mr. M. L. Majumdar	Non-Executive Director
Mr. S. D. Kapoor	Non-Executive Director

Company Secretary

Pragya Sahal Kaul

Priya Vishwanathan (w.e.f. August 12, 2011)

Auditors

Chaturvedi & Partners

Internal Auditors

V.C.G. & Co.

Bankers

Bank of India
Andhra Bank

Registrar and Transfer Agents

M/s. Karvy Computershare Pvt. Ltd.
Karvy House 46, Avenue 4,
Street No. 1, Banjara Hills,
Hyderabad – 500 034

Registered Office

Dorr- Oliver House,
Chakala, Andheri (East)
Mumbai – 400 099

Solicitors & Advocates

Kanga & Co.
Crawford Bayley & Co.
Little & Co.

Works

5/1/2 G.I.D.C., Vatva,
Ahmedabad – 382 445

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Annual General Meeting will be held on Friday, September 30, 2011 at 3.00 p.m. at The Mirador, New Link Road, Chakala, Andheri (East), Mumbai - 400 099. As a measure of economy, copies of the Annual Report will not be distributed at the Annual General Meeting. Members are requested to kindly bring their copies to the meeting.

NOTICE

NOTICE is hereby given that the Thirty Sixth Annual General Meeting of the Members of Hindustan Dorr-Oliver Limited will be held on Friday, September 30, 2011 at 3.00 P.M. at The Mirador, New Link Road, Chakala, Andheri (East), Mumbai-400 099 to transact the following business:

ORDINARY BUSINESS:

1. To receive, consider and adopt the audited Balance Sheet as at March 31, 2011 and the Profit and Loss Account for the year ended on that date together with the reports of the Board of Directors and Auditors thereon.
2. To declare dividend for the financial year ended 31st March 2011.
3. To appoint a Director in place of Mr. E. Sudhir Reddy, who retires by rotation and being eligible, offers himself for reappointment.
4. To appoint a Director in place of Mr. M. L. Majumdar, who retires by rotation and being eligible, offers himself for reappointment.
5. To appoint the Statutory Auditors of the Company and in this connection to pass with or without modification(s) the following resolution as an **ORDINARY RESOLUTION**:

“RESOLVED THAT pursuant to the provisions of Section 224 and other applicable provisions, if any, of the Companies Act, 1956, M/s Chaturvedi & Partners, Chartered Accountants, Registration No. 307068E be re-appointed Statutory Auditors of the Company to hold office from the conclusion of this Meeting upto the conclusion of the next Annual General Meeting, on a remuneration to be fixed by the Board of Directors of the Company in addition to reimbursement of all out-of-pocket expenses in connection with the audit of the accounts of the Company”.

SPECIAL BUSINESS:

6. Re-appointment of Mr. S. C. Sekaran as Executive Director

To consider and if thought fit, to pass with or without modification(s), the following resolution as an **ORDINARY RESOLUTION**:

“RESOLVED THAT in accordance with the provisions of Sections 198, 269, 309, 310 and 311 read with Schedule XIII and other applicable provisions, if any, of the Companies Act, 1956, and subject to the approval of the Members of the Company, Mr. S. C. Sekaran be and is hereby re-appointed as Executive Director of the Company effective from June 1, 2011 for a period of five years on the remuneration as stated below, with liberty to the Board of Directors (hereinafter referred to as “the Board” which term shall be deemed to include any Committee of the Board constituted to exercise its powers, including the powers conferred by this Resolution) to alter and vary the terms and conditions and/or remuneration as may be agreed to between the Board and Mr. S.C. Sekaran, subject however to the same not exceeding the limits specified in Schedule XIII of the Companies Act, 1956.

1. Basic Salary: Rs. 1,75,875/- per month.
2. Perquisites and Allowances:
 - (i.) House Rent Allowance: Rs. 1,05,524/- per month
 - (ii.) Special Allowances: Rs. 49,474/- per month.
 - (iii.) Ex-Gratia Payment of twenty percent of the monthly Basic Salary per annum
 - (iv.) Leave Travel Assistance for self and family not exceeding one month's Basic Salary.
 - (v.) Medical Reimbursement: Medical Benefits for self & family not exceeding one month's Basic Salary.
 - (vi.) Monthly/yearly subscription for Club Membership.
 - (vii.) Use of cellular phone.
3. Contribution towards Provident Fund, Superannuation and Gratuity benefits in accordance with the Company's rules.
4. Use of Company maintained Car.
5. Encashment of leave as per the rules of the Company.

NOTICE Contd.

RESOLVED FURTHER THAT in the event of absence or inadequacy of profits in any financial year during Mr. Sekaran's term of office as Executive Director, the remuneration and perquisites approved as above shall be the Minimum Remuneration payable to him in respect of a year or proportionately for a part thereof.

RESOLVED FURTHER THAT the Board be and is hereby authorized to take all such steps as may be necessary, proper or expedient to give effect to this Resolution".

By Order of the Board of Directors

S. C. Sekaran
Executive Director

Registered Office:

Dorr-Oliver House,
Chakala, Andheri (East),
Mumbai – 400 099.

Place: Hyderabad

Date: May 28, 2011

NOTES:

- A member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote in his stead and a proxy need not be a member. Proxy in order to be valid shall be deposited at the registered office of the company at least 48 hours before the time of the meeting.**
- The Explanatory Statement, pursuant to Section 173(2) of the Companies Act, 1956 in respect of the Special Business is annexed hereto.
- The Register of Members and the Share Transfer Books of the Company will remain closed from September 28, 2011 to September 30, 2011 (both days inclusive).
- The relevant details of Directors seeking re-appointment under Item Nos. 3 & 4 above, pursuant to Clause 49 VI. A of the Listing Agreements entered into with the Stock Exchanges are as follows:

Name of Director	Mr. E. Sudhir Reddy	Mr. M. L. Majumdar
Date of Birth	April 13, 1960	December 01, 1940
Date of Appointment	September 08, 2005	July 30, 2008
Qualification	Bachelor's degree in commerce	Retd. I.A.S.
Expertise in specific functional areas	Extensive experience in construction and engineering business	Extensive experience in Mining & Energy sector
List of the Companies in which Directorship held	-IVRCL Ltd. (Formerly known as IVRCL Infrastructures & Projects Limited) -IVRCL Assets & Holdings Ltd -Soma Hotels & Resorts Ltd -Palladium Infrastructures & Projects Ltd -S.V. Equities Limited -Indus Palms Hotels & Resorts Ltd -Eragam Holdings Ltd -IVR Hotels & Resorts Limited -IVRCL MegaMalls Limited -AP Enercon Engineers Pvt Ltd	R. B. G. Minerals Industries Ltd.
Chairman/Member of the Mandatory Committees of the Board of the Companies on which he is a Director	* IVRCL Ltd. Member of the Shareholders Investor Grievance Committee	NIL
Number of shares held in the Company	122700	NIL

NOTICE Contd.

5. The Dividend on equity shares, if declared at the Meeting, will be payable to those shareholders (holding shares in physical form) whose names shall appear in the Register of Members of the Company as on September 30, 2011 and to those beneficial owner whose name appear in the beneficiary report furnished by the depositories as on that date.
6. Members are requested to furnish Bank details in order to enable the Company to print the same on dividend warrants. The Dividend will be paid through ECS in respect of shareholders having demat accounts, to the credit of respective bank accounts as furnished by the depositories.
7. The Dividend declared for the Financial Year 2003-04 and outstanding in the unpaid/unclaimed dividend account will be transferred to the Investor Education & Protection Fund (IEPF) Account. The shareholders who have not claimed dividend earlier may claim the same by writing to the Company's Registrars and Transfer Agents, M/s. Karvy Computershare Private Limited, 17-24, Vittal Rao Nagar, Madhapur, Hyderabad-500081. Ph.:040-44655178.

Members are advised that, in terms of Section 205C of the Companies Act, 1956, no claim shall lie in respect to unclaimed dividend once it is transferred by the Company to IEPF.
8. Members are requested to notify any change in their addresses specifying full address in block letters with pin code quoting their Folio No. directly to the Company's Registrar & Share Transfer Agents – M/s. Karvy Computershare Pvt. Ltd., 17-24, Vittal Rao Nagar, Madahapur, Hyderabad – 500 081. Ph.: 040-44655178.
9. Members desirous of obtaining any information pertaining to the Accounts may forward such queries in writing to the General Manager - Finance at the Registered Office of the Company at least 10 days prior to the meeting in order to keep the information ready to the extent possible.
10. Members or their Authorised Representative / Proxies are requested to bring their copies of the Annual Report to the meeting.

NOTICE Contd.

EXPLANATORY STATEMENT

(Pursuant to Section 173(2) of the Companies Act, 1956)

Item No. 6 :

Mr. S. C. Sekaran was appointed as the Executive Director by the Board in its Meeting held on June 1, 2006 and the same was approved by the members of the Company by a Resolution passed at the Annual General Meeting held on September 22, 2006 for a period of 5 years with effect from June 1, 2006.

It is now proposed that Mr. S. C. Sekaran be re-appointed as Executive Director from June 1, 2011.

The Board of Directors at its Meeting held on May 28, 2011, as approved by the Compensation Committee, decided that Mr. S. C. Sekaran be paid the following remuneration with liberty to the Board of Directors (hereinafter referred to as "the Board" which term shall be deemed to include any Committee of the Board constituted to exercise its powers, including the powers conferred by this Resolution) to alter and vary the terms and conditions and/or remuneration as may be agreed to between the Board and Mr. S.C. Sekaran, subject however to the same not exceeding the limits specified in Schedule XIII of the Companies Act, 1956:

1. Basic Salary: Rs. 1,75,875/- per month.
2. Perquisites and Allowances:
 - (i) House Rent Allowance: Rs. 1,05,524/- per month
 - (ii) Special Allowances: Rs. 49,474/- per month.
 - (iii) Ex-Gratia Payment of twenty percent of the monthly Basic Salary per annum.
 - (iv) Leave Travel Assistance for self and family not exceeding one month's Basic Salary.
 - (v) Medical Reimbursement: Medical Benefits for self & family not exceeding one month's Basic Salary.
 - (vi) Monthly/yearly subscription for Club Membership.
 - (vii) Use of cellular phone.
3. Contribution towards Provident Fund, Superannuation and Gratuity benefits in accordance with the Company's rules.
4. Use of Company maintained Car.
5. Encashment of leave as per the rules of the Company.

The Board recommends the Resolution for your approval.

Memorandum of Interest:

None of the Director of the Company except Mr. Sekaran is concerned or interested in the above Resolution.

Registered Office:
Dorr-Oliver House,
Chakala, Andheri East,
Mumbai -400 099

Hyderabad
May 28, 2011

By Order of the Board of Directors

S. C. Sekaran
Executive Director

GREEN INITIATIVE IN CORPORATE GOVERNANCE

Dear Members,

The Ministry of Corporate Affairs, Government of India has, vide its Circular nos. 17/2011 dated 21st April 2011, and 18/2011 dated 29th April 2011 introduced the concept of 'Green Initiative in Corporate Governance' by permitting paperless compliances by companies through electronic mode. By virtue of the said circulars, companies are now permitted to send their Annual Reports and other communications/documents to members electronically, to their registered e-mail addresses.

This move by the Government would contribute significantly towards a greener environment by reducing paper consumption. In addition, substantial costs towards printing and posting would be saved, thereby increasing profits.

In the light of the above benefits, henceforth, the Company plans to serve all the communications/documents in electronic form to its members to their e-mail addresses. **For making the same possible, a sincere appeal and request is made to the members to provide/update their email addresses to/with their *Depository Participant* in the format provided below.** The same will be deemed to be your registered e-mail address for serving any communications/documents in the future.

Please note that the communications/documents which will be sent electronically will also be hosted on the Company's website viz., www.hdo.in.

Kindly note that if you do not register your e-mail address, a physical copy of the communications/documents will be provided free of cost by the Company at your registered address, as per the current practice.

We at Hindustan Dorr-Oliver Ltd. therefore urge you to kindly cooperate and contribute to the Greener and healthier environment by according your consent to the above.

Thanking you,

Yours faithfully,

For Hindustan Dorr-Oliver Limited

S. C. Sekaran

Executive Director

E-MAIL ADDRESS REGISTRATION FORM TO BE SUBMITTED BY MEMBERS TO THEIR DEPOSITORY PARTICIPANTS

Folio No. / DP ID & Client ID: - _____

Name of the member: - _____

Name of the Joint member:-_____

Registered Address:-_____

Email id (to be registered):-_____

I/ we member(s) of Hindustan Dorr-Oliver Limited agree to receive Annual Reports and any other communications/documents from the Company in electronic mode. Please register my/our above mentioned e-mail id in your records for sending Annual Reports/communications/documents through e-mail.

Date: -

Signature(s): -

Note: - Members are requested to keep their Depository Participants informed as and when there is any change in their email address or registered address.

HINDUSTAN DORR-OLIVER LIMITED

Registered Office : Dorr-Oliver House, Chakala , Andheri (East), Mumbai – 400 099.

PROXY

Reg. Folio No. No. of Shares held

I/ We

..... of

..... being a Member/ Members of HINDUSTAN DORR-OLIVER LIMITED

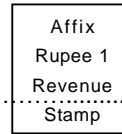
hereby appoint of or

failing him..... of as

my/ our proxy to vote for me/ us on my behalf at the THIRTY SIXTH ANNUAL GENERAL MEETING of the Company to be held on Friday, September 30, 2011 and at any adjournment thereof.

Signed this day of, 2011

Signature



Note : This form duly completed and signed must be deposited at the Registered office of the Company not less than 48 hours before the Meeting.

HINDUSTAN DORR-OLIVER LIMITED

Registered Office : Dorr-Oliver House, Chakala , Andheri (East), Mumbai – 400 099.

ATTENDANCE

(To be handed over at the entrance of the Meeting Hall)

Thirty Sixth Annual General Meeting – Friday, September 30, 2011

I hereby record my presence at the THIRTY SIXTH ANNUAL GENERAL MEETING of the Company held at The Mirador, New Link Road, Chakala, Andheri (East), Mumbai - 400 099 at 3.00 P.M. on Friday, September 30, 2011.

Full name of Member (IN BLOCK LETTERS)

.....

Reg. Folio No./ Demat ID.....

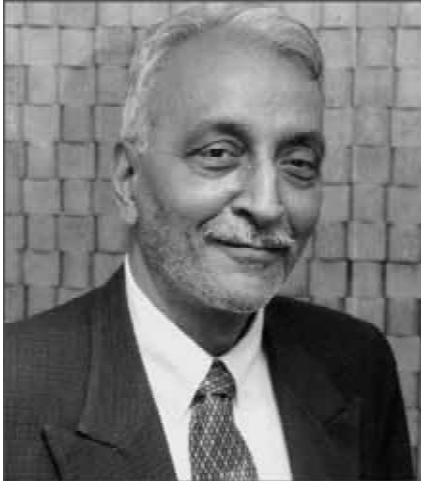
No. of shares held.....

Full name of Proxy (IN BLOCK LETTERS)

.....

.....

Member's / Proxy Signature



INSIGHTS

Prabhakar Ram Tripathi , *Chairman*

Travelling from achievement to achievement. Sustaining passion to explore, innovate and go beyond. Foraying into new business sectors have established your Company as an engineering force to reckon with. The talent pool of engineers and managers are more than fulfilling expectations as is the continued support of our trusted business associates. Your Company continues to acquire world class technology through global strategic tie-ups and acquisitions to remain a leader in its businesses.

During the last financial year we were able to step up our performance through robust processes in manufacturing plants, effective project management and improvements in the supply chain. We secured an export order from M/s. Konkola Copper Mines, Zambia. We have made a breakthrough in the Nuclear sector by bagging a couple of orders from NPCIL for manufacturing.

Recognizing that our employees are our core strength, we are focusing on developing their capabilities. In addition to the ongoing programmes, our Human Resources Team has undertaken various development initiatives to enhance the skill-sets of high potential employees to meet requirements of new business segments. Further induction of new people with expertise in Power/Hydro Carbon/Nuclear sector is a continuous process at your Company.

Beneficiation of various metals like copper, iron ore & steel, nuclear power plant, manufacture of special equipments catering to the nuclear sector, oil & gas and hydrocarbon are a few industry verticals where we see immense potential for growth. As we have the expertise in these fields, we are poised to tap the opportunity in these sectors.

We are taking a number of measures to strengthen our ability to achieve our goals. Business Processes and Operations were made more robust through implementation of Integrated Management Systems (IMS). A KRA based Performance Management Process is in place. SAP implementation has taken place across HO, project sites and factory as well and more importantly, our sincerity and hard work have enhanced our confidence to help reach anything beyond engineering.

Your Company faces some major challenges that we need to effectively deal with. The industrial investment climate across the world, including India, is not offering room for optimism in the short term. Fiscal and monetary policies are not conducive for accelerated industrial growth. Despite this ambivalence, commodity prices have not exhibited any weakening trend and this situation has brought in margin pressures on the EPC Segment. We are also facing an uneven competitive pressure from China, especially in the power segment, which may extend to other segments too in the immediate future.

Your Company has a very strong engineering, manufacturing and EPC capabilities. We also have resilient and committed employees led by a proven management team that will rise to the occasion to meet the challenges we are encountering in the market place. Backed by the confidence and trust of all our stakeholders, we are confident of navigating HDO's future journey in a sustainable and profitable manner. I am confident that the Management Team with the invaluable guidance of the Board of Directors will achieve its Goals and Objectives.

On behalf of everyone at your Company, I want to thank one and all for your support and commitment to your Company. I look forward to your continued support and best wishes to take our Company to the next level through its growth strategy.

INSIGHTS

E.Sudhir Reddy, Vice Chairman



The performance of your Company was a result of strong global economic recovery, India's consumer demand for product and services linked to a better quality of life and best-in-class manufacturing achievements at all our plants. Your Company was able to demonstrate the full potential of its manufacturing assets, management capability, high quality of products and access to Indian markets by achieving good financial results. This is attributed to volume growth and better margin in the core businesses.

Your Company remained focused on our core business and continuously focussed to tap the opportunities available in the Global Market. We continued to move ahead on growth path by penetration into new business areas through technical tie up with world market leaders and enhance our manufacturing capability. The pursuit of customer satisfaction/ organization excellence is not only a goal for everyone but it is a value that is deeply ingrained in all our employees mind set. We wish to reiterate the commitment of our team to make your Company a world class leader in creation of shareholder value in the Engineering and Manufacturing Segment.

During the year 2010-11, we stepped up our commitment to build organizational capacity, management bandwidth and ability to execute our strategic initiatives. As a result, we secured a global order from M/s. Konkola Copper Mines, Zambia for Copper Refinery Project and few orders from NPCIL for manufacturing of nuclear power plant equipments.

Each business vertical within the portfolio is continuously engaged in upgrading the strategic capability to effectively address their challenges of growth in a competitive market scenario. On engineering, procurement, construction (EPC) your company is participating in critical and high ended works pertaining to nuclear sector. Your company is also augmenting project management tools and skills to be in line with the state-of-art techniques in the world in the nuclear power sector area.

Your company is already into manufacture of high pressure feed water heater, surface condenser and air cooled condenser for thermal and nuclear power plants. Your company has also embarked on manufacture of high pressure reactor and separator columns which form the heart of the refinery and petrochemical complex.

We are gearing up for the next phase of growth through a combination of our own initiatives and building new technological partnerships with leading global technology players. Your Company will continue to be committed to be amongst the most cost efficient engineering companies in the world while meeting its social responsibility to all stakeholders and the communities which it serves.

We sincerely thank all our customers, vendor-partners, bankers, employees and stakeholders for their confidence and unstinted support and assure you that we as a Company will always live upto your expectations.



FROM THE ED's DESK

S.C. Sekaran, *Executive Director*

Dear Fellow Stakeholders

The macro business environment in the year under review was characterized by uncertainty and volatility. The Company also experienced extended prospect-to-award timelines. Nevertheless, the execution schedule of our existing orders remained largely on track. We also continued to gain significantly through our focus on competency, quality assurance and delivery. This ensured that the external environment did not impinge unduly on our performance, and we could successfully navigate through the economic cross currents to convert profitable business opportunities into contracted customer commitments.

Your company posted yet another year of good performance with a significant top line growth reflecting the robustness of its corporate strategy of creating multiple drivers of growth. This performance is particularly noteworthy when viewed against the back drop of the extremely challenging business context in which this was achieved.

It is a matter of great pride to reflect on the enormous progress made by your company over the last five years. Your company today is one among the leading engineering company in India, one among the top market leaders in manufacturing of process equipments, pre-dominant EPC player in Metals & Minerals and Water Segments and complete solution provider "Concept to Commissioning".

Technology is defining our lives; technology is also shaping corporate growth and leadership. Your company has always adopted contemporary technologies to achieve the cost competitive position in engineering and manufacturing to create new products/projects and to continuously innovate through their sustained R&D efforts to enhance organization effectiveness. We are constantly engaged through technical partnership with global players to gain access to technology, markets, products and projects to ensure long term sustainability and scalability prospects of the company.

The world has trillion opportunities and aspirations. Your company symbolizes opportunity to create wealth for the shareholders, provide technology to the industrial sector and manufacture critical equipment to the Power Sector / Oil & Gas / Hydrocarbon / Nuclear Power Plants. This opportunity is growing at a faster pace than before and we are already participating in new emerging markets like Iron & Steel Industry, Nuclear Power Plants, Power generation from Waste Heat Recovery Route with new enabling technology.

During the year your company secured first Global order from M/s. Konkola Copper Mines (KCM), Zambia for Copper Refinery for expansion of the existing facility by 50000 TPA of finished copper production. During the year,

FROM THE ED'S DESK

the manufacturing business secured orders from Nuclear Power Corporation of India (NPCIL), for manufacture of IFTM Shield Doors for Nuclear Reactors, Water Accumulator & Gas Accumulators, Heavy Water Storage Tank, D20-Heat Exchangers and Condenser for RAPP 7&8 Nuclear power projects.

Converting seawater into potable water with desalination plants throws up increasing business prospects both in Domestic and Middle East markets. Industrial opportunities in the form of effluent treatment plants also offers an increased market.

With the evident growth in the mining and industrial components of GDP coupled with a domestic imbalance in the demand-supply of steel, your Company sees abundant opportunities in mining equipment and capacity addition in the metals sector. Larger business prospects in Material Handling is being driven by power capacity addition, increase in ports and expansion of ferrous and non-ferrous metals production capacities.

Your Company's heavy engineering facilities in Vatva located in Gujarat is widely acclaimed for its world class design, manufacturing capabilities and on-time execution track record of technologically complex large sized equipment orders for process plants in India and abroad. This is standing your Company in good stead when scouting for business in domestic and international markets and is expected to facilitate growth in Power and Hydrocarbon sectors.

We are gearing up for the next phase of growth through a combination of our strategic initiatives and forging new partnerships with leading global companies.

Sustainable development is the key to an organization to survive and thrive. Accordingly, we have set out on a multi-year journey to achieve world class sustainable development through conservation of natural resources environment protection, employee engagement and welfare measures that affect different parts of society.

Your Company is committed to the pursuit of value creation through profitable growth of its business and we reaffirm our commitment to uphold highest standards of governance.

Before concluding, I would like to appreciate the efforts of all the employees of this organization for taking your Company to greater heights once again – this achievement would not have been possible without their wholehearted and unstinting efforts.

I would like to thank all our Board of Directors for their unwavering support and guidance and would like to take this opportunity to express my gratitude to all our stakeholders, customers and associates of our supply chain who have reposed confidence in us and extended their unrelenting support.

FIVE YEARS AT A GLANCE

Stand-alone Operating Results 2007 - 2011

(Rs. in Million)

Year Ending 31st March	2011	2010	2009	2008	2007
GROSS INCOME	9,713.05	8,771.06	5,292.19	3,148.42	2,196.79
Excise Duty	107.30	80.33	69.47	62.03	60.83
Net Income	9,605.75	8,690.73	5,222.72	3,086.39	2,135.96
Cost of Sales	8,540.57	7,622.35	4,642.07	2,710.86	1,898.98
EBIDTA	1,065.18	1,068.38	580.65	375.53	236.98
EBDT	847.53	892.37	500.69	362.93	229.45
EBIT	996.94	1,013.40	546.80	351.54	221.23
Profit before Tax	779.29	837.39	466.83	338.94	213.69
Tax	241.76	282.22	165.23	112.58	60.16
Profit after Tax before Exceptional Items	537.53	555.17	301.60	226.36	153.53
PROFIT AFTER TAXATION	537.53	555.17	301.60	226.36	153.53
Dividends*	66.95	67.17	42.12	25.27	21.06
Retained Profits	470.58	488.00	259.48	201.09	132.47
Earnings Per Share on profit after tax before exceptional items (Rs.) **	7.47	7.71	4.19	3.15	2.16
Dividend Per Share (Rs.) **	0.80	0.80	1.00	0.60	0.50
Market Capitalisation***	5,634.45	7,492.20	1,378.91	3,458.08	2,169.18
Foreign Exchange Earnings	13.52	161.96	6.17	82.65	141.51

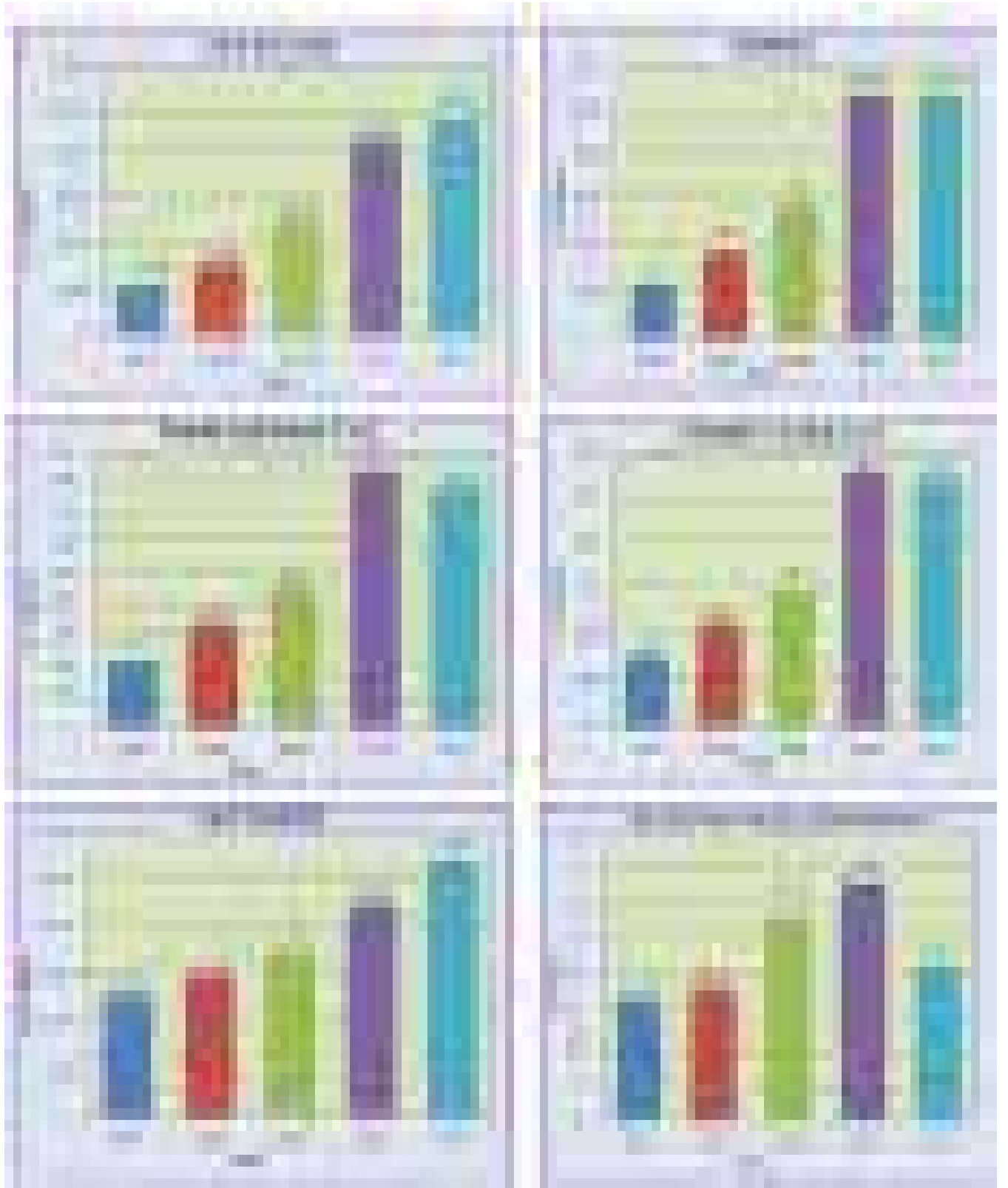
* Including Dividend Distribution Tax

** Based on year-end Share Capital, reflects the impact of Corporate Actions such as Amalgamation and Bonus issue in the respective years.

*** Based on Year-end closing prices, quoted on the Bombay Stock Exchange.

Year Ending 31st March	2011	2010	2009	2008	2007
SOURCES OF FUNDS					
Equity	144.01	144.01	72.01	72.01	72.01
Reserves (Including Revaluation Reserve)	2,551.53	2,100.46	1,681.48	1,428.35	1,225.06
Shareholders' Funds / Net Worth	2,695.54	2,244.47	1,753.49	1,500.36	1,297.07
Loan Funds	2,000.09	786.11	155.70	407.19	-
Deferred Tax - Net	26.74	16.32	9.46	(2.01)	(6.05)
FUNDS EMPLOYED	4,722.37	3,046.90	1,918.65	1,905.54	1,291.02
APPLICATION OF FUNDS					
Fixed Assets (Gross)	1,213.61	1,100.26	941.22	657.69	553.20
Depreciation	375.42	313.89	258.61	225.54	199.90
Fixed Assets (Net)	838.19	786.37	682.61	432.15	353.30
Investments	90.64	17.61	17.03	34.92	17.18
Net Current Assets	3,793.54	2,242.92	1,219.01	1,438.47	920.54
NET ASSETS EMPLOYED	4,722.37	3,046.90	1,918.65	1,905.54	1,291.02
Return on Capital Employed	21.52	33.45	28.75	18.79	17.37
Net Worth Per Share (Rs.)	37.44	31.17	24.35	41.67	36.03
Debt : Equity Ratio	0.74:1	0.35:1	0.09:1	0.27:1	-

PERFORMANCE INDICATORS



DIRECTORS' REPORT

DEAR SHAREHOLDERS,

Your Directors are pleased to present the 36th Annual Report and the audited accounts for the financial year ended March 31, 2011.

FINANCIAL RESULTS

The financial performance of the Company for the financial year ended March 31, 2011 is summarised below

(Rs. in Million)

Particulars	Year ended March 31, 2011	Year ended March 31, 2010
Net Sales	9,444.64	8,631.12
Other Income	161.11	59.61
Total Income	9,605.75	8,690.73
Profit from Ordinary Activities before Tax	779.29	837.39
Provision for taxation	241.76	262.39
Tax adjustments for earlier years	-	19.83
Profit after taxation	537.53	555.17
Balance brought forward from previous year	579.03	341.03
Balance available for appropriation	1,116.56	896.20
Appropriations		
Proposed dividend for the financial year at the rate of 40% @ Rs. 0.80 per share	57.60	57.60
Corporate Dividend Tax	9.35	9.57
Transfer to General Reserve	200.00	250.00
Retained profits carried forward to Balance Sheet	849.61	579.03

PERFORMANCE

The Financial year 2010-11 was a year of marginal growth and new business opportunities for your Company.

Your Company, by maintaining its strong leadership position in proven fields, achieved the turnover of Rs. 9,444.64 Million (previous year Rs. 8,631.12 Million). This was due to robust business traction across the EPC and manufacturing divisions. Further, the year ended with an operational performance with Profit before Tax at Rs. 779.29 Million (previous year Rs. 837.39 Million), a fall of 6.94% over the previous year, whereas Profit after Tax decreased by 3.18 %.

These results were achieved through a focussed strategy of leveraging upon our strong presence in the existing industry verticals and at the same time, by tapping the opportunity presented by a growing economy.

DIVIDEND

The company aims at wealth creation for shareholders. Towards this end, the dividend policy has been structured with a view towards effective balancing of the twin objectives of appropriately rewarding shareholders with cash dividend and ploughing back a portion of the earnings to meet the company's future investment requirements.

Keeping in view the overall performance of your Company, your Directors are pleased to recommend a dividend of Rs.0.80 per Equity Share on face value of Rs.2/- each for the year 2010-11. (2009-10 @ Rs. 0.80 per equity share).

TRANSFER TO RESERVES

The Company proposes to transfer Rs. 200.00 Million to the General Reserve out of the amount available for appropriations, and an amount of Rs. 270.58 Million is proposed to be retained in the Profit & Loss Account.

FUTURE PROSPECTS

The company's efforts are consistently directed towards the upgradation of its strategic capability to effectively address the challenge of growth in an increasingly competitive market scenario. The vision of becoming a global corporate entity through world-class performance has been put into action through creation of multiple business drivers of growth which have synergy with existing skills and competencies of the Company.

DIRECTORS' REPORT (Contd.)

HDO is on the path of setting global footprints and is looking at minerals & metals and electromechanical packages in refineries and smelters in and around Zambia. The Company has recently received an order for USD 85 Million from Konkola Copper Mines Plc. for expansion of their copper Refinery project.

The company is looking at tapping opportunities in emerging sectors like steel, pelletisation, iron ore neclar power plants etc. The Company has also become L1 in a tender floated by NMDC for 1.8 MTPA of Iron ore Beneficiation.

SUBSIDIARIES

The Consolidated Financial Statements prepared by the Company include the financial information of subsidiary companies, namely HDO Technologies Limited, DavyMarkham Holdings Limited, HDO UK Limited, (formerly known as IMCO 22010 Limited, [UK]) and DavyMarkham Limited.

In accordance with the general circular issued by the Ministry of Corporate Affairs, Government of India, copies of the Balance Sheet, Profit & Loss Accounts, Reports of the Directors and Auditors and other relevant statements in respect of subsidiaries of the Company for the year ended March 31, 2011, have not been attached to the Balance Sheet of the Company. A statement giving details of turnover/income, net profit, dividend, share capital, reserves and surplus, assets and liabilities, etc. forms part of the Annual Report. The Annual Accounts of the subsidiary companies are open for inspection by any member/investor. The Company will make the documents /details available, upon request by any member of the Company or its subsidiaries interested in obtaining the same.

DavyMarkham Holdings Limited, HDO UK Limited, and DavyMarkham Limited became subsidiaries with effect from February 28, 2010 and the financial statements have been prepared for a period of 15 months from January 1, 2010 till March 31, 2011.

DavyMarkham India Private Limited was incorporated on May 26, 2010, which has a total paid up Share Capital of Rs. 0.10 Million and is wholly owned subsidiary of Hindustan Dorr Oliver Limited.

PUBLIC DEPOSITS

The Company did not accept any deposits from public during the year. Rs. 0.20 Million was unclaimed deposit as on March 31, 2011.

CORPORATE GOVERNANCE

The Company is committed to maintain the highest standards of Corporate Governance. The Report on Corporate Governance and Auditors' Certificate regarding compliance with conditions of Corporate Governance as stipulated in Clause 49 of the Listing Agreement with Stock Exchanges forms part of the Annual Report.

The declaration regarding compliance with Code of Business Conduct and Ethics for Directors and Senior Management forms part of the Report on Corporate Governance.

MANAGEMENT DISCUSSION AND ANALYSIS REPORT

Management Discussion & Analysis Report for the year under review as stipulated under Clause 49 of the Listing Agreement with the Stock Exchanges, is presented separately in the Annual Report.

BOARD OF DIRECTORS

Mr. E. Sudhir Reddy and Mr. M. L. Majumdar retire by rotation at the ensuing Annual General Meeting and being eligible offer themselves for re-appointment.

STATUTORY AUDITORS

M/s. Chaturvedi & Partners, Chartered Accountants, Statutory Auditors of the Company will retire at the conclusion of the ensuing Annual General Meeting and are eligible for reappointment.

The Company has received a confirmation from them to the effect that their appointment, if made, would be within the prescribed limits under Section 224(1B) of the Companies Act, 1956.

INTERNAL AUDITORS

M/s V. C. G. & Co., Chartered Accountants, are the Internal Auditors of the Company and they monitor the internal control system of the Company at its works at Vatva, Ahmedabad and Mumbai office.

CONSERVATION OF ENERGY, RESEARCH AND DEVELOPMENT, TECHNOLOGY ABSORPTION ETC.

The particulars relating to energy conservation, technology absorption, foreign exchange earnings and outgo as required to be disclosed under the Section 217 (1)(e) of the Companies Act, 1956 read with Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988, is annexed to this report marked Annexure I.

DIRECTORS' REPORT (Contd.)

PARTICULARS OF EMPLOYEES

Information in accordance with the provisions of Section 217(2A) of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975, as amended, regarding employees is given in Annexure – II to the Directors' Report.

DIRECTORS' RESPONSIBILITY STATEMENT

Pursuant to Section 217 (2AA) of the Companies Act, 1956, the Directors confirm in respect of the audited annual accounts for the year ended March 31, 2011:

- (i) that in the preparation of the annual accounts, the applicable accounting standards had been followed;
- (ii) that they had selected such accounting policies and applied them consistently 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 ended on March 31, 2011 and of the profit of the Company for that year;
- (iii) that they had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956, for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- (iv) that they had prepared the annual accounts on a going concern basis.

INDUSTRIAL RELATIONS

The Company continued to have cordial and harmonious relations with its employees.

HEALTH, SAFETY & ENVIRONMENT

In line with our Corporate vision to improve the safety and quality of life of employees and to mitigate the risks of Health, Safety and Environment (HSE), the Company is actively involved in design and engineering of its projects through the non-polluting manufacturing processes, scrupulous compliance with environment norms and development of environmental products.

Reinforcing our commitment to high levels of Quality and best-in-class services to customers, the company has Integrated Management system (IMS) consisting of ISO 9001: 2008, ISO 14001: 2004 and OSHAS 18001: 2007 systems across the organisation inclusive of project sites accredited by M/s International Standards Body, Australia.

The Company is committed to progressively maintaining the best in class standards of HSE care for its people, practices, processes and services. The Company also promotes active participation of its employees and contractors to manage HSE risks with a goal to preventing accidents, injuries and occupational illness. The Company conducts on-going safety awareness programmes which together with safety audits and continual safety training strengthens the processes and systems in this area. The Company also conducts continuous training of the staff at all levels regarding HSE issues, with experts being invited to train the senior management.

Upgradation of safety procedures at project sites and training has been of prime importance as a part of workplace safety.

As a part of its commitment to environment, which has always been in the forefront, your Company has taken up several environmental management initiatives and remains committed to clean environment.

As a leader in environment and waste management technology market, HDO provides complete solutions for waste reduction and water conservation for broad spectrum of industries like refineries, minerals, pulp and paper, sugar, etc.

ACKNOWLEDGEMENT

The Directors would like to express their appreciation for support and cooperation received from the holding company, bankers, financial institutions, suppliers, associate sub-contractors and members during the year under review. Your Directors also wish to place on record their deep sense of appreciation for the committed services provided by the executives, staff and workers of the Company. The Board of Directors also thank all the employees for their contribution and continued cooperation throughout the year and is confident that new heights can be reached in improving the stakeholder value in the Company.

For and on Behalf of the Board

Hyderabad
May 28, 2011

E. Sunil Reddy **S.C. Sekaran**
Managing Director *Executive Director*

DIRECTORS' REPORT (Contd.)

Annexure I – Directors' Report

Statement pursuant to Section 217(1)(e) of the Companies Act, 1956 read with Companies (Disclosure of Particulars in the Report of the Board of Directors) Rules, 1988.

FORM A

(See Rule 2)

Form for Disclosure of Particulars with respect to Conservation of Energy

	Year ended March 31, 2011	Year ended March 31, 2010
A. Power and fuel consumption		
1. Electricity		
(a) Purchased Unit (KWH in Million)	2.28	1.80
Total amount (Rs. in Million)	12.51	10.05
Rate/unit (Rs./KWH)	5.49	5.59
(b) Own Generation Unit (KWH in Million)	0.04	0.04
Total amount (Rs. in Million)	0.46	0.39
Rate/unit (Rs./KWH)	12.40	11.11
2. Coal (specify quality and where used)	NIL	NIL
3. Furnace oil	NIL	NIL
4. Others/internal generation (Diesel Ltrs)	10960	10,180
B. Consumption per unit of production		
Electricity (Per M.T. KWH) (Total Unit/total Production)	320.25	331.64

FORM B

Research and Development

1. Specific areas in which R & D was carried out by the company.

Extensive laboratory studies were carried out for precipitation of oxalate from the concentrated spent liquor recycle stream in the Bayer process red mud circuit at Vedanta Alumina Limited, Lanjigarh. This was basically to prevent oxalate build up in the liquor, which would otherwise lead to product contamination, and also scaling of process equipment. The process scheme adopted was along the guidelines of the client's consultant, GAMI, China. A Techno Commercial offer for the plant was subsequently submitted to the client.

Laboratory studies are progressing on Advanced Oxidation system and biological wastewater treatment Sequential Batch Reactor system. Studies are being planned for work on the development of a cost effective Flocculant Preparation/ Dosing System.

Detailed laboratory flotation tests were conducted for beneficiation of monazite from beach sand ore deposits, at Indian Rare Earths Ltd, Chatrapur, Orissa.

Filtration tests were repeated jointly with Delkor and the BARC team at Atomic Minerals Division, Hyderabad on Neutral and Alkali Leach slurries to finally conclude on process parameters, in connection with the ongoing grass root uranium ore beneficiation project at UCIL Tummalapalle.

2. Benefits derived as a result of above R & D efforts.

Based on laboratory test work & stimulation studies, an order worth Rs. 2.00 Million was received from M/s Indian Rare Earths Ltd, Chatrapur for a Flotation Cell system for beneficiation of monazite from beach sand ore deposits.

DIRECTORS' REPORT (Contd.)

3. Future Plan of action

The corporate R&D Centre at Ahmedabad has been expanded in line with the requirements of the company and outlined in discussions with the Department of Scientific and Industrial Research (DSIR), Ministry of Science and Technology, Govt. of India., Delhi. The recognition from DSIR has been extended by another 3 years.

The Company plans to continue research in the areas of Wastewater Treatment, Mineral Beneficiation and Pulp and Paper technology. We have also planned for development of an effective flocculant preparation system, which would be used for various projects undertaken by the company, replacing existing bought out systems.

4. Expenditure on R & D.

Recurring : Rs. 16.59 Million

Total : Rs. 16.59 Million

Total R & D expenditure as
Percentage of total turnover. : 0.17%

5. Technology absorption, adaptation and innovation.

1. Efforts, in brief, made towards technology absorption, adoption and innovation.

A tie up has been entered into for technology absorption and innovation with M/s Kemira, Sweden for Inorganic Coagulant Production Process, for producing ferric chloride and aluminium chloride at their new plant coming up at Vizag, India.

2. Benefits as a result of the above efforts.

R & D Efforts coupled with acquisition of new technologies have helped the company become a leading technology provider in various areas and enabled it to bid for projects in India as well as overseas.

6. Foreign Exchange Earnings and Outgo

(Rs. in Million)

	Particulars	2010-11	2009-10
(i)	Foreign Exchange earned	13.52	161.96
(ii)	Foreign Exchange used	461.84	473.60

For and on Behalf of the Board

Hyderabad
May 28, 2011

E. Sunil Reddy **S.C. Sekaran**
Managing Director *Executive Director*

DIRECTORS' REPORT (Contd.)
ANNEXURE-II

Information as per Section 217(2A) read with the Companies (Particulars of Employees) Rules, 1975 and forming part of Directors' Report for the year 1st April, 2010 to 31st March, 2011

Name	Age (in Years)	Qualifications	Experience (in Years)	Date of Joining	Description & nature of duties	Gross Remuneration (Rs. in Million)	Last Employment Held
Mr. E. Sunil Reddy	48	B.Com, L.L.B	24	29/1/2007	Managing Director	36.07	IVRCL Assets & Holdings Limited

Notes:

- (1) Gross remuneration as shown above includes Salary, Performance Incentive, House rent allowance and other allowances, Company's contribution to Provident Fund and Superannuation Scheme, Leave Travel Assistance, Medical Expenses reimbursed as per terms of appointment

For and on behalf of the Board

Hyderabad
May 28, 2011

E. Sunil Reddy **S. C. Sekaran**
Managing Director *Executive Director*

MANAGEMENT DISCUSSIONS & ANALYSIS

OVER VIEW OF INDIAN ECONOMY

The Indian economy driven primarily by domestic demand and consumption, powered by a rebound in the agricultural sector, has very decisively put behind the effects of global slow down and posted vigorous and positive macro economic factors. Continued momentum in some sectors of manufacturing and construction enabled the economy to achieve a higher growth in GDP of 8.5% for the year 2010-11 compared to 8% over 2009-10.

India is regarded as one of the youngest economies in the world with ample opportunities as a manufacturing hub and in development of Infra-structure. It is encouraging that infrastructure, has been the focal point of government's budget proposals for 2011-12, accounting to 49% of total plan allocation. However the resilience of the economy would continue to be tested in the medium term by the challenges thrown open by struggling world economy and domestic pressures of inflation, increasing interest rates, hurdles faced in land acquisition/environmental clearances for Metals & Minerals Sector.

COMPANY PERFORMANCE

Your company recorded a good performance during the year 2010-11 with all round growth in various operating and financial parameters despite intense competition spiraling input costs, subdued tendering activity in certain sectors due to pending decisions of investment and statutory Governmental clearances.

BUSINESS PORTFOLIO

HDO has always focused on adding value across the different elements of supply chain in Engineering and Manufacturing sector. Today the company operates on diversified portfolio of different businesses that have different market segments, require different skill sets and operate under varying risk return profiles.

The diverse portfolio includes the following business:

- a) Integrated Engineering Division
- b) Engineering and Construction Division
- c) Manufacturing Division.

A) Integrated Engineering Division

This Division provides leading edge Engineering solutions to multiple industrial sectors like Minerals & Metals, Water Management, Fertilizer & Chemicals, Pulp and Paper, Cement, Steel, etc.

It has Head Quarter at Mumbai and operates from dedicated Engineering Centres at Ahmedabad, Bangalore, Chennai in tandem with corporate team to cater to engineering requirements of global clients. Engineering outsourcing to India is increasing at fast pace and analysts predict that this will grow to \$ 40-45 billion by 2020 from \$ 10 billion during 2010-11. Customers world over have begun to view service provider as their strategic partners owing to greater confidence in their enhanced engineering capabilities.

During the year, the following major Engineering Services were rendered:

1. Study of DAP/NPK Plant Expansion feasibility through Pipe Reactor at IFFCO-Paradip
2. Detailed Engineering Services and Project Management for marine chemicals unit of Archeon Chemical Group
3. ETP Revamp technical study for Coramandel Fertilizer Plant
4. Kemira for detailed engineering services for Inorganic Coagulant Plant

B) Engineering, Procurement and Construction Division (EPC)

Engineering & Construction Division designs, engineers and execute world-class projects for various industrial sector with single-point responsibility from front-end design through detailed engineering, modular fabrication, procurement, project management, construction and installation, to commissioning Strategic alliances with world leaders enable the Division to access advanced know-how and deliver projects that meet stringent Health, Safety & Environment, quality requirements and time schedules.



INCONEL CLADDED AUTOCLAVE - UCIL - Kadappa Site

MANAGEMENT DISCUSSIONS & ANALYSIS (Contd.)

Your company secured first Global order from M/s. Konkola Copper Mines (KCM), Zambia for Copper Refinery through Acid leaching route – valued 85 Million US\$. The scope involves design, engineering, supply, manufacturing, installation, erection, commissioning of EPC-02 Package of CRO Plant. This project is for expansion of the existing facility by 50000 TPA of finished copper production through installation of hydrometallurgical plant which consists of crushing, milling, leaching, solvent extraction and electrowinning for treating CRO material. The basic engineering package is given by Outotec Finland for main Crushing and Grinding, Leach Agitation, CCD, Neutralization and the basic engineering package for the Electrowinning section is given by Xtrata-Australia. This is a first major breakthrough for HDO in Copper Refinery Plant.

The Division has a good track record of executing large size and complex projects on turnkey basis in Metals & Minerals Sector, Fertilizers & Chemical, Pulp and Paper and Water Technology sectors. Division's major capabilities include in-house engineering, R&D, engineering, joint ventures with reputed international companies, offshore installation capabilities, world class fabrication facilities, experienced and competent project execution team and safe work culture.

Major jobs completed during the year include the following:

- a) Effluent Treatment Plant at IOCL Refinery at Haldia
- b) Ammonium Nitro Phosphate Production facility at RCF-Mumbai
- c) Effluent Treatment Plant at Bharat Oman Refinery Ltd.
- d) Integrated Effluent Treatment Plant at HPCL-Mumbai
- e) RWTP and RO-DM Plant in HMEL-Guru Gobind Singh Refinery, Bathinda

Domestic market is increasingly flooded with new aggressive competitors, both Indian and foreign. This Division is pursuing actions in terms of improving cost competitiveness, diversifying into new geographies and venturing into new product lines. The Division has been able to maintain the operating margins through various initiatives such as expanding vendor base, low cost country sourcing, frame rate agreement with suppliers, value engineering and improved contract management.



BPCL - KOCHI - Effluent Treatment Plant

New areas of business entered into during the year 2010-11:

- 1) Iron Ore Beneficiation Plant
- 2) Copper Refinery
- 3) Nuclear Power Plant equipment manufacture
- 4) Department of Atomic Energy (Heavy Water Board) – Uranium Nitryl Conversion facility
- 5) Uranium Ore Processing Plant of huge capacity is under commissioning
- 6) Seawater Desalination Plant on our own pre-qualifications
- 7) DM/RO Plant, inclusive of ultra-filtration and condensate polishing units

MANAGEMENT DISCUSSIONS & ANALYSIS (Contd.)

C) Manufacturing

HDO has manufacturing and fabrication facilities at:

- i) Vatva in Ahmedabad, Gujarat and
- ii) DavyMarkham, Sheffield, U.K.

i) Facility at Ahmedabad, Gujarat India

During the year, the manufacturing business secured orders from Nuclear Power Corporation of India (NPCIL), for manufacture of IFTM Shield Doors for Nuclear Reactors, ECCO Light Water Accumulator & Gas Accumulators, Heavy Water Storage Tank, D20-Heat Exchangers and Mechanical design, manufacture, supply of Heat Exchanger/Condenser for RAPP 7&8 Nuclear power projects.

Your company's state-of-the-art manufacturing facility at Ahmedabad has been approved by all leading project management consultants, like EIL, UHDE, Foster Wheeler, Lurgi, TOYO, Technimont, Jacobs, TCE, TCPL, BARC, NPCIL, etc., and the workshop is further upgraded to manufacture equipment for the power sector. Proud to inform that your manufacturing facility is one among the top ten leading engineering manufacturing facility in the country. Your company has EOT crane facility of 200 tons capacity, and we have been qualified for manufacturing of Alloy Steels, and exotic metallurgy which are normally used in Reactor, High Pressure Heat Exchanger, Large Columns and Auto Clave manufacture.



RCF - THAL - (SS 304L) CONDENSATE STRIPPER COLUMN

HDO manufacturing facility is being upgraded with U-2/S certifications from ASME-USA to undertake nuclear component manufacturing. Moreover the experience of Davy Markham shall also find effective utilization at our manufacturing works in the accomplishment of this task. Substantial progress for acquiring "N" stamp are made for further manufacture of specialized nuclear components. Further step in the area of Heat Transfer Equipment for Power Sector, HDO has booked good amount of orders under technical collaboration with Brownsverk Heat Transfer, Netherlands.

Your company is happy to announce that it has manufactured AutoClave, (2 nos.), each of 350 MT for processing of Uranium Ore. The detailed design of the equipment has been carried out at your Works with stage-wise inspection carried out by Lloyds Agency. This gives your company ample opportunities to manufacture this large equipment for the global market. From a mere fabrication workshop, your company's factory at Ahmedabad is catering to the requirements of highly technologically oriented process equipment for various process industries mainly Hydrocarbon, Petrochemical, Oil & Gas and Nuclear Power Plant. Many global companies have visited our facility and have come forward to source their global requirements of their product from your workshop at Ahmedabad in view of the state-of-the-art facility and our quality control system.

The company has launched a number of initiatives aimed at establishing leadership position in manufacturing in the global market and seized the opportunities in manufacturing in overseas markets. The key initiatives are as follows:

MANAGEMENT DISCUSSIONS & ANALYSIS (Contd.)

- a) Facility Enhancement
- b) Automation and Productivity Improvement
- c) Quality Improvement

Facility Enhancement

Company has incurred substantial capital expenditure during the year in line with this growth plans through creation of new fabrication shed 2 nos. of total area for 4200 sq.mtrs area, with a height of 21 mtrs. New state-of-art fabrication equipments are Tube Finning Machine, Power Press of 20 MT capacity and Die for Plate Fins which are required for manufacture of Air Cooled Heat Exchangers.



CNC GAS CUTTING MACHINE FACILITY

Material handling equipment such as EOT Crane, Goliath Gantry Crane, Portable Gantry Crane, Jib Cranes and Welding Rotators, etc. have been procured to assist in expediting the manufacturing cycle time.

Automation and Productivity Improvement

Due to the change in market scenario, customers were squeezing the normal delivery time and majority of their projects are on fast track. With intention of meeting the market requirements, several initiatives on automation of manufacturing sub-activities as given below are pursued.

Installation of High frequency Grinding machines, SAW Tractor type, Nozzle Opening machine, Edge Cut Machine, Tube Expander, CNC Gas cutting machine, Hydraulic Bolt Tightener, Tube to Tube Sheet welding machine, Strip cladding facility leads to enhanced automation and productivity.



FULL VIEW OF MANUFACTURING FACILITY

MANAGEMENT DISCUSSIONS & ANALYSIS (Contd.)

ii) DavyMarkham Limited, Sheffield, U.K.

This manufacturing facility has a long and distinguished track record in the design, manufacture, fabrication and machining of heavy and complex engineering components and assemblies catering to various industrial segments given below:

- a) Mining and tunneling
- b) Civil construction including moving bridges
- c) Steel and metal processing
- d) Water control, storage and barrier solutions
- e) Power generation including wind and hydro power
- f) Nuclear – storage and transportation, and
- g) Renewable energy

This extensive workshop, situated in Sheffield (UK) is unique in Western Europe, in terms of capacity and capabilities for heavy fabrications and machined components and can handle extremely large turnkey projects, utilizing our expertise in hydraulics, controls, engineering, installation and servicing with the capability of moving individual structures weighing up to 350 tonnes.

DavyMarkham has secured an important \$5.4 Million contract for the supply of two heavy duty mining hoists to Volcan Compania Minera of Peru, the fourth largest producer of zinc and silver worldwide. The order is for production and service hoists for Volcan's latest Pique Andaychagua mining project in the Yuauli province, some 150 km northeast of the Peruvian capital Lima, which will be designed for an estimated production rate of 4000 tonnes per day from depths down to 970 m. This is DavyMarkham's first contract gain in Peru, which occupies a leading position in the global production of silver, gold, lead, copper and zinc, with the potential of soon becoming the mining industry leader in Latin America, according to market experts.

DavyMarkham has secured an impressive contract worth more than £10 Million to supply drum hoists to a Canadian gold producer. This facility, which fabricates and supplies complex engineered component, has a strong track record in delivering drum hoists to mines across the globe and the contract will see the hoists operating at the Goldcorp Eleonore project in northern Quebec. The scope involves supply two double-drum hoists, one production hoist used to sink the shaft and a second service hoist which will service the mine's main operations – to extract Eleonore's significant gold resources. The contract for Goldcorp Eleonore Project builds on our experience within the mining market, which is opening up more export opportunities within the Americas and other continents as explorations yield undiscovered mineral resources.

QUALITY IMPROVEMENT:

HDO being an ISO certified company is engaged in continuous improvement in quality surpassing customer expectation and create its own benchmark quality standards. In this endeavour, quality testing equipment like Universal testing machine, Impact Testing Machine, Charpy notch broaching machine, Profile Projector, Hardness Tester, FeritScope, PMI-Positive Material Identification M/C, MPI-Magnetic Particle Inspection M/C have been installed. The human assets have been given adequate training on usage of these new gadgets and use them on consistent basis. We are already establishing a clean room facility to cater to the requirement during manufacture of critical equipment using exotic metallurgy as required by global customers.

R&D, QUALITY AND PRODUCT DEVELOPMENT

Innovation across every element of the business value chain through a sustained process of Research and Development (R&D) is a key imperative in today's competitive context. Your company's R&D Center has been recognized by Department of Science & Technology (DSIR) and major test work and stimulation studies of various metallic ores and water samples is being carried out regularly. This R&D Center assumes critical significance for your company since its competitive landscape is marked with technical partnership with world-class companies having strong R&D focus and passion for innovation. Your company is continuously engaged in development of niche products/projects across the various industrial sectors in order to gain the pre-qualification criteria for participation in new areas of business and sustain our growth.

MANAGEMENT DISCUSSIONS & ANALYSIS (Contd.)

BUSINESS CHALLENGES

Sustained economic growth in India on the backdrop of slow recovery internationally will continue to attract global EPC players to the country. The emerging prospects in the Middle East are also expected to witness intense competition. Low cost Chinese power plant equipment manufacturers, armed with tariff protection and shorter delivery schedule, pose a major challenge to domestic power equipment manufacturers. On the cost front, input prices are expected to rise further. The ability of businesses to handle competition will depend upon success of technology tie ups, pre-bid alliances, cost leadership and execution excellence.

Order prospects for metals & minerals, power, fertilizer & chemicals, water and hydrocarbon sectors largely depend upon the government's ability implement policy decisions and finance large scale projects. Power projects and new projects in minerals metals sector face hurdles due to issues such as land acquisition, coal linkages and environmental clearances.

With increasing proportion of large sized Engineering, Procurement and Construction (EPC) orders under execution, meeting stiff delivery schedules set by demanding customers will require smart contract management and close project monitoring to achieve sales targets.

GROWTH STRATEGIES AND THRUST AREAS:

Ensuring cost competitiveness, timely execution of projects within cost estimates, managing volatility, control over working capital, achieving operational efficiency, improved supply chain management will be the key success factors for the projects and product businesses to achieve the desired growth in the medium term. Each business vertical within the portfolio is continuously engaged in upgrading the strategic capability to effectively address their challenges of growth in a competitive market scenario. The company has identified the following business areas which has synergy with the existing line of business

The major strategies for growth are penetration into new emerging thrust areas of industrial growth.

a) Coal Washeries

The coal washeries help reduce ash content by 7-8 percent in the coal and improve its calorific value translating to further benefits such as improvement in thermal efficiency, plant load factor, savings in freight, savings in ash re-handling and land and reduction in operation and maintenance cost. As per the Economy Survey report: CIL has envisaged setting up new coal washeries with an estimated investment of about Rs. 25,000 Millions and CIL wants the private sector Indian and foreign companies to set up non-coking coal washeries on "Build, Own and Operate" basis. HDO is well geared up to take up this challenge and has tied up with M/s. Tangshan Guohua Technology Company Ltd., China as their technology partners to bid for the coal washeries.

b) Nuclear Power Plant

Power and Energy continues to be the thrust area in India due to the continuing supply demand gap across several regions and development of infrastructure. In this regard several measures were initiated by the Government to promote huge investments in power sector with special emphasis on nuclear power. The 12th plan envisages capacity addition of 105000 MW of power generation with mix of thermal and nuclear power.

India's nuclear program has witnessed serious momentum with the beginning of the construction of nation's 25th and 26th Nuclear Power Reactors at Rawatbhata in Rajasthan. Seven Reactors with total capacity of 5300 MW are already in the advanced stage of construction. On completion the total installed nuclear power capacity will reach 10080 MW by 2017. Further planning is under progress by NPCIL to take the capacity to 20000 MW by 2020.



DUPLEX HEAT EXCHANGER FOR VEDANTA ALUMINA REFINERY

MANAGEMENT DISCUSSIONS & ANALYSIS (Contd.)

Your company has already entered the Nuclear Sector and executing orders from nuclear establishments. Currently your company is executing four orders from Nuclear Power Corporation of India Ltd. in respect of Pressure Vessels, Heat Exchangers and Tanks. Your company is also executing an order from Bharatiya Nabhikiya Vidyut Limited (BHAVINI) in respect of Shielding, Duct Flange and Flux for PFBR at Kalpakkam. Your company is also executing orders from Uranium Corporation of India Ltd and Heavy Water Board for engineering, procurement, construction (EPC) involving civil process, mechanical, electrical and instrumentation works, complete project management and execution consisting of plant building, complete civil work, etc. Your company is also technically qualified for EPC packages of NPCIL for:

- a) Primary Piping Package
- b) Common Services
- c) Heavy water upgradation and waste management plant
- d) Field Instrumentation package
- e) AC & Ventilation package

Your company is also augmenting facilities to cater to special quality requirements of nuclear sector in respect of Pressure Vessels, Heat Exchangers, Process Vessels, Dilution Columns, Tanks, Shielding.

On engineering, procurement, construction (EPC) your company is participating in critical and high ended works pertaining to nuclear sector. Your company is also augmenting on project management tools and skills to be in line with the state-of-art techniques in the world in the nuclear power sector area.

c) Heat Recovery System in Cement Plants

Power generation along with waste heat recovery system at Cement Plants is the other potential area HDO has ventured in. Cement Plants being highly power intensive, is aggressively adopting this technology to meet their captive power requirements. The clinker kiln is normally operated at very high temperatures and the exhaust heat from the kiln is utilized for power generation. HDO has secured an order with ACC for their Gagaj Plant in Himachal Pradesh.



TUBE FINNING MACHINE - MCEL ROY - USA

MANAGEMENT DISCUSSIONS & ANALYSIS (Contd.)

d) Steel Business

Iron and Steel industries is poised for major growth and expansion due to the thrust on the infrastructure development of the country. Also lots of Greenfield projects are coming up in next 2 to 3 years.

HDO has already entered into execution of complete iron ore beneficiation plant. Another step ahead is the steel making. With expertise engineering, state-of-art manufacturing facilities and EPC capability, HDO is joining hands with leading technology companies to bid for various packages in steel plants. Your company is actively pursuing the entry into the following areas relevant to the iron and steel industry. Discussions are already on with global players for technology partnership for entry into these areas.

- a) Handling of iron ore, coal and fluxes
- b) Coke oven rebuilding
- c) Wastewater treatment and recirculation in process areas like Coke Oven, Blast Furnace, Lime & Dolomite Plants, Rolling Mills
- d) In-plant Air and Water Systems
- e) Sulphuric Acid Plants
- f) Washing of coal
- g) Beneficiation of iron ore
- h) Agglomeration of iron ore-Sintering and Pelletization



NEW FABRICATION FACILITY - BAY 5 AND 6

MANAGEMENT DISCUSSIONS & ANALYSIS (Contd.)

e) Hydrocarbon Sector

The hydrocarbon sector in India has been rapid growth in the past few years, and has been a focus area for HDO. We supply a wide range of high pressure equipments to the hydrocarbon industry which demands high level of engineering and manufacturing skill. We provide Reactor, pressure vessels, heat exchangers, columns, pressure parts for boilers, instrumentation and piping packages.

Your company is already into manufacture of high pressure feed water heater, surface condenser and air cooled condenser for thermal and nuclear power plants. Your company has also embarked on manufacture of high pressure reactor and separator columns which form the heart of the refinery and petrochemical complex.

We have a highly skilled in-house engineering team and a world class manufacturing facility at Vatva, Ahmedabad. We also have an excellent Testing facility, with R&D lab which ensures quality of all equipment shipped out of the factory.

We have identified technology partners for each of the above areas and dedicated teams are working on various tenders in these areas. We have already submitted few tenders in Ore Beneficiation and Pelletisation Plant. The manufacturing facility is being upgraded to meet the requirements of Nuclear Component manufacture as nuclear sector is emerging as a major growth sector in the country.



MRPL REFINER - STORAGE AFTER COOLER

HUMAN RESOURCES

Your company's human resource management systems and processes are geared towards creating a responsive, customer-centric and market-focused culture that enhances organizational capability and vitality, so that each business is internationally competitive and equipped to leverage emerging market opportunities. The strategy of organization, has ensured that each of your company's businesses are managed by a team of competent, passionate and inspiring leaders, capable of building an organization hinged on a culture of learning, innovation and world-class execution.

Your company believes that the human resource is its most valuable asset and it needs to be continuously nurtured with the changing business environment. One of the key challenges, therefore, was to build the capability of its existing workforce to meet the higher level skill requirements of the new business segments. Your company has geared up to meet the challenge of growth by recruiting technically qualified persons and maximizing utilization of the existing employees through instituting programs to provide right skill to them and improve the overall skill matrix of employees. A focused training and development approach was adopted to achieve this task.

MANAGEMENT DISCUSSIONS & ANALYSIS (Contd.)

INTERNAL CONTROL SYSTEMS

Your company believes that a strong internal control framework is an essential pre-requisite of growing businesses. Your Company maintains a comprehensive system of internal control. This comprises the holistic set of management systems, organizational structures, processes, standards and behaviours that are employed to conduct our business and deliver returns for shareholders. Your company has a proper and adequate system of internal control commensurate with the size and nature of business. These systems provide a reasonable assurance in respect of providing financial and operational information, complying with applicable statutes, safeguarding of assets of the company and ensuring compliance with corporate policies.

Your company has an internal audit function, which is empowered to examine the adequacy and compliance with policies, plans and statutory requirements. It is also responsible for assessing and improving the effectiveness of risk management, control and governance process. The internal audit function team comprises of well-qualified experienced professionals who conduct regular audits across the company's operations. The management duly considers and takes appropriate action on the recommendations made by the statutory auditors, internal auditors and the independent Audit Committee of the Board of Directors.

OPPORTUNITIES & THREATS

Your company is facing increased competition in water management projects, which have been its core strengths, due to entry of a large number of small players. In addition, ordering for new projects have slowed down due to delays in economic slowdown, obtaining environmental and government clearances, and fund allocation.

To counter increased competition in domestic markets, your company is increasingly focusing in International markets, with the help of the Steel Sector, Coal & Mineral Technology Group who are present in China, Russia & CIS countries, South America, Africa & Indonesia.

RISKS & CONCERNS

The EPC business as such is exposed to risks at various stages. Increase in raw material prices of steel, cement and other items, delays at construction sites due to unforeseen circumstances beyond our control, all add to increase in project cost. Your company has got in place risk litigation strategies to minimize the impact of such events. Moreover, with SAP based ERP implemented across the company, your company is better equipped today to monitor all operations on real time basis, thereby taking corrective actions and reducing risks.

HEALTH, SAFETY AND ENVIRONMENT (HSE)

Your company understands that every individual has a responsibility towards our environment. Towards this, your company has been devising measures and encouraging its employees to care for the environment and protect it through conservation of resources, waste minimization and proper disposal, pollution prevention and planting of trees. Further your company's manufacturing activities do not result in any significant release of effluent in the environment.

Your company acknowledges its responsibility of playing an instrumental role in environment protection and building social equity to safeguard interests of our future generations, which are some of the major challenges of today. The emphasis is not only on increasing profits but also improving the efficiency of business processes to minimize the environmental and social cost.

Your company has a structured system to identify environmental and social issues at various stages of business planning and execution so that effective mitigation plan is developed and negative environmental and social impacts avoided for new projects as well as for existing plants. It has accordingly undertaken several initiatives to conserve water at its manufacturing units and project locations. "Zero Discharge approach" has been adopted at manufacturing locations leading to reduction of fresh water consumption at five of our locations, which are now zero discharge campuses. This was achieved through implementation of principle 3R's i.e. Reduce, Reuse and Recycle. Remaining locations are progressing on the same path.

Occupational Health and Safety continues to be an unremitting focus area. Your company's safety strategy is to nurture a "zero accident" culture and to reinforce with fail-safe procedures, the best protective gear, continuous training and vigilant inspection.

CAUTIONARY STATEMENT

Statements in the Management Discussion & Analysis Report in regard to projections, estimates and expectations have been made in good faith. Many unforeseen factors may come into play and affect the actual results, which could be different from what the Directors envisage in terms of future performance and outlook. Market data and product information contained in this Report, have been based on information gathered from various published and unpublished reports and their accuracy, reliability and completeness cannot be assumed.

MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Overview:

The financial statements have been prepared in compliance with the requirements of the Companies Act, 1956 and Generally Accepted Accounting Principles (GAAP) in India. The management of HDO accepts responsibility for the integrity and objectivity of these financial statements as well as for various estimates and judgments used therein.

The estimates and judgments relating to the financial statements have been made on a prudent and reasonable basis, in order that the financial statements reflect in a true and fair manner the form and substance of transactions and reasonably present the state of affairs on the Balance Sheet date and profits of the Company for the year ended on that date.

Financial Performance:

A summary of the Company's financial position as at March 31, 2011 and 2010 is given below: (Rs. in Million)

	March 31, 2011	%	March 31, 2010	%	Variance %
Sources of funds					
Total Shareholders' funds	2,695.54	57.08	2,244.47	73.66	20.10
Loan funds	2,000.09	42.35	786.11	25.80	154.43
Deferred tax liability	26.74	0.57	16.32	0.54	63.87
	4,722.37	100.00	3,046.90	100.00	54.99
Application of funds					
Fixed assets	838.19	17.75	786.37	25.81	6.59
Investments	90.64	1.92	17.61	0.58	414.82
Current assets, loans & advances	8,895.65	188.37	6,188.48	203.11	43.75
Current liabilities & provisions	5,102.11	108.04	3,945.56	129.49	29.31
Net current assets	3,793.54	80.33	2,242.92	73.61	69.13
	4,722.37	100.00	3,046.90	100.00	54.99

1. SHARE CAPITAL

At present, the Company has only one class of shares – equity shares at par value of Rs. 2.00 each. The authorized share capital of the Company consists of 100 Million equity shares of Rs. 2.00 each amounting to Rs. 200.00 Million.

The total paid up share capital as at March 31, 2011 is Rs. 144.01 Million (72.01 Million Equity shares of Rs. 2 each).

2. RESERVES AND SURPLUS

Revaluation Reserve:

The revaluation reserve balance of Rs. 170.90 Million as on March 31, 2011 represents the reserves arising due to revaluation of some land and buildings carried out during 1989, 1993 and 1996 by certified valuers giving rise to addition of Rs. 275.69 Million as reduced by depreciation of Rs. 68.51 Million and adjustment of Rs. 36.28 Million on account of sale of property in Chennai on revalued portion of these assets up to March 31, 2011.

General Reserve:

Out of the profits for the year Rs. 200.00 Million has been transferred to general reserve and balance of Rs. 270.58 Million (after providing for dividend and tax thereon) has been retained in the profit and loss account.

Total Shareholders' funds of the Company stood at Rs. 2,695.54 Million as on March 31, 2011 as compared to Rs. 2,244.47 Million as on March 31, 2010. The book value per share having face value of Rs. 2.00 increased to Rs. 37.44 as of the year end compared to Rs. 31.17 as of the previous year end registering an increase of 20.12%.

3. SECURED LOAN & UNSECURED LOAN

The Company has availed working capital loan of Rs 1,600.09 million as on March 31, 2011 (Rs 786.11 million as on March 31, 2010) and Short term unsecured loan of Rs 400.00 million (previous year NIL) from banks to finance its operations. The limits are optimally operated for duly meeting the requirements of the banks in compliance with the terms of the loan agreements.

MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS
(Contd.)
4. FIXED ASSETS

(Rs. in Million)

	March 31, 2011	March 31, 2010	Variance (%)
Total Gross value	1,116.41	1,077.64	3.60
Less: Depreciation and amortisation	375.42	313.89	19.60
Net Block	740.99	763.75	(2.98)
Add: Capital Work-in-progress	97.20	22.62	329.69
Net Fixed Assets	838.19	786.37	6.59
Depreciation as a % of revenue	0.71%	0.63%	
as a % of gross block	6.11%	5.10%	
Accumulated depreciation as a % to gross block	33.63%	29.13%	

During the year, the Company has invested Rs. 83.83 Million towards addition to fixed assets. The additions are mainly in Building Rs. 10.00 Million, Vehicles Rs. 8.90 Million, Plant & Machinery Rs. 40.05 Million and computers Rs. 15.28 Million.

5. DEFERRED TAX ASSETS & LIABILITIES

The Company accounts for deferred tax in compliance with the Accounting Standard 22 issued by the Institute of Chartered Accountants of India. The Company has recognised deferred tax expense of Rs. 10.42 Million during the year and resulted in a net deferred tax liability of Rs. 26.74 Million as on March 31, 2011 as compared to deferred tax liability of Rs. 16.32 Million during the previous year end.

7. INVESTMENTS

During the year, the Company has invested Rs. 72.93 Million (10,00,000 equity shares of face value GBP 1 each) in its wholly owned subsidiary in UK i.e. HDO (UK) Limited and DavyMarkham India Private Limited Rs. 0.10 Million (10,000 shares of face value Rs. 10).

8. SUNDRY DEBTORS

Sundry debtors amount to Rs. 2,933.86 Million as at March 31, 2011 as compared to such receivable amount of Rs. 1,672.09 Million as at March 31, 2010. All these debtors are considered good and realisable.

Debtors are 30.71% of revenues for the year ended March 31, 2011, as compared to 19.19% for the previous year, representing an outstanding of 112 days and 70 days of revenues for the respective years.

9. CASH & CASH EQUIVALENTS

(Rs. in Million)

	March 31, 2011	March 31, 2010
Cash & cheques on hand	1.11	5.70
Bank balances:		
Current accounts	15.81	16.72
Fixed deposit accounts	17.22	19.65
Total	34.14	42.07

Cash on hand and balance in current accounts comprises cash and bank balances at project sites, plant location and head office required to meet day to day needs of the growing business.

The matured Fixed Deposit amount has been utilised partly for the purchase of fixed assets and balance for working capital requirements during the year.

**MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS
(Contd.)**

10. OTHER CURRENT ASSETS

The amount under this heading mainly consists of:

Unbilled Revenue – Rs. 1,343.21 Million (Previous year Rs. 1,048.66 Million)

This represents amounts to be billed to some of the contractee clients in respect of revenue earned under the percentage completion method, followed by the Company, as reduced by that portion of such revenue already billed and receivable from those clients.

This unbilled revenue recoverable is a dynamic figure every quarter in as much as the revenue earned is arrived at every quarter under the same method duly adjusting in those quarters the billed revenue as well as the unbilled revenue carried over from the corresponding previous quarter.

Retention Money – Rs. 2,165.43 Million (Previous year Rs. 1,839.03 Million)

The account represents amounts retained by the clients towards performance security as a guarantee for satisfactory performance of the projects executed by the Company.

11. LOANS AND ADVANCES

Advance income tax net of provisions – Rs. 100.23 Million (Previous year Rs. 29.92 Million).

This mainly consists of tax deducted at source from contract revenue by the clients as per the provisions of the Income Tax Act, 1961 and advance tax paid as reduced by the income tax provisions made and/or assessed (undisputed). All undisputed liabilities have been fully adjusted against this account.

Loan to Subsidiaries are –Rs. 462.05 Million (Previous year Rs. 6.77 Million).

This is Inter Corporate Deposit given to HDO (UK) Limited, a wholly owned subsidiary of the Company.

Advances recoverable in cash or in kind or for value to be received – Rs. 905.61 Million (Previous year Rs. 913.75 Million).

The account represents advances paid to various suppliers, sub-contractors etc., which are partly adjusted in the subsequent periods and the balance would also be recovered from their bill of services or otherwise. Hence all these amounts outstanding are considered realisable.

12. CURRENT LIABILITIES

Advances from Customers – Rs. 280.69 Million (Previous year Rs. 414.72 Million).

These advances, provided to the Company in the nature of short-term liabilities, are recovered from client bills. Some of the advances bear an interest cost and others are interest free. The Company has also provided bank guarantees for some of these advances.

Sundry Creditors and accrued expenses – Rs. 4,392.79 Million (Previous year Rs. 3,226.42 Million).

This represents amounts due to suppliers, sub-contractors and other service providers. This also includes amounts accrued for other operational expenses and cost on long term contracts.

Other Current liabilities – Rs. 318.90 Million (Previous year Rs. 194.67 Million).

Other current liabilities represent all statutory dues such as PF, ESI, TDS, Sales Tax etc. payable by the Company relating to the month of March 2011.

13. PROVISIONS

Proposed dividend of Rs. 57.60 Million (Previous year Rs. 57.60 Million) represents the dividend recommended to the shareholders by the Board of Directors. This will be paid after the Annual General Meeting, upon approval by the shareholders.

Provision for tax on dividend Rs. 9.35 Million (Previous year Rs. 9.57 Million) denotes taxes payable on dividends declared for the year ended March 31, 2011.

Gratuity provision has been made as per the actuarial estimation and certification by an independent Actuary as per the requirement under Accounting Standard 15 (revised). Provision for Leave Encashment has also been made on the basis of estimation prescribed under the revised accounting standard.

MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS
(Contd.)
Operational Performance:

(Rs. in Million)

	March 31, 2011	March 31, 2010	March 31, 2009
Income from Sales and Services	9,551.94	8,711.45	5,222.55
Other Income	161.11	59.61	69.64
Total Income	9,713.05	8,771.06	5,292.19
Less: Excise Duty	107.30	80.33	69.47
Net total Income	9,605.75	8,690.73	5,222.72
Cost of sales and services (net of inventories)	7,733.61	6,948.12	4,170.02
Cost of sales and services as a percentage to total income	79.62%	79.22%	78.80%
Operating and administration expenses	806.96	674.23	472.05
Operating and administration expenses as a percentage to total income	8.31%	7.69%	8.92%
EBIDTA	1,065.18	1,068.38	580.65
EBIDTA – percentage to total income	10.97%	12.18%	10.97%
Interest and finance charges	217.65	176.01	79.97
Interest and finance charges as a percentage to total income	2.24%	2.01%	1.51%
Depreciation	68.24	54.98	33.85
Depreciation as a percentage to total income	0.70%	0.63%	0.64%
Profit before tax (PBT)	779.29	837.39	466.83
PBT – percentage to total income	8.02%	9.55%	8.82%
Provision for taxation	241.76	282.22	165.23
Provision for taxation as a percentage to total income	2.49%	3.22%	3.12%
Profit after tax (PAT)	537.53	555.17	301.60
PAT – percentage to total income	5.53%	6.33%	5.70%

14. INCOME RECOGNISED

The growth of revenue in the fiscal year 2011 as compared to fiscal 2010 have been from both the sources of revenue i.e. sale of manufacturing equipments and sale of services - contracts.

Other income mainly comprises of Scrap Sales at Plant and rental income on lease of office premises in Mumbai.

15. EXPENDITURE
Cost of sales & services:

(Rs. in Million)

	Year ended March 31, 2011	Year ended March 31, 2010	Variance (%)
Cost of systems, equipment, spares and services	7,021.22	6,121.53	14.70
Raw materials/components consumed	675.12	748.24	(9.77)
Manufacturing Expenses	250.47	102.94	143.32
Total	7,946.81	6,972.71	13.97
Increase/Decrease in Inventories	(213.20)	(24.59)	767.02
Total	7,733.61	6,948.12	11.31
Gross income from sales & services	9,551.94	8,711.45	9.65

Increase in prime cost i.e. cost of materials, labour and manufacturing expenses is in line with the increase in operations.

MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS
(Contd.)

16. OPERATING AND ADMINISTRATIVE EXPENSES

(Rs. in Million)

	Year ended March 31, 2011	Year ended March 31, 2010	Variance (%)
Employee related Expenses	466.93	362.30	28.88
Rent	11.41	9.85	15.84
Rates & Taxes	12.72	12.40	2.58
Travelling & Conveyance	75.76	86.16	(12.07)
Repairs & Maintenance	13.18	15.45	(14.69)
Insurance	6.10	4.20	45.24
Communication Expenses	10.85	13.75	(21.09)
Legal & Professional charges	55.59	37.58	47.92
Other Expenses	154.42	132.54	16.51
Total	806.96	674.23	19.69

The increase in the Employee related expenses by 28.88% is due to annual incremental Salaries during the financial year. Further there has been increase in the Contract Wages at Sites and Site allowances.

Increase in other heads of expenditure such as Rent, Legal & professional charges, Insurance etc. are because of increase in the volume of business and also most of these expenses are semi-variable in nature, hence the increase is partly proportional to the increase in turnover.

Other expense mainly comprises Rs. 57.84 Million of bad debt written off, Loss on exchange Rs. 21.89 Million and Guest House expenses Rs. 27.43 Million due to addition of some new Guest houses at sites during the year.

17. OPERATING PROFIT

The company earned an operating profit (EBIDTA) of Rs. 1,065.18 Million representing 10.97% of the total income as compared to Rs. 1,068.38 Million, 12.18% of the total income in previous year.

Profit before tax (PBT) as a percentage to total income works out to 8.02% as compared to 9.55% for the previous year. The main reason for comparatively lower percentage of PBT in the current year is because of higher finance cost.

Profit after tax (PAT) for the year as a percentage to total income works out to 5.53% as compared to 6.33% as of last year.

CORPORATE GOVERNANCE REPORT

(As required by Clause 49 of the Listing Agreement)

I. Company's Philosophy on Corporate Governance

Hindustan Dorr-Oliver Limited (hereinafter referred to as "the Company") is committed to corporate transparency and lays emphasis on business ethics in all its dealings. The Company believes in meeting its obligations to all its stakeholders, including amongst others, shareholders, customers, employees and the community in which the Company operates.

Your Directors are happy to inform you that your Company's existing practices and policies are in conformity with the requirements stipulated by Stock Exchanges and SEBI and has gone well beyond simple statutory compliance by instituting such systems and procedures as are required to make the management completely transparent and institutionally sound.

II. Board of Directors (Board)

* Composition of the Board

The Board comprises of experts drawn from diverse fields/professions. It consists of total of eight Directors. The Chairman of the Board is a Non-Executive and Independent Director.

The Composition as on March 31, 2011, the changes during the year under review, number of Meetings attended and Directorships/Committee Memberships in other Companies are as follows:

	Name of the Director	Category (1)	No. of Board Meetings Attended	Attendance at last AGM held on 15.09.2010	Other Directorships in India (2)	Other Committee Positions in India (3)	
						Member	Chairman
1	Mr. Prabahakar Ram Tripathi	C & NED (I)	4	Yes	6	3	2
2.	Mr. E. Sudhir Reddy	VC & NED	3	Yes	9	1	-
3.	Mr. E. Sunil Reddy	MD	4	No	11	1	-
4.	Mr. S. C. Sekaran	ED	4	Yes	2	-	-
5.	Mr. R. Balarami Reddy	NED	4	No	4	3	-
6.	Mr. T. N. Chaturvedi	NED (I)	2	Yes	5	1	5
7.	Mr. M. L.Majumdar	NED (I)	4	No	1	-	-
8.	Mr. S. D. Kapoor	NED(I)	4	Yes	6	4	2

Notes:

1. Category : C- Chairman, VC – Vice-Chairman, MD – Managing Director, ED – Executive Director, NED-Non-Executive Director and I – Independent Director.
2. Does not include Alternate Directorships, Directorships in Private Limited Companies, Foreign Companies and Companies registered under Section 25 of the Companies Act, 1956.
3. Chairmanship/Membership of Board Committees include only Audit Committee and Shareholders/Investors Grievance Committee.

CORPORATE GOVERNANCE REPORT Contd.

* Board Meetings

The Board meets at least once in a quarter to review the Company's performance, financial results and more often, if considered necessary, to transact other business. During the Financial year 2010-11, the Board met four times as follows:

Date of the Board Meeting	Total number of Directors on the date of the Meeting	Number of Directors who attended
May 7, 2010	8	8
August 10, 2010	8	8
November 13, 2010	8	7
February 12, 2011	8	6

* The gap between two Meetings did not exceed four months.

* Agenda papers, containing all necessary information, are made available to the Board well in advance to enable the Board to discharge its responsibilities effectively and take informed decisions. Where it is not practicable to attach or send the relevant information as part of Agenda papers, the same are tabled at the Meeting.

III. Committees of Directors under Corporate Governance Code

a. Audit Committee

Composition

The Audit Committee presently comprises of 3 Independent Directors and one Non-executive Director, having rich accounting/financial management expertise. The present composition of the Audit Committee is as follows:

- Mr. S. D. Kapoor, Chairman*
- Mr. Prabhakar Ram Tripathi, Member
- Mr. R. Balarami Reddy, Member
- Mr. T.N. Chaturvedi, Member#

* Mr. S D. Kapoor was appointed as the Chairman of the Audit Committee effective from 12.02.2011.

Mr. T.N. Chaturvedi, was the Chairman of the Audit Committee till 13.11.2010.

The Executive Director, Head Accounts and Finance, Internal and Statutory Auditors attend the Meeting of the Committee as and when invited.

Ms. Pragya Sahal Kaul acts as Secretary to the Committee.

Terms of reference

The terms of reference of the Committee are as conceived under Clause 49 of the Listing Agreement as amended from time to time.

The Audit Committee met four times during the financial year 2010-11 and the gap between two meetings did not exceed 4 months. The details of the attendance of the Members is as follows:

Name	Attendance at the Meeting held on			
	7.05.2010	10.08.2010	13.11.2010	12.02.2011
Mr. T. N. Chaturvedi	Yes	Yes	No	No
Mr. Prabahakar Ram Tripathi	Yes	Yes	Yes	Yes
Mr. R. Balarami Reddy	Yes	Yes	Yes	Yes
Mr. S. D. Kapoor	Yes	Yes	Yes	Yes

The Minutes of the Audit Committee Meetings are noted at the Board Meetings.

The Chairman of the Audit Committee Meetings was present at the 35th Annual General Meeting held on September 15, 2010.

CORPORATE GOVERNANCE REPORT Contd.

b. Compensation Committee

Composition

The Compensation Committee comprises of two Independent Directors and one Non-Executive Director. The present composition of the Compensation Committee is as follows:

- a. Mr. Prabhakar Ram Tripathi, Chairman
- b. Mr. T. N. Chaturvedi, Member
- c. Mr. R. Balarami Reddy, Member

Ms. Pragya Sahal Kaul acts as Secretary to the Committee.

Terms of reference

- (a) to determine on behalf of the Board the Company's Policy on remuneration package for Executive Directors including pension rights and compensation payments.
- (b) to administer the Employee Stock Option Scheme of the Company
- (c) to decide any other related matters.

The Minutes of the Compensation Committee Meetings are noted at the Board Meetings.

The Compensation policy of the Company is performance driven and is structured to motivate employees, recognize their merits and achievements and promote excellence in their performance. The Company follows a compensation mix of fixed pay, benefits and perquisites besides Employee Stock Options.

Details of remuneration/sitting fees paid/accrued to Directors of the Company during the year ended March 31, 2011 are given below:

Name of the Director	Sitting fee (Rs.)	Gross Remuneration (Rs.)*	Commission	Service Contract/Notice period/Severance
Mr. Prabhakar Ram Tripathi	70,000	-	-	Liable to retire by rotation
Mr. E. Sudhir Reddy	-	-	-	Liable to retire by rotation
Mr. E. Sunil Reddy	-	1,62,60,577	1,98,10,168	Not liable to retire by rotation
Mr. S. C. Sekaran	-	54,50,802	-	Not liable to retire by rotation
Mr. R. Balarami Reddy	-	-	-	Liable to retire by rotation
Mr. T. N. Chaturvedi	35,000	-	-	Liable to retire by rotation
Mr. M. L. Majumdar	60,000	-	-	Liable to retire by rotation
Mr. S. D. Kapoor	70,000	-	-	Liable to retire by rotation

* Gross remuneration shown above includes contribution to Provident Fund and Superannuation Scheme.

c. Shareholders'/Investors' Grievance Committee

Composition

The Shareholders'/Investors' Grievance Committee comprises of the following members of the Board:

- (a) Mr. Prabhakar Ram Tripathi, Chairman
- (b) Mr. E. Sudhir Reddy, Member
- (c) Mr. S. C. Sekaran, Member

Ms. Pragya Sahal Kaul is the Compliance Officer nominated for this purpose under Clause 47(a) of the Listing Agreement.

The Committee meets at frequent intervals to consider, inter alia, share transfers, shareholders'/ investors' complaints and coordinates with the Registrar & Transfer Agent, M/s Karvy Computershare Pvt. Limited for redressal of grievances.

During the year, 75 complaints were received from Shareholders. All complaints have been resolved to the satisfaction of the Complainants.

The Company has acted upon all valid transfers received during the year 2010-11 and no transfers were pending as on March 31, 2011.

CORPORATE GOVERNANCE REPORT Contd.

d. Executive Committee

The Board has constituted an Executive Committee to exercise certain powers as to borrow upto certain limits, as delegated from time to time; opening and closing of bank accounts and authorizing the Directors and officers of the Company for operating the accounts; investment of surplus funds of the company upto certain limits; besides exercising such other powers as may be delegated from time to time.

The Executive Committee comprises of the following Members of the Board:

- a) Mr. E. Sudhir Reddy
- b) Mr. E. Sunil Reddy
- c) Mr. R. Balarami Reddy
- d) Mr. S. C. Sekaran

IV General Body Meetings

The Details of the last three Annual General Meetings, i.e. Thirty Fifth, Thirty Fourth and Thirty Third Annual General Meetings and that of the Extra Ordinary General Meeting of the Company are as follows:

General Meetings	Day, Date and Time	Venue of the Company	Special Resolution Passed for
35th Annual General Meeting	Wednesday, September 15, 2010 at 3.00 P.M.	Mirage Hotel, International Approach Road, Marol, Andheri East, Mumbai – 400 059	(1) Revision in remuneration of Executive Director
Extra Ordinary General Meeting	Wednesday, March 3, 2010 at 3.00 P.M.	Hindustan Dorr-Oliver Ltd. Dorr-Oliver House, Chakala, Andheri (East), Mumbai – 400 099	(1) Issue of Bonus Share
34th Annual General Meeting	Monday, September 7, 2009 at 3.00 P.M.	The Mira Dor, New Link Road, Chakala, Andheri (East), Mumbai – 400 099	(1) Alteration in Articles of Association of the Company (2) Payment of Remuneration to Mr. E. Sunil Reddy- M.D. of the Company (3) Modification of Employee Stock Option Scheme, HDO: ESOP-2005. (4) Commencement of new business.
33rd Annual General Meeting	Monday, September 1, 2008 at 3.00 P.M.	The Mira Dor, New Link Road, Chakala, Andheri (East), Mumbai – 400 099	(1) Revision in remuneration of Executive Director (2) Modification of Employee Stock Option Scheme, HDO-ESOP : 2005

Postal Ballot

During the year ended March 31, 2011, no Resolution was put through postal ballot nor any resolution is proposed to be passed through Postal Ballot at the ensuing Annual General Meeting.

V Disclosures

During the year, there were no transactions of material nature with the Promoters, Directors or the management, their subsidiaries or relatives that had potential conflict with the interests of the Company. Register of Contracts containing the transactions in which Directors are interested is placed before the Board regularly. Transactions with related parties are disclosed in Note No. 14.2 of Schedule '20' to the Financial Statements in the Annual Report.

There were no instances of non-compliance of any matter related to the Capital markets nor have any penalty/strictures been imposed on the Company by the Stock Exchanges or SEBI or any other statutory authority on such matters except *The Securities and Exchange Board of India (SEBI) imposed penalty of Rs. 2,50,000/- in terms of the provisions of*

CORPORATE GOVERNANCE REPORT *Contd.*

Section 15 I of the Securities and Exchange Board of India Act, 1992 for non adherence of clause 1.2, 3.2(1) & 3.2(3)(d) of Model Code of Conduct for Prevention of Insider Trading for listed Companies under Regulation 12(1) of SEBI (PIT) Regulation 1992 in respect of two contracts secured by the Company in 2009 and announcements made in that connection. The Company is in the process of filing the Appeal with the Securities Appellate Tribunal Mumbai against the said order.

VI Means of Communication

- | | | |
|---|---|--|
| (i) Quarterly results-
Which news papers normally
published in | : | Economic Times, Free Press Journal,
Navshakti |
| (ii) Any web site where displayed | : | www.bseindia.com, www.nseindia.com
www.hdo.in |
| (iii) Whether it also displays official
News release and presentations
made to Institutional Investors / Analysts | : | Yes |
| (iv) Whether Management Discussion
and Analysis Report forms a part of
the Annual Report. | : | Yes |

In compliance with the Listing Agreement the Company has designated a separate e-mail address for the convenience of the investors for redressal of investor grievances which is invcomplaint@hdo.in.

VII General Shareholders' information

* Annual General Meeting:

Annual General Meeting is proposed to be held on Friday, September 30, 2011 at 3.00 p.m. at The Mirador, New Link Road, Chakala, Andheri East, Mumbai-400 099.

* Financial Calendar

- | | | |
|--|---|--------------------------------|
| (a) Financial year | - | April 1 to March 31 |
| (b) Results will be published for the Quarter ended: | | |
| (i) June 30, 2011 | - | on or before August 15, 2011 |
| (ii) September 30, 2011 | - | on or before November 15, 2011 |
| (iii) December 31, 2011 | - | on or before February 15, 2012 |
| (iv) March 31, 2012 | - | in May, 2012 |

* Date of Book Closure

28th September, 2011 to 30th September, 2011 (both days inclusive).

* Dividend Payment Date

The Record date shall be September 30, 2011. Dividend, if declared will be paid on or before October 15, 2011. The Dividend Warrants will be despatched to the shareholders whose names shall appear in the Register of Members in respect of shares held in physical form and for shares held in electronic form, to the shareholders whose names shall appear as beneficial owner(s) of the equity shares of the Company, in the records of Depositories viz., NSDL and CDSL as at the close of business hours on the Record date.

* Listing on Stock Exchanges

The Equity Shares of the Company are listed on Bombay Stock Exchange Limited and the National Stock Exchange of India Limited.

Listing fee has been paid to above Stock Exchanges for the year 2011-12.

* Stock Code

- | | | |
|--|---|--------------|
| Bombay Stock Exchange Limited | : | 509627 |
| National Stock Exchange of India Limited | : | HINDDORROL |
| ISIN allotted to the Company | : | INE551A01022 |

CORPORATE GOVERNANCE REPORT Contd.

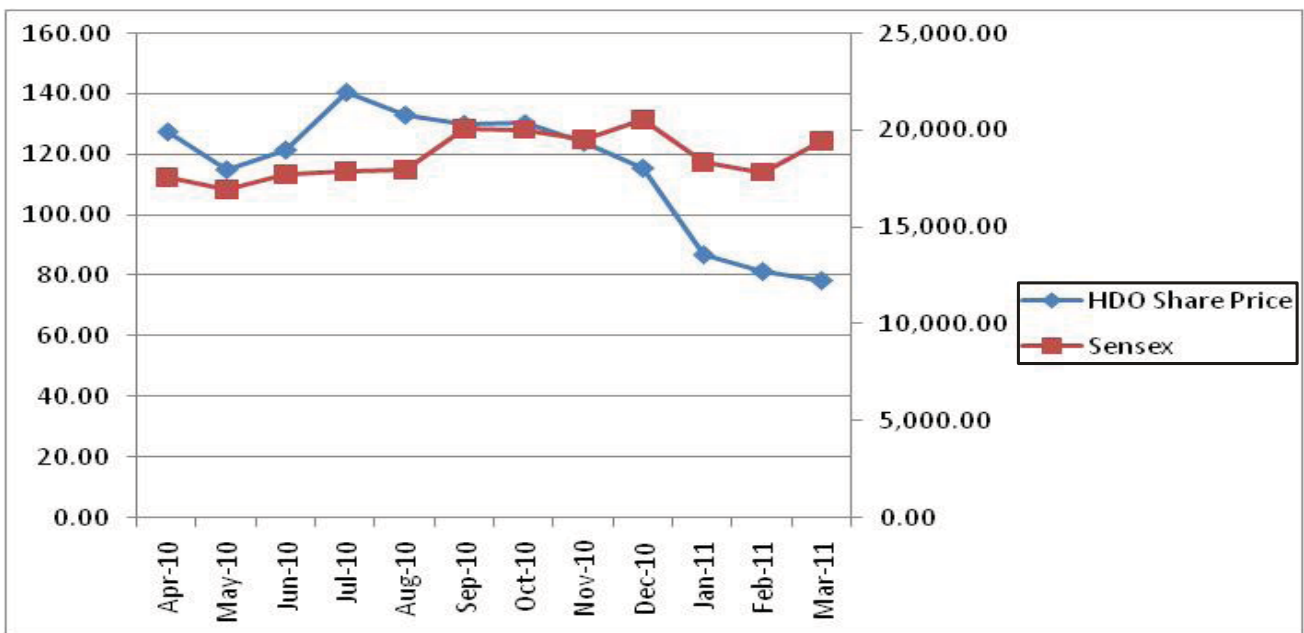
* Stock Market Data

Month	BOMBAY STOCK EXCHANGE		NATIONAL STOCK EXCHANGE	
	High (Rs.)	Low (Rs.)	High (Rs.)	Low (Rs.)
April, 2010	138.00	105.00	137.90	101.00
May, 2010	137.95	108.20	137.80	108.50
June, 2010	126.00	110.00	126.00	110.00
July, 2010	142.90	120.00	143.00	119.50
August, 2010	159.30	127.50	159.40	128.10
September, 2010	146.95	125.00	149.00	124.00
October, 2010	153.70	126.00	154.00	125.10
November, 2010	142.00	116.90	142.00	115.00
December, 2010	132.50	106.00	132.50	107.00
January, 2011	117.50	84.10	120.00	84.25
February, 2011	97.90	78.15	98.00	78.00
March, 2011	88.00	75.60	87.90	75.35

Source : BSE website

Source : NSE website

Share price movement in HDO vis-à-vis Sensex



Registrar and Transfer Agents

Karvy Computershare Pvt. Limited
46, Avenue 4,
Street No. 1,
Banjara Hills,
Hyderabad – 500034

Address for correspondence by the investors/shareholders:

Karvy Computershare Pvt. Limited
17-24, Vittal Rao Nagar,
Madhapur, Hyderabad – 500 081
Ph.: 040-44655178

CORPORATE GOVERNANCE REPORT Contd.

Share Holding Pattern as on 31.03.2011

Category	No. of Shares	% of Shareholding
Promoter's Holding		
Indian Promoters (including persons acting in concert)	39804430	55.28
Foreign Promoters	-	-
Sub-Total	39804430	55.28
Non-Promoter's Holding		
Mutual Funds	8675966	12.05
Banks, Financial Institutions and Insurance Companies	108000	0.15
Central Government/State Government	-	-
Foreign Institutional Investors	4734247	6.57
Sub-Total	13518213	18.77
Others		
Private Corporate Bodies	4710311	6.54
Indian Public	12745609	17.79
NRIs/OBCs	539821	0.75
Directors	132700	0.18
Clearing Members	551004	0.77
Trusts	3720	0.01
GDRs(Shares held by depository against GDRs)	-	-
Sub-Total	18683165	26.04
Total	72005808	100.00

Distribution of Shareholding as on 31.03.2011

No. of Shares	Shareholders		Equity	
	Number	% to total	No. of shares	% to total
upto 1 - 5000	19412	94.64	6523665	9.06
5001 - 10000	603	2.94	2249932	3.12
10001 - 20000	261	1.27	1944419	2.70
20001 - 30000	65	0.32	811950	1.13
30001 - 40000	36	0.18	653892	0.91
40001 - 50000	37	0.18	854462	1.19
50001 - 100000	41	0.20	1423398	1.98
100001 & ABOVE	56	0.27	57544090	79.92
Total:	20511	100.00	72005808	100.00

* Share Transfer System

Application for transfer of shares held in physical form is received at the office of the Registrar and Share Transfer Agents of the Company. Shareholders'/ Investors' Grievance Committee approves valid transfers of shares and share certificates duly endorsed are despatched within the time prescribed under the Listing Agreement/SEBI Guidelines.

Shares held in dematerialised form are electronically traded in the Depository and the Registrars and Share Transfer Agents of the Company periodically receive from the Depository the beneficiary holdings so as to enable them to update the records and to send all corporate communications, dividend warrants, etc.

The Company also offers the facility of transfer-cum-demat as per SEBI Guidelines.

Any complaints by investors/shareholders may be communicated through the designated e-mail id viz. invcomplaint@hdo.in.

* Dematerialization of shares and liquidity

Shares aggregating to 97.86 % of the share capital have been dematerialized as on March 31, 2011.

Trading in Equity Shares of the Company is permitted only in dematerialised form with effect from December 26, 2000 as per the Circular SMDRP/POLICY/CIR-23/2000 dated May 29, 2000 issued by the Securities and Exchange Board of India.

CORPORATE GOVERNANCE REPORT Contd.

VIII Address for correspondence:

The Company is operating from various work sites spread throughout the country and the operations are controlled by the Head office at Dorr-Oliver House, Chakala, Andheri East, Mumbai – 400099 and through various Regional offices at:

CHENNAI

Hindustan Dorr-Oliver Limited
30-A South Phase, 6th Cross Road
Thiru-vi-ka Indl. Estate, Guindy,
Chennai - 600 032

NEW DELHI

Hindustan Dorr-Oliver Limited,
“COREANTHUM”, A-41,
Tower B, First Floor,
Lobe – 4, Sector- 62,
Noida – 201307 (U.P.)

KOLKATA

Hindustan Dorr-Oliver Limited,
Flat No.1A, 1st Floor
8C Queens Park, Ballygunge
Kolkata - 700 019

AHMEDABAD

Hindustan Dorr-Oliver Limited,
5/1/2 G.I.D.C. Vatva
Near Railway Crossing
Ahmedabad – 382 445

IX Code of Business Conduct and Ethics for Directors and Senior Management

The Board at its meeting held on March 27, 2006 adopted the Code of Business Conduct for the purpose of clause 49 applicable to the Directors and Senior Management Personnel. This Code of Conduct has been put on the website of the Company i.e. www.hdo.in.

Declaration

I hereby confirm that :

The Company has obtained from all the members of the Board and Senior Management, affirmation that they have complied with the Code of Business Conduct and Ethics for Directors and Senior Management in respect of the financial year 2010-11.

Hyderabad
May 28,2011

S. C. Sekaran
Executive Director

AUDITORS' CERTIFICATE ON CORPORATE GOVERNANCE

TO THE MEMBERS OF

HINDUSTAN DORR OLIVER LIMITED

We have examined the compliance of conditions of Corporate Governance by Hindustan Dorr Oliver Limited, for the year ended on March 31, 2011 as stipulated in clause 49 of the Listing Agreement of the said company with the stock exchanges.

The compliance of conditions of Corporate Governance is the responsibility of the Management. Our examination was limited to procedures and implementations thereof, adopted by the company for ensuring compliance with the conditions of Corporate Governance. It is neither an audit nor an expression of opinion on the financial statement of the company.

In our opinion and to the best of our examination and according to the explanations given to us, we certify that the company has complied with the conditions of Corporate Governance as stipulated in Clause 49 of the abovementioned Listing Agreement.

We 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 CHATURVEDI & PARTNERS

Chartered Accountants

Firm Registration No: 307068E

R N CHATURVEDI

Membership No 092087

Hyderabad

May 28, 2011

CEOICFO CERTIFICATION

We, S. C. Sekaran, Executive Director and Girish Dave, G. M. – Finance, responsible for the finance function certify that:

- a) We have reviewed the financial statements and cash flow statement for the year ended March 31, 2011 and to the best of our knowledge and belief:
 - (i) these statements do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading;
 - (ii) these statements together present a true and fair view of the Company's affairs and are in compliance with existing Accounting Standards, applicable laws and regulations.
- b) To the best of our knowledge and belief, no transactions entered into by the Company during the year ended March 31, 2011 are fraudulent, illegal or violative of the Company's code of conduct.
- c) We accept responsibility for establishing and maintaining internal controls for financial reporting and we have evaluated the effectiveness of internal control systems of the Company pertaining to financial reporting. Deficiencies in the design or operation of such internal controls, if any, of which we are aware have been disclosed to the Auditors and the Audit Committee and steps have been taken to rectify these deficiencies.
- d)
 - i) There has not been any significant change in accounting policies during the year requiring disclosure in the notes to the financial statements; and
 - ii) We are not aware of any instance during the year of significant fraud with involvement therein of the management or any employee having a significant role in the Company's internal control system over financial reporting.

Hyderabad
May 28, 2011

S. C. Sekaran **Girish Dave**
Executive Director *G. M. - Finance*

AUDITORS' REPORT

To The Members of
HINDUSTAN DORR-OLIVER LIMITED

1. We have audited the attached Balance Sheet of **HINDUSTAN DORR-OLIVER LIMITED**, as at March 31, 2011, the Profit and Loss Account and also 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 the 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 the 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 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 above, we report that:
 - a. 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;
 - b. 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;
 - c. The Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of account;
 - d. 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 subsection (3C) of section 211 of the Companies Act, 1956;
 - e. On the basis of written representations received from the directors, as on March 31, 2011 and taken on record by the Board of Directors, we report that none of the directors is disqualified as on March 31, 2011 from being appointed as a director in terms of clause (g) of sub-section (1) of Section 274 of the Companies Act, 1956;
 - f. Attention is invited to note 12 of Schedule 20 regarding investments in Subsidiary and loans and advances outstanding from such subsidiary aggregating to Rs. 535.56 Million, whose accumulated losses exceeded the consolidated net worth of the Company and the financial statements have been prepared on going concern basis, considered good for the reasons stated therein.
 - g. In our opinion and to the best of our information and according to the explanations given to us, the said accounts 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:
 - i. in the case of the Balance Sheet, of the state of affairs of the Company as at March 31, 2011,
 - ii. in the case of the Profit and Loss Account, of the profit for the year ended on that date; and
 - iii. in the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

For CHATURVEDI & PARTNERS
Chartered Accountants
Firm Registration No. 307068E

Hyderabad
May 28, 2011

R N CHATURVEDI
Partner
Membership No. 092087

AUDITORS' REPORT Contd.

ANNEXURE REFERRED TO IN PARAGRAPH 3 OF OUR REPORT OF EVEN DATE

- i. a. The Company has maintained proper records showing full particulars including quantitative details and situation of fixed assets.
- b. A major portion of the fixed assets has been physically verified by the management during the year pursuant to a programme for physical verification of fixed assets, which in our opinion, is reasonable having regard to the size of the Company and the nature of its assets. According to the information and explanations given to us, no material discrepancies were noticed on such verification.
- c. Fixed assets disposed off during the year were not substantial and therefore do not affect the going concern status of the Company.
- ii. a. The inventory has been physically verified during the year by the management. In our opinion, the frequency of verification is reasonable.
- b. The procedures of physical verification of inventories 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. The discrepancies noticed on verification between the physical stocks and the book records were not material and the same have been properly dealt with in the books of account.
- iii. a. The Company had granted interest free loan to its wholly owned subsidiary Company. The maximum amount involved during the year and yearend balance of the loan was Rs. 462.05 Million.
- b. In our opinion, terms and conditions of the interest free loan given to wholly owned subsidiary are not, prima facie, prejudicial to the interest of the company.
- c. The principal is repayable on demand.
- d. There is no overdue amount in excess of Rs One lac in respect of loans granted to the subsidiary company.
- e. According to the information and explanations given to us, 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. Accordingly, the provisions of the clause 4(iii)(e), (iii)(f) and (iii)(g) of the Companies (Auditors' Report) Order, 2003 are not applicable to the Company.
- iv. In our opinion and according to the information and explanations given to us, there exists an adequate internal control system commensurate with the size of the Company and the nature of its business with regard to purchases of inventory, fixed assets and with regard to the sale of goods and services. During the course of our audit, we have neither observed nor have been informed of any continuing failure to correct major weaknesses in internal control system of the Company.
- v. a. In our opinion and according to the information and explanations given to us, the contracts or arrangements referred to in Section 301 of the Act that need to be entered into the register required to be maintained under that Section have been so entered.
- b. In our opinion according to the information and explanations given to us, the transactions made in pursuance of contracts or arrangements entered in the register maintained under section 301 of the Companies Act, 1956 and exceeding the value of rupees five lacs in respect of any party during the year have been made at prices which are reasonable with regard to the prevailing market prices at the relevant time except for certain transactions for which comparable quotations are not available and in respect of which we are unable to comment.
- vi. In our opinion and according to the information and explanations given to us, the Company has complied with the provisions of Sections 58A, 58AA or any other relevant provisions of the Companies Act, 1956 and the rules framed there under with regard to the deposits accepted from the public in earlier years and remained unclaimed as at the year end. However, the Company has not accepted any deposit from the public during the year under audit.
- vii. In our opinion, the Company has an internal audit system commensurate with the size and nature of its business.
- viii. According to the information and explanations given to us, the Central Government has not prescribed the maintenance of cost records under clause (d) of sub-section (1) of Section 209 of the Companies Act, 1956 in respect of items manufactured by the Company.
- ix. a. According to the information and explanations given to us, undisputed statutory dues including provident fund, investor education and protection fund, employees' state insurance, income-tax, sales-tax, wealth tax, service tax, custom duty, excise duty, cess and any other statutory dues applicable to it have generally been regularly deposited with the appropriate authorities *except for works contract tax where there has been slight delay in few cases.*

AUDITORS' REPORT Contd.

- b. According to the information and explanations given to us, no undisputed amounts payable in respect of income-tax, sales-tax, wealth tax, service tax, custom duty and excise duty were in arrear as at March 31, 2011 for a period of more than six months from the date they became payable.
- c. According to information and explanations given to us, there are no dues of income-tax, sales tax, wealth tax, service tax, customs duty, excise duty or cess or any other statutory dues which have not been deposited on account of any dispute excepting those mentioned hereunder:

S. No	Name of the Statute	Nature of Dues	Amount (Rs in Million)	Period to which the amount relates	Forum where dispute is pending	
1	Custom Act, 1962	Custom Duty	0.77	1992-1993	The collector of customs (Judicial), Mumbai	
2	Central Excise Act, 1944	Central Excise Duty	4.50	2004-05	CESTAT, New Delhi	
3	Finance Act 1994	Service Tax	1.36	2006-07	Commissioner of Service Tax (Appeal)	
			5.86			
4	Sales Tax Act/ Work Contract Tax Act/ Value Added Tax Act	Sales Tax/ WCT/ VAT	1.60	2002-2003	A.C. (Appeal)	
			1.18	1999-2000	A.C. (Appeal)	
			1.72	2000-2001	A.C. (Appeal)	
			0.40	2007-2008	A.C. (Appeal)	
				4.90		
		Sales Tax/ WCT/ VAT	1.96	1997-1998	D.C. (Appeal)	
			0.64	1998-1999	D.C. (Appeal)	
			5.90	2002-2003	D.C. (Appeal)	
			0.05	1994-1995	D.C. (Appeal)	
			0.29	1984-1985	D.C. (Appeal)	
			0.02	1992-1993	D.C. (Appeal)	
			1.80	2004-2005	D.C. (Appeal)	
			1.00	2002-2003	D.C. (Appeal)	
			0.06	1998-1999	D.C. (Appeal)	
			2.56	2001-2002	D.C. (Appeal)	
			2.57	2002-2003	D.C. (Appeal)	
			0.18	2006-2007	D.C. (Appeal)	
					17.03	
			Sales Tax/ WCT/ VAT	21.50	2008-2009	D.C. (Enforcement)
			Sales Tax/ WCT/ VAT	4.16	2003-2004	J. C. (Appeal)
	0.18		2002-2003	J. C. (Appeal)		
	0.52	2003-2004	J. C. (Appeal)			
	6.27	2003-2004	J. C. (Appeal)			
	1.77	2003-2004	J. C. (Appeal)			
	5.75	2004-2005	J. C. (Appeal)			
		18.65				
Sales Tax/ WCT/ VAT	1.78	1995-1996	Tribunal			
	0.23	1988-1989	Tribunal			
	0.42	1993-1994	Tribunal			
	0.67	1987-1988	Tribunal			
	0.12	1988-1989	Tribunal			
	0.30	1989-1990	Tribunal			
	0.07	1990-1991	Tribunal			
		3.59				

AUDITORS' REPORT Contd.

S. No	Name of the Statute	Nature of Dues	Amount (Rs in Million)	Period to which the amount relates	Forum where dispute is pending
5	Income Tax Act, 1961	Sales Tax/ WCT/ VAT	0.23	1995-1996	Sales Tax Officer Sales Tax Officer
			0.19	2008-2009	
			0.42		
		Sales Tax/ WCT/ VAT	8.68	1988-89	High Court High Court
			5.43	2007-2008	
			14.11		
		Income Tax	0.26	1996-97	ITAT
			7.13	1997-98	ITAT
			0.20	1998-99	ITAT
			4.44	2001-02	ITAT
			3.92	1996-97	ITAT
3.97	1997-98		ITAT		
0.96	1999-00		ITAT		
	20.88				

- x. The Company does not have any accumulated losses at the end of the financial year. The Company has not incurred cash losses in the financial year covered by our audit and in the immediately preceding financial year.
- xi. In our opinion and according to the information and explanations given to us, we are of the opinion that the Company has not defaulted in repayment of dues to a financial institution or bank.
- xii. In our opinion and according to the information and explanations given 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 (Auditors' Report) Order, 2003 are not applicable to the Company.
- xiv. According to the information and explanations given to us, the Company is not dealing or trading in shares, securities, debentures and other investments. Accordingly, the provisions of clause 4 (xiv) of the Companies (Auditors' Report) Order, 2003 are not applicable to the Company.
- xv. According to the information and explanations given to us, the Company has given corporate guarantee for loan taken by its wholly owned subsidiary company from bank. The terms and conditions thereof are not prejudicial to the interest of the company.
- xvi. The Company has not raised any term loan during the year. Accordingly, provisions of clause 4 (xvi) of the Companies (Auditors' Report) Order, 2003 are not applicable to the Company.
- xvii. According to the information and explanations given to us and on an overall examination of the Balance Sheet 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 preferential allotment of shares to parties and companies covered in the register maintained under section 301 of the Companies Act, 1956.
- xix. The Company has not issued any debentures during the year. Accordingly, the provisions of clause 4 (xix) of the Companies (Auditors' Report) Order, 2003 are not applicable to the Company.
- xx. The Company has not raised money through public issue of shares. Accordingly, the provisions of clause 4 (xx) of the Companies (Auditors' Report) Order, 2003 are not applicable to the Company.
- xxi. To the best of our knowledge and belief and according to the information and explanations given to us, no fraud on or by the Company has been noticed or reported during the course of our audit.

For CHATURVEDI & PARTNERS
Chartered Accountants
Firm Registration No.307068E

Hyderabad
May 28, 2011

R N CHATURVEDI
Partner
Membership No.092087

BALANCE SHEET AS AT MARCH 31, 2011

(Rs. in Million)

	Schedule Reference	As at March 31, 2011	As at March 31, 2010
SOURCES OF FUNDS			
Shareholders' funds			
Share Capital	1	144.01	144.01
Stock Options		20.92	3.61
Reserves and Surplus	2	2,530.61	2,096.85
Loan Funds			
Secured Loan	3	1,600.09	786.11
Unsecured Loan	4	400.00	-
Deferred Tax Liability (Net)		26.74	16.32
TOTAL		4,722.37	3,046.90
APPLICATION OF FUNDS			
Fixed Assets			
Gross Block	5	1,116.41	1,077.64
Less: Depreciation		375.42	313.89
Net Block		740.99	763.75
Add: Capital Work-in-Progress (Including Capital Advances aggregating to Rs. NIL (previous year Rs. 9.64)		97.20	22.62
Investments	6	90.64	17.61
Current Assets, Loans and Advances			
Inventories	7	858.58	501.70
Sundry Debtors	8	2,933.86	1,672.09
Cash & Bank Balances	9	34.14	42.07
Other Current Assets	10	3,569.55	2,972.42
Loans and Advances	11	1,499.52	1,000.20
		8,895.65	6,188.48
Less: Current Liabilities and Provisions			
Current Liabilities	12	5,008.14	3,849.45
Provisions	13	93.97	96.11
		5,102.11	3,945.56
Net Current Assets		3,793.54	2,242.92
TOTAL		4,722.37	3,046.90
Significant Accounting Policies & Notes	20		

As per our report of even date attached,

For CHATURVEDI & PARTNERS
Chartered Accountants
Firm Registration No.: 307068E

FOR AND ON BEHALF OF THE BOARD

R N CHATURVEDI
Partner
Membership No. 092087

Pragya Sahal Kaul
Company Secretary

E. Sunil Reddy
Managing Director

S. C. Sekaran
Executive Director

Hyderabad,
May 28, 2011

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED MARCH 31, 2011

(Rs. in Million)

	Schedule Reference	Year Ended March 31, 2011		Year Ended March 31, 2010
INCOME				
Income from Sales and Services	14	9,551.94		8,711.45
Less : Excise Duty		107.30		80.33
Net Sales		<u>9,444.64</u>		<u>8,631.12</u>
Other Income	15	161.11		59.61
TOTAL		<u><u>9,605.75</u></u>		<u><u>8,690.73</u></u>
EXPENDITURE				
Cost of Sales and Services	16	7,946.81		6,972.71
(Increase)/ Decrease in Inventories	17	(213.20)		(24.59)
Operating and Administrative Expenses	18	806.96		674.23
Interest and Finance Charges	19	217.65		176.01
Depreciation/Amortisation		68.78		55.60
Less: Transfer from Revaluation Reserve		0.54		0.62
TOTAL		<u><u>8,826.46</u></u>		<u><u>7,853.34</u></u>
PROFIT FOR THE YEAR BEFORE TAXATION		779.29		837.39
Provision for Taxation				
Current Tax		231.34		255.54
Deferred Tax		10.42		6.85
Tax Adjustments for earlier years		-		19.83
PROFIT FOR THE YEAR AFTER TAXATION		537.53		555.17
Balance brought forward from previous year		579.03		341.03
Balance available for appropriation		<u><u>1,116.56</u></u>		<u><u>896.20</u></u>
APPROPRIATIONS				
Proposed dividend		57.60		57.60
Corporate dividend tax		9.35		9.57
Transfer to General Reserve		200.00		250.00
Balance carried to Balance Sheet		849.61		579.03
Basic Earnings Per Share (in Rupees)		7.47		7.71
Diluted Earnings Per Share (in Rupees) (Refer note No 15 in schedule '20')		7.41		7.69
Significant Accounting Policies & Notes forming part of the Financial Statements	20			

As per our report of even date attached,

For CHATURVEDI & PARTNERS

Chartered Accountants

Firm Registration No.: 307068E

FOR AND ON BEHALF OF THE BOARD

R N CHATURVEDI

Partner

Membership No. 092087

Hyderabad,
May 28, 2011

Pragya Sahal Kaul

Company Secretary

E . Sunil Reddy

Managing Director

S . C. Sekaran

Executive Director

CASH FLOW STATEMENT FOR THE YEAR ENDED MARCH 31, 2011

(Rs. in Million)

	Year Ended March 31, 2011	Year Ended March 31, 2010
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit for the year before Taxation	779.29	837.39
Adjustments for		
Depreciation and amortisation	68.24	54.98
(Profit)/loss on Sale of Fixed Assets	(99.64)	0.04
Employee Compensation expense under ESOP	17.31	3.61
Interest & Finance Charges	222.07	187.27
Interest Income	(4.42)	(11.26)
Dividend Income	(0.21)	(0.11)
Bad debts written Off	57.84	45.77
Loss on Exchange (Net)	<u>12.31</u>	<u>-</u>
Operating profit before working capital changes	1,052.79	1,117.69
Changes in assets and liabilities		
(Increase)/Decrease in Inventories	(356.88)	(190.22)
(Increase)/Decrease in Sundry Debtors	(1,319.61)	(161.67)
(Increase)/Decrease in Loans and Advances	(1,038.03)	(1,161.33)
Increase/(Decrease) in Current Liabilities	<u>1,156.55</u>	<u>181.28</u>
Cash used in operations	(505.18)	(214.25)
Taxes Paid	<u>(301.63)</u>	<u>(249.98)</u>
Net cash used in operating activities	(806.81)	(464.23)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of Fixed Assets	(158.41)	(159.58)
Sale of Fixed Assets	101.17	0.19
Purchase of investments	(73.03)	(0.58)
Dividend received	0.21	0.11
Interest Received	<u>3.99</u>	<u>18.46</u>
Net cash used in investing activities	(126.07)	(141.40)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from Loan	1,213.98	630.42
Dividend Paid	(57.39)	(35.93)
Corporate Dividend Tax	(9.57)	(6.12)
Interest and finance charges paid	<u>(222.07)</u>	<u>(187.27)</u>
Net cash provided by financing activities	924.95	401.10
NET (DECREASE)/ INCREASE IN CASH AND CASH EQUIVALENTS DURING THE YEAR	(7.93)	(204.53)
Cash and cash equivalents at the beginning of the year	<u>42.07</u>	<u>246.60</u>
Cash and cash equivalents at the end of the year	34.14	42.07

CASH FLOW STATEMENT FOR THE YEAR ENDED MARCH 31, 2011 Contd.

Notes

- The cash flow statement has been prepared under the indirect method as set out in the Accounting Standard 3 on Cash Flow Statement issued by the Institute of Chartered Accountants of India and notified by the companies Accounting Standard Rules 2006.
- Figures in brackets indicate cash outflow.
- Previous year figures have been regrouped and recast wherever necessary to conform to current year classification.
- Cash & Cash Equivalents include: (Rs. in Million)

	Year Ended March 31, 2011	Year Ended March 31, 2010
Cash Balance on hand	1.11	1.80
Cheques in Hand	-	3.90
Balances with Scheduled Banks		
- In Current Accounts	15.81	16.72
- In Fixed Deposits	8.03	10.81
- In Margin Money Accounts	9.19	8.84
	<u>34.14</u>	<u>42.07</u>

- Rs. 9.19 (Previous year Rs. 8.84) margin money in fixed deposit accounts (Refer Schedule '9')
- Bank balance includes restricted amount of Rs. 1.16 (Previous year Rs. 0.95) towards unclaimed dividend/Deposits/ Debentures.

As per our report of even date attached,

For CHATURVEDI & PARTNERS

Chartered Accountants

Firm Registration No.: 307068E

FOR AND ON BEHALF OF THE BOARD

R N CHATURVEDI

Partner

Membership No. 092087

Hyderabad,
May 28, 2011

Pragya Sahal Kaul
Company Secretary

E . Sunil Reddy
Managing Director

S. C. Sekaran
Executive Director

SCHEDULES TO FINANCIAL STATEMENTS

(Rs. in Million)

	As at March 31, 2011	As at March 31, 2010
SCHEDULE - 1		
SHARE CAPITAL		
Authorised :		
100,000,000 (Previous year 100,000,000) Equity shares of Rs.2 each	200.00	200.00
Issued, subscribed and paid-up		
72,005,808 (Previous year 72,005,808) Equity shares of Rs. 2 each, fully paid Of the above,	144.01	144.01
(i) 39,804,430 (Previous year 39,804,430) Equity shares are held by the holding company, IVRCL Limited (Formerly known as IVRCL Infrastructures & Projects Limited)		
(ii) 62,463,388 (Previous year 62,463,388) Equity shares were issued as fully paid bonus shares by capitalisation of General Reserve.		
SCHEDULE - 2		
RESERVES AND SURPLUS		
Revaluation Reserve		
Balance at the beginning of the year	207.72	208.34
Less : Depreciation on revalued Land and Building	0.54	0.62
Less : Sale of revalued Land and Building	36.28	-
	170.90	207.72
Securities Premium Account		
Balance at the beginning of the year	537.61	537.61
General Reserve		
Balance at the beginning of the year	772.49	594.50
Less : Issue of Bonus Shares	-	72.01
Add : Transferred from Profit & Loss Account	200.00	250.00
	972.49	772.49
Profit and Loss Account		
Surplus as per annexed account	849.61	579.03
	2,530.61	2,096.85
SCHEDULE - 3		
SECURED LOANS		
Working Capital Loan		
From bank	1,600.09	786.11
[Secured by hypothecation of entire stocks, book debts, outstanding money receivable, claims and bills (both present and future), The loan is further secured by fixed assets situated at company's works at Vatva, Ahmedabad (Gujarat) and flats situated in Ahmedabad and Mumbai.]	1,600.09	786.11
SCHEDULE - 4		
UNSECURED LOANS		
From bank	400.00	-
[Repayable within one year Rs. 400.00 (Previous year Nil)]	400.00	-

SCHEDULES TO FINANCIAL STATEMENTS Contd.

SCHEDULE - 5

FIXED ASSETS

(Rs. in Million)

Particulars	GROSS BLOCK				DEPRECIATION/AMORTISATION				NET BLOCK	
	As at April 01, 2010	Additions during the year	Deductions during the year	As at March 31, 2011	Upto March 31, 2010	For the year	Deletion/ Adjustment	Upto March 31, 2011	As at March 31, 2011	As at March 31, 2010
Tangible Assets										
Freehold Land	177.10	-	32.77	144.33	-	-	-	-	144.33	177.10
Leasehold Land	35.50	3.10	-	38.60	3.22	0.49	-	3.71	34.89	32.28
Buildings (including Company owned flats)	349.44	10.00	6.04	353.40	73.18	12.03	1.59	83.62	269.78	276.26
Plant and Machinery	259.89	40.05	-\$	299.94	90.10	23.29	-\$	113.39	186.55	169.79
Office equipment	47.98	2.30	2.83	47.45	38.14	3.97	2.83	39.28	8.17	9.84
Computers	102.90	15.28	0.38	117.80	48.43	17.72	0.38	65.77	52.03	54.47
Furniture and fixtures	56.57	4.20	0.83	59.94	30.19	5.04	0.83	34.40	25.54	26.38
Motor Vehicles	31.55	8.90	2.21	38.24	13.92	6.24	1.62	18.54	19.70	17.63
Intangible Assets										
Technical Know - How	9.81	-	-	9.81	9.81	-	-	9.81	-	-
Goodwill	6.90	-	-	6.90	6.90	-	-	6.90	-	-
Total	1,077.64	83.83	45.06	1,116.41	313.89	68.78	7.25	375.42	740.99	763.75
Previous year Total	(919.71)	(158.47)	(0.54)	(1,077.64)	(258.61)	(55.60)	(0.32)	(313.89)	(763.75)	(661.10)

Capital work-in-progress	97.20	(22.62)
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Rupees in full figure - \$ 1,526.25

Notes

- Freehold Land includes land at Nelankarai Village, Saidapet Taluka, Chinglepet District Chennai of the gross value of Rs. 2.81 for which the Company has taken legal action for removal of encroachment on certain part of the property.
- Land & Building were revalued as on 1 April, 1989, 31 March 1993 and 31 March, 1996 by professional valuers on current market value basis. The revalued amounts[Freehold Land Rs.144.33 (previous year Rs. 177.10), Leasehold Land Rs. 15.20 (previous year Rs. 15.20), Factory Building Rs. 40.73; (previous year Rs. 40.73), and other Buildings Rs. 36.75; (previous year Rs. 40.26)] have been substituted for historical cost [Freehold Land Rs. 0.30; (previous year Rs. 0.40), Leasehold Land Rs. 1.08; (previous year Rs. 1.08), Factory Building Rs. 6.06; (previous year Rs. 6.06) and other Buildings Rs. 6.97; (previous year Rs. 8.07)] in the Gross Block of Fixed Assets.
 - Depreciation for the year Rs. 68.78; (Previous Year Rs. 55.60) includes depreciation on revaluation - Leasehold land Rs. 0.18 and Buildings Rs. 0.36; (Previous Years Rs. 0.18 and Buildings Rs. 0.45 respectively).
 - Buildings include Company owned residential flats of the Book Value of Rs. 8.85; (Previous Year Rs.8.85) including face value of shares held in Co-operative Housing Societies of Rs. 0.01 in respect of which documents lodged with the Registrar of Properties for registration are yet to be received back.

SCHEDULES TO FINANCIAL STATEMENTS Contd.

(Rs. in Million)

				As at March 31, 2011	As at March 31, 2010
SCHEDULE - 6					
INVESTMENTS	Nature of Instrument	Number Share	Face Value		
LONG TERM					
Investment in Shares of Subsidiary Companies - Unquoted:					
HDO Technologies Limited	Equity Shares	50000	Rs. 10	0.50	0.50
HDO (UK) Limited	Equity Shares	1008000	GBP 1	73.51	0.58
DavyMarKham India Private Limited	Equity Shares	10000	Rs. 10	0.10	-
Other investment - Quoted:					
(Equity Shares of Rs. 10 each fully paid up)					
Voltas Limited	Equity Shares	500	Rs. 1	-\$	-\$
Ion Exchange (I) Limited	Equity Shares	50	Rs. 10	0.01	0.01
Gujarat State Petronet Limited	Equity Shares	8983	Rs. 10	0.24	0.24
Ahmednagar Forgings Limited	Equity Shares	100000	Rs. 10	16.10	16.10
Gitanjali Gems Limited	Equity Shares	884	Rs. 10	0.18	0.18
				<u>16.53</u>	<u>16.53</u>
Less : Provision for diminution in the value of Investments				0.01	0.01
				<u>16.52</u>	16.52
Unquoted:					
Western Bio Systems Limited	Equity Shares	10	Rs. 10	-#	-#
Jord Engineers India Limited	Equity Shares	100	Rs. 10	-*	-*
Western India Industries Limited	Equity Shares	50	Rs. 10	-@	-@
Western Paques (I) Limited	Equity Shares	100	Rs. 10	0.01	0.01
Triveni Engineering & Industries Limited	Preference Shares	66	Rs. 10	0.01	0.01
National Saving Certificates				0.01	0.01
				<u>0.03</u>	0.03
Less : Provision for diminution in the value of Investments				0.02	0.02
				<u>0.01</u>	0.01
				<u>90.64</u>	<u>17.61</u>

Aggregate amount of book value of quoted investment Rs. 16.52
(Previous year Rs. 16.52)

Aggregate market value thereof Rs. 14.06 (Previous year Rs.13.45)

Aggregate amount of book value of unquoted investment Rs. 0.03
(Previous year Rs. 0.03)

Rupees in full figure - \$ Rs. 3,325, # Rs. 100, * Rs. 3,290, @ Rs. 2,975

SCHEDULES TO FINANCIAL STATEMENTS Contd.

(Rs. in Million)

	As at March 31, 2011	As at March 31, 2010
SCHEDULE - 7		
INVENTORIES		
(At lower of cost and net realisable value)		
Raw Materials	451.12	329.37
Work-in-progress	360.45	147.24
Stores & Spares	35.55	20.07
Tools and Patterns	11.46	5.02
	858.58	501.70
SCHEDULE - 8		
SUNDRY DEBTORS		
(Unsecured, considered good unless otherwise stated)		
Outstanding for a period exceeding six months	601.14	629.34
Others	2,332.72	1,042.75
(Refer Note 14.2 of Schedule '20')	2,933.86	1,672.09
SCHEDULE - 9		
CASH/BANK BALANCES		
Cash Balance on hand	1.11	1.80
Cheques on hand	-	3.90
Balance with scheduled banks		
- In current accounts	15.81	16.72
- Fixed Deposits (Refer Note 1 below)	8.03	10.81
- Margin Money	9.19	8.84
	34.14	42.07
Note		
1. Fixed Deposit includes unutilised money on preferential issue of equity shares in an earlier year Rs. 7.16 (Previous year Rs. 10.00)		
SCHEDULE - 10		
OTHER CURRENT ASSETS		
(Unsecured, considered good unless otherwise stated)		
Interest Accrued other than on Investments	1.18	0.75
Retention Money	2,165.43	1,839.03
(Refer Note 14.2 of Schedule '20')		
Other Deposits	59.73	83.98
Unbilled Revenue	1,343.21	1,048.66
	3,569.55	2,972.42

SCHEDULES TO FINANCIAL STATEMENTS Contd.

(Rs. in Million)

	As at March 31, 2011	As at March 31, 2010
SCHEDULE - 11		
LOANS AND ADVANCES		
(Unsecured, considered good unless otherwise stated)		
Loan to Subsidiary Company (Refer Note 14.2 of Schedule '20')	462.05	6.77
Advances recoverable in cash or in kind or for value to be received (Refer Note 14.2 of Schedule '20')	905.61	913.75
Advance Income-Tax (net of provisions)	100.23	29.92
Balance with Customs and Central Excise etc.	31.63	49.76
	<u>1,499.52</u>	<u>1,000.20</u>
SCHEDULE - 12		
CURRENT LIABILITIES		
Acceptances	1,702.05	1,108.14
[Acceptances of bills drawn against Letters of Credit and secured by hypothecation of entire stocks, book debts, outstanding money receivable, claims and bills (both present and future), The loan is further secured by fixed assets situated at company's works at vatva, Ahmedabad (Gujarat) and flats situated in Ahmedabad and Mumbai.]		
Sundry Creditors		
Total outstanding due to Micro Enterprises and Small Enterprises [Refer Note 13 of schedule '20']	13.29	-
Total outstanding due to Creditors other than Micro Enterprises and Small Enterprises [Amount payable to holding company Rs. 247.35 (Previous year Rs. Nil), Maximum amount outstanding is Rs. 331.60 (Previous year Rs. 218.46)]	2,677.45	2,118.28
Other Liabilities	318.90	194.67
Security Deposit	14.60	12.69
Advances from Customers	280.69	414.72
Liability towards Investor Education and Protection Fund		
- Not due		
- Unclaimed Dividend	0.90	0.69
- Matured Unclaimed Deposits/Debentures	0.26	0.26
	<u>1.16</u>	<u>0.95</u>
	<u>5,008.14</u>	<u>3,849.45</u>
SCHEDULE - 13		
PROVISIONS		
Gratuity	10.18	11.74
Leave Encashment	16.84	17.20
Proposed dividend	57.60	57.60
Corporate Dividend Tax	9.35	9.57
	<u>93.97</u>	<u>96.11</u>

SCHEDULES TO FINANCIAL STATEMENTS Contd.

(Rs. in Million)

	Year Ended March 31, 2011		Year Ended March 31, 2010	
SCHEDULE - 14				
SALES AND SERVICES				
Sale of Systems, Equipments, Spares and Services		<u>9,551.94</u>		<u>8,711.45</u>
SCHEDULE - 15				
OTHER INCOME				
Dividend		0.21		0.11
Profit on sale of Assets		99.64		-
Rent Received		20.90		42.38
Miscellaneous income		40.36		17.12
		<u>161.11</u>		<u>59.61</u>
SCHEDULE - 16				
COST OF SALES AND SERVICES				
Opening Stock - Sites		36.11		-
Add : Purchases of Systems, Equipments, Spares and Services		<u>7,000.33</u>		<u>6,157.64</u>
		7,036.44		6,157.64
Less : Closing Stock - Sites		<u>15.22</u>	7,021.22	<u>36.11</u>
				6,121.53
Raw Materials and components consumed				
Opening Stock		293.26		168.68
Add : Purchases		<u>817.76</u>		<u>872.82</u>
		1,111.02		1,041.50
Less : Closing Stock		<u>435.90</u>	675.12	<u>293.26</u>
				748.24
Manufacturing Expenses				
Stores, Spares & Patterns		109.75		63.78
Power & Fuel		12.60		11.03
Processing Charges		<u>128.12</u>	250.47	<u>28.13</u>
		<u>7,946.81</u>		<u>6,972.71</u>
SCHEDULE - 17				
(INCREASE) / DECREASE IN INVENTORIES				
Opening Stock				
Components		-		5.14
Work in progress		<u>147.24</u>	147.24	<u>117.51</u>
Less : Closing Stock				122.65
Work in progress		<u>360.44</u>	360.44	<u>147.24</u>
		<u>(213.20)</u>		<u>(24.59)</u>

SCHEDULES TO FINANCIAL STATEMENTS Contd.

(Rs. in Million)

	Year Ended March 31, 2011		Year Ended March 31, 2010	
SCHEDULE - 18				
OPERATING AND ADMINISTRATIVE EXPENSES				
Salaries, Wages and Bonus	350.05		268.87	
Contribution to provident and other funds	21.69		20.77	
Staff welfare expenses	36.36	408.10	20.02	309.66
Managerial Remuneration		41.52		49.03
Employee Compensation expense under ESOP		17.31		3.61
Rent		11.41		9.85
Rates and taxes		12.72		12.40
Travelling/Conveyance expenses		75.76		86.16
Repairs and maintenance - Buildings		6.01		7.73
Repairs and maintenance - Plant & Machinery		0.25		0.30
Repairs and maintenance - Others		6.92		7.42
Insurance		6.10		4.20
Communication Expenses		10.85		13.75
Sitting and Other Fees		0.24		0.28
Donations		1.14		0.77
Wealth Tax		0.30		0.28
Printing & Stationery		7.42		6.19
Advertisement and Publicity		5.53		3.75
Auditors Remuneration		2.96		2.29
Legal & professional charges		55.59		37.58
Tender Fees		1.52		0.83
Bad Debts written off		57.84		45.77
Loss on Exchange (Net)		21.89		27.33
Loss on sale of fixed assets		-		0.04
Miscellaneous Expenses		55.58		45.01
		<u>806.96</u>		<u>674.23</u>
SCHEDULE - 19				
INTEREST AND FINANCE CHARGES				
Interest - On Fixed Loans	136.77		104.79	
- Others	56.21	192.98	44.08	148.87
Less : Interest Income				
On Bank deposits	(4.42)	(4.42)	(11.26)	(11.26)
[Tax deducted at source Rs. 0.06 (previous year Rs. Rs. 2.09)]				
Other Finance/Bank charges		29.09		38.40
		<u>217.65</u>		<u>176.01</u>

SCHEDULES TO FINANCIAL STATEMENTS Contd.

SCHEDULE – 20

SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO ACCOUNTS

COMPANY OVERVIEW

The Company, Hindustan Dorr-Oliver Limited is engaged in the business of providing Engineering & Turnkey solutions, Technology and EPC installations in liquid solid separation applications in various industry segments like mineral processing and Beneficiation, Pulp and paper processing, Fertilizer & Chemicals and environmental management.

A. SIGNIFICANT ACCOUNTING POLICIES

a) Method of Accounting

The financial statements are based on historical cost convention (except for revaluation of certain Fixed Assets), in accordance with Generally Accepted Accounting Principles (GAAP) and in compliance with the accounting standards notified under Section 211 (3C) of the Companies Act, 1956 and the other Provisions of the Companies Act, 1956.

The Company follows mercantile system of accounting and recognises income and expenditure on accrual basis.

b) Use of Accounting Estimates

The preparation of the financial statements in conformity with GAAP requires the management to make estimates and assumptions that affect the balances of assets and liabilities and disclosures relating to contingent liabilities as at the reporting date of the financial statements and amounts of income and expenses during the year of account. Examples of such estimates include contract costs expected to be incurred to complete construction contracts, provision for doubtful debts, income taxes and future obligations under employee retirement benefit plans. Actual results could differ from those estimates.

c) Fixed Assets

Fixed Assets are stated at cost of acquisition/revaluation less accumulated depreciation, amortization and impairment losses, if any. Cost is inclusive of duties and taxes (net of Cenvat and other Credits), incidental expenses, erection/commissioning expenses and interest up to the date the qualifying asset is put to use.

Capital work in Progress comprises advances paid to acquire fixed assets and the cost of fixed assets not ready for their intended use as at the reporting date of the financial statements.

d) Investments

Current investments are carried at lower of cost and fair value. Long-term investments are stated at cost. Provision for diminution in value is made to recognise a decline other than temporary in the value of such investments.

e) Depreciation/Amortization

Depreciation is provided on the basis of the straight-line method as per rates prescribed in Schedule XIV of the Companies Act, 1956 on the original cost of the Fixed Assets except the following which are depreciated based on useful life determined by the management:

	Particulars	Rate
(i)	Buildings (including company-owned flats)	1.64% /1.67%/20%
(ii)	Factory Buildings (Revaluation amount)	3.34%/8.33%
(iii)	Plant & Machinery	
	Diesel generating sets, welding machines etc.	25%
	Air Conditioners	20%
	Office Equipments	20%
	Motor Vehicles	20%
	Laboratory Equipments	10% / 20%
	Other items	10% / 20%
(iv)	Furniture and Fittings	10%

SCHEDULES TO FINANCIAL STATEMENTS Contd.

In the case of certain assets where depreciation is calculated on revalued cost the portion related to the revalued amount is adjusted against Revaluation Reserve.

The premium, being the cost of leasehold land, is amortised over the lease period.

Assets costing less than Rupees Five thousand individually are fully depreciated in the year of purchase.

Technical Know-how is amortised over a period of five years in equal installments.

f) Borrowing Costs:

Borrowing costs that are attributable to the acquisition and construction of a qualifying asset are capitalised as a part of the cost of such assets till such time the asset is ready for its intended use. A qualifying asset is one that requires substantial period of time to get ready for its intended use. Other borrowing costs are recognized as an expense in the year in which they are incurred.

g) Inventories:

Inventories are valued at lower of cost and net realizable value after providing for obsolescence and other anticipated losses, if any. Cost of manufactured goods and Work-in-Progress include related overheads incurred in bringing the inventories to their present location and condition and excise duty paid/payable.

h) Revenue Recognition:

i) Long-term Contracts

Contract Revenue is recognized by reference to the stage of completion of the contract activity at the reporting date of the financial statements on the basis of percentage of completion method.

The stage of completion of contracts are measured by reference to the proportion that contract costs incurred for work performed up to the reporting date bear to the estimated total contract costs for each contract.

An expected loss on the construction contract is recognized as an expense immediately when it is certain that the total contract costs will exceed the total contract revenue.

Price escalation and other claims and/or, variation in the contract works are included in contract revenue only when negotiations have reached an advanced stage such that it is probable that the customer will accept the claim; and the amount that is probable will be accepted by the customer can be measured reliably.

Incentive payments, as per customer-specified performance standards, are included in contract revenue only when the contract is sufficiently advanced and that it is probable that the specified performance standards will be met and the amount of the incentive payment can be measured reliably.

ii) Others

In the case of other contracts, sales and profits are accounted for on the basis of actual work done on the contracts / dispatch of items.

(iii) Manufactured Goods

Revenue from sale of manufactured goods is recognized when substantial risks and rewards are transferred to the buyer under terms of contract.

i) Provisions and Contingencies

A provision is recognised when the Company has a present legal or constructive obligation as a result of past event and it is probable that an outflow of resources will be required to settle the obligation, in respect of which 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 adjusted to reflect the current best estimates. Contingencies are recorded when it is probable that a liability will be incurred, and the amount can be reasonably estimated. Contingent liabilities are disclosed by way of a note to the accounts.

SCHEDULES TO FINANCIAL STATEMENTS Contd.

j) Foreign Currency Transactions

Transactions in foreign currencies are recorded at the exchange rate prevailing on the date of the transactions. Monetary items denominated in foreign currency and outstanding at the balance sheet date are translated at the exchange rate prevailing on the balance sheet date. Exchange differences on foreign exchange transactions are recognised in the profit and loss account.

k) Employee Benefits

i) Gratuity

The company provides for obligation towards Gratuity, a defined benefit plan, covering eligible employees on the basis of an actuarial valuation using the projected unit credit method as at the year end. In case of funded defined plans, the fair value of the plan assets is reduced from the gross obligation under the defined benefit plans to recognize the net obligation. Further, for certain employees, contributions are made to the fund administered by the management.

ii) Superannuation

Contributions made under a scheme of Life Insurance Corporation of India are charged to the profit and loss account.

iii) Leave Encashment

Liability for leave encashment is provided on the basis of actuarial valuation using the projected unit credit method as on Balance Sheet date. Actuarial Gain/Losses, if any, are immediately recognized in the Profit and Loss account.

iv) Provident Fund

The contribution towards Provident Fund is made to the Statutory Authorities/ fund administered by the management and is charged to the profit and loss account.

l) Impairment

The carrying values of assets of the cash-generating units at each balance sheet date are reviewed for impairment. If any indication of such impairment exists, the recoverable amounts of those assets are estimated and impairment loss is recognised, if the carrying amount of those assets exceeds their recoverable amount. The recoverable amount is the greater of the net selling price and their value in use. Value in use is arrived at by discounting the estimated future cash flows to their present value based on appropriate discount factor.

m) Income-Tax

Tax Expenses for the year comprises both current tax and deferred tax. Current tax is determined as the amount of tax payable in respect of taxable income for the year. Deferred tax is recognised on timing differences, being the difference between taxable income and accounting income that originate in one period and are capable of reversal in one or more subsequent periods and quantified using the tax rates and law enacted or substantively enacted by the reporting date. Where there is an unabsorbed depreciation or carry forward loss, deferred tax assets are recognised only if there is virtual certainty of realisation of such assets. Other deferred tax assets are recognised only to the extent there is reasonable certainty of realisation in future. Deferred tax assets are reviewed for the appropriateness of their respective carrying values at each balance sheet date.

n) Earnings Per Share

Basic earnings per share is calculated by dividing the net earnings after tax for the year attributable to equity shareholders by the weighted average number of equity shares outstanding during the year.

For calculating diluted earnings per share, the number of shares comprises the weighted average shares considered for deriving basic earnings per share, and also the weighted average number of shares, if any which would have been used in the conversion of all dilutive potential equity shares. The number of shares and potentially dilutive equity shares are adjusted for the bonus shares and the sub-division of shares, if any.

o) Contingent Liabilities

Contingent liabilities are determined on the basis of available information and are disclosed by way of a note to the accounts.

SCHEDULES TO FINANCIAL STATEMENTS Contd.

B. NOTES ON ACCOUNTS

1. Contingent liabilities not provided for in respect of:

(Rs. in Million)

	Particulars	As at	As at
		March 31, 2011	March 31, 2010
i)	Bank Guarantees/Letters of Credit issued by the bank on behalf of the Company (Net of margin money aggregating to Rs. 9.19 Million. Previous year Rs. 8.84 Million)	4,784.11	4,907.31
ii)	Corporate Guarantees	1,502.09	1,562.59
iii)	*Claims against the Company not acknowledged as debts, to the extent quantifiable.	14.17	22.27
iv)	*Income-tax matters	20.88	20.88
v)	*Sales-tax / WCT / VAT matters	80.20	28.73
vi)	*Excise/Service Tax matters	5.86	5.86
vii)	*Labour Cess	-	5.31
viii)	*Customs duty matters	0.77	0.77

* Excluding interest / penalty as may be determined / levied on the conclusion of the matters.

- Estimated amount of contracts remaining to be executed on capital account and not provided for Rs. 80.05 Million (previous year Rs. 15.51 Million).
- Particulars in respect of each class of goods manufactured.

A. Capacity, Production and stocks

(Qty. in MT)

Class of Goods	Capacity		Sales and production	Stock			
	Licenced	Installed		Opening		Closing	
				Quantity	Value	Quantity	Value
Filtration	(See Note below)	(See Note below)	(See Note below)				
Sedimentation							
Classification	NA	7,608*	7,231	Nil	Nil	Nil	Nil
Centrifugation	NA	(5,782)	(5,521)	(Nil)	(Nil)	(Nil)	(Nil)
Pollution Control							
Fluidisation							
Miscellaneous							

* production capacity has been derived on the assumptions of 0.76 MT per square meter per year as certified by the Management and relied upon by the Auditors, being a technical matter.

NA – Not Applicable

Note: By virtue of endorsements made on its Industrial License, the Company within its overall capacity is also permitted to manufacture (i) Pressure Vessels, Reactors, Columns, Horton Spheres and Storage tanks, including glass lined equipments. (ii) Heat transfer equipment and systems. (iii) Solid Liquid Gas Separation Plants including Filtration Systems (iv) Mixing Homogenizing Equipments (v) Natural Gas Crackers including primary reformers (vi) Concentrating and Drying Systems consisting of Evaporator Systems (vii) Dryers and Drying Systems (viii) Mixers Agitators and Aerators up to 750 MT p.a.

SCHEDULES TO FINANCIAL STATEMENTS Contd.

B. Turnover

	Particulars	Year ended March 31, 2011		Year ended March 31, 2010	
		Quantity (Nos.)	(Rs. in Million)	Quantity (Nos.)	(Rs. in Million)
a)	Equipments, Systems and Spares				
	Filtration Equipment	11	59.07	108	187.44
	Sedimentation Equipment	20	7.17	36	28.54
	Miscellaneous Equipment	246	819.26	208	498.83
	Components	24	16.25	19	12.05
	Services	-	27.43	-	7.55
	Total		929.18		734.41
b)	Contract Revenue and Others		8,622.76		7,977.04
	Grand Total		9,551.94		8,711.45

Notes:

- i. Sales are net of credit notes issued to customers relating to discounts, allowances, etc.
- ii. Contract revenue includes supply of 246 number of equipments and systems aggregating to Rs. 718.89 Million (Previous year 270 number aggregating to Rs. 382.91 Million) which has been accounted as per the percentage completion method as part of long term contracts.
- iii. In view of the large number and heterogeneous types of equipments and services, it has not been considered necessary to furnish separately the respective quantitative information.

C. Raw materials and Components consumed (including for maintenance)

Particulars	Unit	Year ended March 31, 2011		Year ended March 31, 2010	
		Quantity	(Rs. in Million)	Quantity	(Rs. in Million)
Imported Raw Materials	Tonnes	89.33	91.26	508	210.99
Stainless Steel Plates & Structural	Tonnes	381.78	59.90	140	83.94
SS Pipes, Tubes	Meters	578.40	3.72	919	5.88
Mild steel plates and Structural	Tonnes	7,208.38	255.42	4,848	304.07
MS Pipes, Tubes	Meters	26,077.76	26.23	9,638	7.71
CI Castings	Tonnes	171.94	11.17	234	23.94
SS and N.F. Castings	Tonnes	79.49	0.58	13	0.25
Other Components - (Indigenous)			226.84		111.46
Total			675.12		748.24

SCHEDULES TO FINANCIAL STATEMENTS Contd.

D. Value of raw materials, loose tools, stores and spares parts consumed analysed as:

Particulars	Year ended March 31, 2011		Year ended March 31, 2010	
	%	(Rs. in Million)	%	(Rs. in Million)
Raw Materials and Components				
Imported	13.52	91.26	28.20	210.99
Indigenous	86.48	583.86	71.80	537.25
Total	100.00	675.12	100.00	748.24
Stores, Spares and Patterns (Indigenous)	100.00	109.75	100.00	63.78

The consumption, therefore, includes adjustments for shortage/excess and the effects of reduction of stock items to their realisable values.

E. Value of components used for supply of systems and services

Particulars	Year ended March 31, 2011		Year ended March 31, 2010	
	%	(Rs. in Million)	%	(Rs. in Million)
Imported	4.62	324.39	5.43	332.35
Indigenous	95.38	6,696.83	94.57	5,789.18
Total	100.00	7,021.22	100.00	6,121.53

In view of the large number and heterogeneous types of spares, accessories and components, it has not been considered necessary to furnish separately the respective quantitative information.

4. Auditors' Remuneration

(Rs. in Million)

Particulars	Year ended March 31, 2011	Year ended March 31, 2010
i) Audit Fee	1.70	1.20
ii) Tax Audit	0.20	0.15
iii) Limited Review of Results	0.45	0.45
iv) In other capacity: Certification work	0.08	0.08
v) Reimbursement of expenses: Service Tax	0.25	0.19
Out of pocket expenses	0.28	0.22
Total	2.96	2.29

5. Value of imports on C.I.F. basis (on payment basis)

(Rs. in Million)

Particulars	Year ended March 31, 2011	Year ended March 31, 2010
Cost of systems, equipments, components, spares and services	405.43	470.01
Capital Expenditure (Import of machineries)	49.14	-
Total	454.57	470.01

6. Expenditure in foreign currency on account of (on payment basis)

(Rs. in Million)

Particulars	Year ended March 31, 2011	Year ended March 31, 2010
Foreign Travel	2.43	1.41
Others	4.84	2.18
Total	7.27	3.59

SCHEDULES TO FINANCIAL STATEMENTS Contd.

7. Earnings in foreign exchange (Rs. in Million)

Particulars	Year ended March 31, 2011	Year ended March 31, 2010
Sale of systems (including components and spares) on FOB basis	13.10	13.06
Freight and insurance recoveries	0.42	0.50
Recovery of Cost	-	148.40
Total	13.52	161.96

8. Managerial Remuneration and Computation of net profit in accordance with section 309(5) of the Companies Act, 1956.

8.1. Managerial Remuneration (Rs. in Million)

Particulars	Year ended March 31, 2011	Year ended March 31, 2010
Salaries and Allowances	19.26	18.22
Contribution to Provident and Superannuation funds	2.45	2.55
Commission to Managing Director	19.81	28.26
Total	41.52	49.03

8.2. Computation of Net profit in accordance with Section 309(5)/198(1) of the Companies Act, 1956

(Rs. in Million)

S. No	Particulars	Year ended March 31, 2011
i	Profit Before Tax – per Profit and Loss Account	779.29
	Add:	
ii	Managerial Remuneration paid/provided	21.71
iii	Commission to Managing Director	19.81
iv	Sitting Fees	0.24
v	Depreciation as per Books of Accounts	68.24
vi	Loss/(Profit) on Sale of Assets	(99.64)
	Sub Total	10.36
vii	Less: Depreciation as per Section 350 of the Companies Act	68.24
	Sub Total	68.24
viii	Net Profit in accordance with 198(1)/349	721.41
ix	Maximum Commission/Remuneration payable to Managing Director computed @ 5% of the Net Profit	36.07
x	Less: Remuneration to MD paid/provided in Profit and Loss Account	16.26
xi	Commission payable to Managing Director	19.81

9. The balances in Sundry Debtors, Retention Money, Sundry Creditors and Advances are subject to confirmations and adjustments, if any. Such adjustments, in the opinion of the management, are not likely to be material and will be carried out as and when ascertained.

10. In the opinion of the Board, Current Assets, Loans and Advances have a value on realisation in the ordinary course of business at least equal to the amount at which they are stated.

11. Disclosure of provisions as per AS-29 "Provisions, Contingent Liabilities and Contingent Assets" is as follows:

(Rs. in Million)

Particulars	As at April 1, 2010	Provisions made during the year	Amount used/ paid during the year	Amount reversed	As at March 31, 2011
Provision for Doubtful Loans and Advances	2.45	-	-	-	2.45
Diminution in value of Investment	0.03	-	-	-	0.03
Total	2.48	-	-	-	2.48

SCHEDULES TO FINANCIAL STATEMENTS Contd.

12. The Company has equity investments aggregating to Rs. 73.51 Million and an amount of Rs. 462.05 Million advanced as interest free loan as on March 31, 2011 in HDO (UK) Limited, a wholly owned subsidiary. The said subsidiary and its wholly owned subsidiary, DavyMarkham Limited, during the year ended March 31, 2011, suffered losses which resulted in increase in accumulated losses exceeding the consolidated net worth of the subsidiary company. The Company has plans to support growth plans of the subsidiary company which, management believe, will result into increase in its revenue and consequently profitability and net worth. Accordingly its financial statements have been prepared on "Going Concern" basis. The said subsidiary company is confident of achieving the target and in the opinion of the Company, no provision is considered necessary at this stage in respect of its investments and loans outstanding from the said subsidiary company at the year end.
13. Information relating to Micro and Small Enterprises under the Micro, Small and Medium Enterprises Development Act, 2006 have been determined based on the information available with the Company and the required disclosures are given below:

(Rs. in Million)

Particulars	As at March 31, 2011	As at March 31, 2010
Principal amount remaining unpaid as on March, 31	13.29	-
Interest due thereon as on March, 31	1.21	-
Interest paid by the Company in terms of Section 16 of Micro, Small and Medium Enterprises Development Act, 2006, along with the amount of the payment made to the suppliers and service providers beyond the appointed day during the year	-	-
Interest due and payable for the period of delay in making payment (which has been paid but beyond the appointed day during the year) but without adding the interest specified under Micro, Small and Medium Enterprises Development Act, 2006.	-	-
Interest accrued and remaining unpaid as at March, 31	1.21	-
Further interest remaining due and payable even in the succeeding years, until such date when the interest dues as above are actually paid to the small enterprise.	-	-

14. Related Party Disclosure

Information regarding Related Party Transactions as per Accounting Standard AS-18 "Related Party Disclosures" notified by Companies (Accounting Standards) Rules, 2006, (as amended).

14.1. List of related parties

A. Holding Company

IVRCL Limited

B. Subsidiary Companies -The ownership, directly or indirectly through subsidiaries)

Name of the Company

HDO Technologies Limited
HDO (UK) Limited,
DavyMarkham Limited, (UK) (Subsidiary of HDO (UK) Limited)
DavyMarkham Holding Limited ¹
DavyMarkham India Private Limited ² (w.e.f. May 26, 2010)

Note:

- 1 Closed operations during the year.
- 2 Subsidiary Incorporated during the year.

SCHEDULES TO FINANCIAL STATEMENTS Contd.**C. Fellow Subsidiaries****Name of the Company**

IVRCL PSC Pipes Private Limited
IVR Enviro Projects Private Limited
IVRCL Assets & Holdings Limited
IVRCL Steel Constructions & Services Limited
IVRCL Holdings & Services Pte. Limited
IVRCL Cadagua Hogenakkal Water Private Limited
Alkoor Petroo Limited
IVRCL Building Product Limited
IVRCL Patalganga Truck Terminals Private Limited

D. Subsidiaries of Fellow Subsidiaries**Name of the Company**

IVRCL Chengapalli Tollways Limited
Salem Tollways Limited
Kumarapalyam Tollways Limited
Chennai Water Desalination Limited
First STP Private Limited
Sion Panvel Tollways Private Limited
IVRCL Indore Gujarat Tollways Limited
IVR Hotels and Resorts Limited
Geo IVRCL Engineering Limited
IVRCL Mega Malls Limited
Agaram Developers Private Limited
Papankuzhi Developers Private Limited
SPB Developers Private Limited
Mummididi Developers Private Limited
Samatteri Developers Private Limited
Annupampattu Developers Private Limited
Kunnam Developers Private Limited
Tirumani Developers Private Limited
Ilavampedu Developers Private Limited
Haripuram Developers Private Limited
Chodavaram Developers Private Limited
Vedurwada Developers Private Limited
Rudravaram Developers Private Limited
Gajuwaka Developers Private Limited
Geo Prime Developers Private Limited
Theata Developers Private Limited
Duvvda Developers Private Limited
IVR Prime Developers (Mylapore) Private Limited
IVR Prime Developers (Palakkad) Private Limited
IVR Prime Developers (Guindy) Private Limited
Gamaa Developers Private Limited
Simhachalam Prime Developers Private Limited
Siripuram Developers Private Limited
Kasibugga Developers Private Limited
Vijayawada Developers Private Limited
Eluru Developers Private Limited
IVR Prime Developers (Nellore) Private Limited
IVR Prime Developers (Amalapuram) Private Limited
IVR Prime Developers (Erode) Private Limited
IVR Prime Developers (Guntur) Private Limited
IVR Prime Developers (Kakinada) Private Limited
Jalandhar Amritsar Tollways Limited
IVRCL Goa Tollways Limited
IVRCL Chandrapur Tollways Limited
IVR Prime Developers (Araku) Private Limited
IVR Prime Developers (Pudukkottai) Private Limited
Absorption Aircon Engineer Private Limited

SCHEDULES TO FINANCIAL STATEMENTS Contd.

IVR Prime Developers (Vanaprastha) Private Limited
 IVR PUDL Resorts & Clubs Private Limited
 IVR Prime Developers (Thandiarpeta) Private Limited
 IVR Prime Developers (Gummidipundy) Private Limited
 IVR Prime Developers (Kodambakkam) Private Limited
 IVR Prime Developers (Arumbakkam) Private Limited
 IVR Prime Developers (Anna Nagar) Private Limited
 IVR Prime Developers (Pallavaram) Private Limited
 IVR Prime Developers (West Mambalam) Private Limited
 Bibinagar Developers Private Limited
 IVR Prime Developers (Anakapalle) Private Limited
 IVR Prime Developers (Rajampeta) Private Limited
 IVR Prime Developers (Tanuku) Private Limited
 IVR Prime Developers (Red Hills) Private Limited
 IVR Prime Developers (Rajahmundry) Private Limited
 IVR Prime Developers (Tuni) Private Limited
 IVR Prime Developers (Bobbilli) Private Limited
 IVR Prime Developers (Bhimavaram) Private Limited
 GSVK Manpower Supply & Services Private Limited
 (Formerly known as IVR Prime Developers (Valasaravakkam) Private Limited)
 IVR Prime Developers (Adayar) Private Limited
 IVR Prime Developers (Ananthapuram) Private Limited
 IVR Prime Developers (Perumbadur) Private Limited
 IVR Prime Developers (Egmore) Private Limited
 IVR Prime Developers (Tambaram) Private Limited
 IVR Prime Developers (Ashram) Private Limited
 IVR Prime Developers (Retiral Homes) Private Limited
 IVR Prime Developers (Avadi) Private Limited
 IVR Prime Developers (Alwarpet) Private Limited
 IVRCL International (FZE)

E. Joint Ventures

Name of the Company

Sai Sudhir HDO

F. Companies Under Common Control

Name of the Company

Indus Palm Hotels & Resorts Limited
 S.V. Equities Limited
 Palladium Infrastructures & Projects Limited
 Soma Hotels & Resorts Limited
 Eragam Holdings Limited
 Eragam Finlease Limited
 A P Enercon Engineers Private Limited

G. Key Managerial Personnel and their relatives

Name of the Person

Mr. E Sudhir Reddy
 Mr. E Sunil Reddy
 Mr. S C Sekaran
 Mr. R Balrami Reddy
 Mr. E Ella Reddy
 Mrs. E Sujatha Reddy
 Mrs. E Indira Reddy
 Mr. E Siddhanth Reddy
 Mr. E Sanjeeth Reddy
 Ms. E Suha Reddy
 Ms. E Soma Reddy
 Mrs. R Vani

Relationship

Vice Chairman
 Managing Director
 Executive Director
 Director

 Relative of Managing Director

 Relative of the Director

SCHEDULES TO FINANCIAL STATEMENTS Contd.

14.2 Followings are the transactions with the related parties:

(Rs in Million)

Particulars	Year	Holding Company	Subsidiary	Fellow Subsidiary	Subsidiary of Fellow Subsidiary	Company under common control	Key Management Personnel	Total
Income/Expense								
Sales (Net of Indirect Taxes)	2010-11	152.77	-	-	-	-	-	152.77
	2009-10	348.78	-	-	-	-	-	348.78
Purchases/Services	2010-11	504.38	162.14	-	-	212.49	-	879.01
	2009-10	458.92	179.35	-	-	104.88	-	743.15
Dividend Paid	2010-11	31.84	-	-	-	-	-	31.84
	2009-10	19.83	-	-	-	-	-	19.83
Payment made by the Company for								
Expenses	2010-11	2.29	18.12	-	-	-	-	20.41
	2009-10	1.21	30.97	-	-	-	-	32.18
Payment made by the Holding Company for								
Expenses	2010-11	0.34	-	-	-	-	-	0.34
	2009-10	0.04	-	-	-	-	-	0.04
Rent Paid	2010-11	1.90	-	-	-	2.58	-	4.48
	2009-10	1.61	-	-	-	2.60	-	4.21
Investment made by the Company	2010-11	-	73.03	-	-	-	-	73.03
	2009-10	-	-	-	-	-	-	-
Finance								
Loans/ Advances Given	2010-11	-	455.28	-	-	-	-	455.28
	2009-10	-	688.70	-	-	-	-	688.70
Remuneration	2010-11	-	-	-	-	-	41.52	41.52
	2009-10	-	-	-	-	-	49.03	49.03
Balances with related parties								
Loans/Advances Recoverable	2010-11	85.44	476.24	-	-	-	-	561.68
	2009-10	73.83	42.87	1.07	-	-	-	117.77
Creditors	2010-11	247.35	-	-	-	50.61	-	297.96
	2009-10	-	-	-	-	3.58	-	3.58
Retention Money Receivable	2010-11	78.71	-	-	-	-	-	78.71
	2009-10	78.86	-	-	-	-	-	78.86

SCHEDULES TO FINANCIAL STATEMENTS Contd.
14.3 Disclosure of Material Transactions with Related Parties

(Rs in Million)

Particulars	Year Ended March 31, 2011	Year Ended March 31, 2010
Sales (Net of Indirect Taxes)		
IVRCL Limited	152.77	348.78
Purchases/Services		
IVRCL Limited	504.38	458.92
HDO Technologies Limited	162.14	179.35
Palladium Infrastructures & Projects Limited	212.49	104.88
Dividend Paid		
IVRCL Limited	31.84	19.83
Payment made by the Company – Expenses		
HDO Technologies Limited	18.12	30.97
IVRCL Limited	2.29	1.21
Payment made by the Holding Company - Expenses		
IVRCL Limited	0.34	0.04
Loans/Advances given by the Company		
IVRCL Limited	-	-
HDO (UK) Limited	455.28	688.70
Rent Paid		
IVRCL Limited	1.90	1.61
A P Enercon Engineers Private Limited	1.98	1.20
Indus Palm Hotels and Resorts Private Limited	0.60	0.60

Notes:

1. Related party relationship is as identified by the Company and relied upon by the Auditors.
2. No amount pertaining to related parties which have been provided for as doubtful debts or written off in respect of related parties.
3. Disclosure as per clause 32 of the listing agreement: Loans and Advances given. (Rs. in Million)

Name of the Company	Relationship	Amount As on March 31, 2011	Maximum outstanding
HDO Technologies Limited	Subsidiary	14.20	88.84
HDO (UK) Limited	Subsidiary	462.05	462.05

15. Earnings per share

Particulars	Year ended March 31, 2011	Year ended March 31, 2010
Net Profit attributable to shareholders (Rs. in Million)	537.53	555.17
Weighted average number of equity shares outstanding		
For Basic EPS	72,005,808	72,005,808
For Diluted EPS	72,509,808	72,131,808
Earnings Per Share (Face Value of Rs. 2 each)		
Basic (Rupees)	7.47	7.71
Diluted (Rupees)	7.41	7.69

SCHEDULES TO FINANCIAL STATEMENTS Contd.

16. Segment Reporting

Primary Segment – Business

The Company is primarily engaged in the business of manufacturing, supply of equipment including erection and commissioning and providing engineering services. As such, there is no separate reportable segment as per the Accounting Standard - 17 (Segment Reporting) issued by The Institute of Chartered Accountants of India and notified under Section 211(3C) of the Companies Act, 1956.

Secondary Segment – Geographical

The operation of the company is mainly in India. Therefore, there is no reportable geographical segment as per the Accounting Standard - 17 (Segment Reporting) notified in Companies (Accounting Standards) Rules, 2006.

17. Deferred Tax

The Company has carried out deferred tax computation in accordance with Accounting Standard 22– ‘Accounting for Taxes on Income’ issued by the Institute of Chartered Accountants of India.

The deferred tax Assets as shown in the balance sheet consists of:

(Rs. in Million)

Particulars	As at March 31, 2011	As at March 31, 2010
Tax impact of differences between carrying amount of the fixed assets in the financial statements and the income tax	34.90	26.85
Tax impact of expenses charged in the financial statements but allowable as deductions in future years under income tax	(8.16)	(10.53)
Deferred Tax Liability/(Assets)	26.74	16.32

18. In terms of the disclosures required to be made under the accounting standard (AS) 7 (revised 2002) issued by the Institute of Chartered Accountants of India for ‘Construction Contracts’, the amounts considered in the financial statements up to the reporting date are as follows:

(Rs. in Million)

Particulars	Year ended March 31, 2011	Year ended March 31, 2010
Contract Revenue recognised as revenue During the year – (paragraph 38a)	8,472.67	8,099.94
Contract costs incurred and recognised Profits, less losses – (paragraph 39a)	7,289.44	6,813.79
Advances received, net of recoveries From progressive bills – (paragraph 39b)	538.16	312.78
Gross amount due from customers for Contract works – (paragraph 41a)	3,019.54	1,251.10
Gross amounts due to customers for Contract works – (paragraph 41b)	-	-
Retention amount due from customers for Contract works – (paragraph 40c)	2,073.06	1,680.84

The paragraph references mentioned against each item below are as given in the said accounting standard.

19. Employees Share Based Plan

1. Method used for accounting for share based plan:

The Company has used intrinsic value method to account for the compensation cost of stock option to employees of the Company. Intrinsic value is the amount by which the quoted market price of the underlying stock exceeds the exercise price of the option. The total intrinsic value of the options granted during the year is recognised as deferred compensation expense with a corresponding liability as Stock Options.

Deferred employee compensation expense is amortised on a straight line basis over a vesting period of the option granted.

SCHEDULES TO FINANCIAL STATEMENTS Contd.

2. Employees Stock Options Scheme, 2005

Under ESOP 2005 Scheme, the members had approved 10,00,000 options of face value Rs. 2 each to the permanent employees of the Company. During the previous year 5,04,000 options were granted to certain employees of the Company at a single exercise price of Rs. 41.51 per stock option with a vesting period of 1 year.

3. Movement in the options during the year:

ESOP 2005 Scheme

Particulars	ESOP : 2005 Scheme	Weighted average exercise price per stock option (Rs.)
Options outstanding at the beginning of the year	496,000	41.51
Granted during the year	-	-
Exercised during the year	-	-
Lapsed during the year	-	-
Options outstanding during the year	496,000	41.51
Options exercisable at the end of the year	504,000	41.51

4. Fair value Methodology:

The fair value of options used to compute pro forma net income and earnings per equity share have been estimated on the date of granting using Black-Scholes model. The key assumptions used in Black-Scholes model for computing the fair value are; (a) Risk free interest rate of 6.6% p.a. (b) Expected life of 1 year and (c) Expected volatility of share price of 61.55%. The weighted average fair value of the option works out to Rs. 45.34.

Had compensation cost for the stock options granted under ESOP 2005 been determined based on fair value approach, the Company's net profit and earning per share would have been as per the proforma amounts indicated below:

(Rs. in Million)

Particulars	Year ended March 31, 2011
Net Profit (as reported)	537.53
Add: Employee compensation expense included in net income, based on market price as on Date of grant	12.09
Less: Employee compensation expense determined under fair value based method	1.59
Net profit (pro forma)	548.03
Basic Earnings per share (as reported)	7.47
Basic Earnings per share (pro forma)	7.61
Diluted Earnings per share (as reported)	7.41
Diluted Earnings per share (pro forma)	7.56

20. The utilization of the unutilized fund raised through the preferential issue during an earlier year is as under:

(Rs in Million)

Particulars	Year ended March 31, 2011	Year ended March 31, 2010
Utilization for expansion of manufacturing activities & working capital requirement	2.84	2,00.00
Unutilized issue proceeds in Fixed Deposit with bank	7.16	10.00
Total	10.00	2,10.00

SCHEDULES TO FINANCIAL STATEMENTS Contd.

21. Employee Benefit:

Funded status of the Gratuity Plan and disclosures pursuant to AS-15 are set out below:

(Rs. in Million)

Particulars	As at March 31, 2011	As at March 31, 2010
Change in Benefit Obligation		
Liability at the beginning of the year	39.48	34.61
Interest Cost	3.20	2.71
Current Service Cost	4.02	2.60
Benefit Paid	(2.68)	(5.39)
Actuarial (gain)/loss on obligations	(0.54)	4.95
Liability at the end of the year	43.49	39.48
Fair value of Planned Assets		
Fair value of planned assets at the beginning of the year	23.87	25.25
Expected return on planned assets	1.94	1.94
Contributions	5.86	1.68
Benefit paid	(2.68)	(5.39)
Actuarial gain/(loss) on planned assets	(0.80)	0.39
Fair value of planned assets at the end of the year	28.19	23.87
Total Actuarial gain/(loss) to be recognized	(0.26)	(4.56)
Actual return on planned assets		
Expected return on planned assets	1.94	1.94
Actuarial gain/(loss) on planned assets	(0.80)	0.39
Actual return on planned assets	1.15	2.33
Amount recognized in the Balance Sheet		
Liability at the end of the year	43.49	39.48
Fair value of planned assets at the end of the year	28.19	23.87
Experience Adjustment/ Non-Management Fund	5.12	-
Amount recognized in the Balance Sheet	10.18	15.61
Expenses recognized in the Income Statement		
Current service cost	4.02	2.60
Interest cost	3.20	2.71
Expected return on planned assets	(1.94)	(1.94)
Net Actuarial (gain)/loss to be recognized	0.26	4.56
Expense recognized in the Profit and Loss Account	5.54	7.93
Balance Sheet Reconciliation		
Opening Net Liability	15.61	9.36
Expense as above	5.54	7.93
Employers Contribution	(5.86)	(1.68)
Experience Adjustment/ Non-Management Fund	(5.12)	-
Amount Recognised in the Balance Sheet	10.18	15.61
Assumptions		
Discount rate	8.25%	8.00%
Rate of return on planned assets	8.25%	8.00%

22. The previous year's figures have been regrouped/rearranged wherever necessary.

FOR AND ON BEHALF OF THE BOARD

Hyderabad
May 28, 2011

Pragya Sahal Kaul
Company Secretary

E. Sunil Reddy
Managing Director

S. C. Sekaran
Executive Director

BALANCE SHEET ABSTRACT

BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE PURSUANT TO PART IV OF SCHEDULE VI OF THE COMPANIES ACT, 1956

I. Registration

Registration No. 1 7 6 4 4 State Code 1 1
 Balance Sheet Date 3 1 0 3 2 0 1 1

II. Capital Raised during the year (Amount in Rs. Thousands)

Public Issue Nil Right Issue Nil
 Bonus Issue Nil Private Placement Nil

III. Position of Mobilisation and Deployment of Funds (Amount in Rs. Thousands)

Total Liabilities 9 8 2 4 4 8 7 Total Assets 9 8 2 4 4 8 7

Sources of funds

Paid-up Capital 1 4 4 0 1 2 Reserves & Surplus 2 5 3 0 6 1 2
 Secured Loans 1 6 0 0 0 9 4 Unsecured Loan 4 0 0 0 0 0

Application of Funds

Net Fixed Assets 7 4 0 9 8 8 Investments 9 0 6 3 6
 Net Current Assets 3 7 9 3 5 4 4 Miscellaneous Expenditure Nil
 Accumulated Losses Nil Deferred Tax Liabilities (Net) 2 6 7 3 9

IV. Performance of Company (Amount in Rs. Thousands)

Turnover 9 4 4 4 6 3 8 Total Expenditure 8 8 2 6 4 5 6
 Other Income 1 6 1 1 1 2
 Profit Before Tax 7 7 9 2 9 4 Profit After Tax 5 3 7 5 3 5
 Earnings per Share (Rs.) 7 . 4 7 Dividend Rate % 4 0

V. Generic Names of Three Principal Products/Services of Company (As per monetary terms)

Item Code No. (ITC Code) : 8 4 3 9 1 0 0 0
 Product Description : Machinery for Making pulp of Fabrous Cellulosic Material
 Item Code No. (ITC Code) : 8 4 1 9 8 9 0 4
 Product Description : Waste Water Treatment Plant
 Item Code No. (ITC Code) : 8 4 1 9 8 9 0 8
 Product Description : Mixing and Homogenizing Equipment for Chemical Industries

AUDITORS' REPORT ON CONSOLIDATED FINANCIAL STATEMENTS

To The Board of Directors

HINDUSTAN DORR - OLIVER LIMITED

1. We have audited the attached Consolidated Balance Sheet of **HINDUSTAN DORR - OLIVER LIMITED** ('the Company') and its subsidiaries (collectively referred to as 'the Group') as at March 31, 2011 and also the Consolidated Profit and Loss Account and the Consolidated Cash Flow Statement for the year ended on that date both annexed thereto. These financial statements are the responsibility of the Company's management and have been prepared by the management on the basis of separate financial statements and other financial information regarding components. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with the 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. In respect of financial statements/consolidated financial statements of certain foreign subsidiaries whose financial statement reflects total assets of Rs 1,449.24 million as at March 31, 2011, total revenue of Rs 1,257.60 million and net cash inflows of Rs 335.86 million for the financial year ended on March 31, 2011 are unaudited and we did not carry out the audit. These unaudited financial statements/consolidated financial statements have been prepared by the Management and have been furnished to us for the purpose of our examination of consolidated financial statement of the group. Our report in so far as it relates to the amounts included in respect of the foreign subsidiaries is based solely on such unaudited financial statements/ consolidated financial statements.
4. Attention is invited to note D.6 of schedule 20 regarding preparation of unaudited financial statements of foreign subsidiary (ies) mentioned in para-3 above on going concern basis, based on the reason stated therein by the management of the company.
5. We report that the consolidated financial statements have been prepared by the Company in accordance with the requirements of Accounting Standard (AS) 21, Consolidated Financial Statements notified by the Companies Accounting Standards Rules 2006.
6. Based on our audit as aforesaid, and on the other financial information of the components and to the best of our information and according to the explanations given to us, we are of the opinion that the attached consolidated financial statements give a true and fair view in conformity with the accounting principles generally accepted in India:
 - (i) in the case of the Consolidated Balance Sheet, of the state of affairs of the Group as at March 31, 2011;
 - (ii) in the case of the Consolidated Profit and Loss Account, of the profit of the Group for the year ended on that date; and
 - (iii) in the case of the Consolidated Cash Flow Statement, of the consolidated cash flows of the Group for the year ended on that date.

For CHATURVEDI & PARTNERS
Chartered Accountants
Firm Registration No. 307068E

Hyderabad
May 28, 2011

R N CHATURVEDI
Partner
Membership No. 92087

CONSOLIDATED BALANCE SHEET AS AT MARCH 31, 2011

(Rs. in Million)

	Schedule Reference	As at March 31, 2011		As at March 31, 2010	
SOURCES OF FUNDS					
Shareholders' funds					
Share Capital	1	144.01		144.01	
Stock Options		20.92		3.61	
Reserves and Surplus	2	2,407.87	2,572.80	2,126.20	2,273.82
Loan Funds					
Secured Loan	3	2,356.76		1,550.52	
Unsecured Loan	4	400.00	2,756.76	-	1,550.52
Deferred Tax Liability (Net)			33.49		24.83
TOTAL			5,363.05		3,849.17
APPLICATION OF FUNDS					
Goodwill on Consolidation			555.30		517.53
Fixed Assets					
Gross Block	5	1,323.00		1,273.88	
Less: Depreciation		466.74		375.64	
Net Block		856.26		898.24	
Add: Capital Work-in-Progress [Including Capital Advances aggregating to Rs. NIL (previous year Rs. 9.64)]		97.20	953.46	22.62	920.86
Investments	6		16.53		16.53
Current Assets, Loans and Advances					
Inventories	7	873.08		526.06	
Sundry Debtors	8	3,338.65		1,935.99	
Cash & Bank Balances	9	434.99		106.93	
Other Current Assets	10	3,569.55		2,972.41	
Loans and Advances	11	1,080.93		1,044.47	
			9,297.20		6,585.86
Less: Current Liabilities and Provisions					
Current Liabilities	12	5,362.32		4,092.00	
Provisions	13	97.12		99.61	
			5,459.44		4,191.61
Net Current Assets			3,837.76		2,394.25
TOTAL			5,363.05		3,849.17
Significant Accounting Policies & Notes	20				
The Schedules referred to above form an integral part of the Balance Sheet.					

As per our report of even date attached,

For CHATURVEDI & PARTNERS
Chartered Accountants
Firm Registration No.: 307068E

FOR AND ON BEHALF OF THE BOARD

R N CHATURVEDI
Partner
Membership No. 092087
Hyderabad,
May 28, 2011

Pragya Sahal Kaul
Company Secretary

E . Sunil Reddy
Managing Director

S. C. Sekaran
Executive Director

CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED MARCH 31, 2011

(Rs. in Million)

	Schedule Reference	Year Ended March 31, 2011		Year Ended March 31, 2010
INCOME				
Income from Sales and Services	14	10,831.29		8,855.25
Less : Excise Duty		109.07		80.42
Net Sales		10,722.22		8,774.83
Other Income	15	161.46		59.61
TOTAL		10,883.68		8,834.44
EXPENDITURE				
Cost of Sales and Services	16	9,024.76		6,918.12
(Increase)/ Decrease in Inventories	17	(194.69)		(57.61)
Operating and Administrative Expenses	18	1,044.59		865.37
Interest and Finance Charges	19	272.92		176.32
Depreciation/Amortisation		98.35		69.46
Less: Transfer from Revaluation Reserve		0.54		0.62
TOTAL		10,245.39		7,971.04
PROFIT FOR THE YEAR BEFORE TAXATION		638.29		863.40
Provision for Taxation				
Current Tax		240.94		261.74
Deferred Tax		8.66		10.07
Tax Adjustments for earlier years		(0.06)		19.82
PROFIT FOR THE YEAR AFTER TAXATION		388.75		571.77
Balance brought forward from previous year		608.36		353.76
Balance available for appropriation		997.11		925.53
APPROPRIATIONS				
Proposed dividend		57.60		57.60
Corporate dividend tax		9.35		9.57
Transfer to General Reserve		200.00		250.00
Balance carried to Balance Sheet		730.16		608.36
Basic Earnings Per Share (in Rupees)		5.40		7.95
Diluted Earnings Per Share (in Rupees) (Refer note No 10 in schedule '20')		5.36		7.93
Significant Accounting Policies & Notes forming part of the Financial Statements 20				

The Schedules referred to above form an integral part of the Profit & Loss Account

As per our report of even date attached,

For CHATURVEDI & PARTNERS
Chartered Accountants
Firm Registration No.: 307068E

FOR AND ON BEHALF OF THE BOARD

R N CHATURVEDI
Partner
Membership No. 092087

Hyderabad,
May 28, 2011

Pragya Sahal Kaul
Company Secretary

E . Sunil Reddy
Managing Director

S. C. Sekaran
Executive Director

CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED MARCH 31, 2011

(Rs. in Million)

	Year Ended March 31, 2011	Year Ended March 31, 2010
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit for the year before Taxation	638.29	863.40
Adjustments for		
Depreciation and amortisation	97.81	68.84
(Profit)/loss on Sale of Fixed Assets	(99.64)	0.04
Employee Compensation expense under ESOP	17.31	3.61
Interest & Finance Charges	277.34	187.58
Interest Income	(4.42)	(11.26)
Dividend Income	(0.21)	(0.11)
Bad debts written Off	57.84	45.77
Loss on Exchange (Net)	9.00	0.02
	<u>355.03</u>	<u>294.49</u>
Operating profit before working capital changes	993.32	1,157.89
Changes in assets and liabilities		
(Increase)/Decrease in Inventories	(347.02)	(214.58)
(Increase)/Decrease in Sundry Debtors	(1,460.50)	(424.03)
(Increase)/Decrease in Loans and Advances	(568.78)	(1,186.26)
Increase/(Decrease) in Current Liabilities	1,267.83	426.97
Cash generated from operations activities	(115.15)	(240.01)
Taxes Paid	(317.57)	(256.17)
Net cash provided by operating activities	(432.72)	(496.18)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of Fixed Assets	(168.76)	(251.18)
Movement in Goodwill	(37.77)	-
Sale of Fixed Assets	101.17	0.19
Consideration paid on acquisition of Subsidiary	-	(578.04)
Cash and cash equivalents acquired on acquisition of Subsidiary	-	0.08
Dividend received	0.21	0.11
Interest Received	3.99	18.46
Net cash used in investing activities	(101.16)	(810.38)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from Loan	1,206.24	1,394.82
Dividend Paid	(57.39)	(35.93)
Corporate Dividend Tax	(9.57)	(6.12)
Interest and finance charges paid	(277.34)	(187.59)
Net cash provided by financing activities	861.94	1,165.18
NET (DECREASE)/ INCREASE IN CASH AND CASH EQUIVALENTS DURING THE YEAR	328.06	(141.38)
Cash and cash equivalents at the beginning of the year	106.93	248.31
Cash and cash equivalents at the end of the year	434.99	106.93

CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED MARCH 31, 2011 Contd.

Notes

1. The cash flow statement has been prepared under the indirect method as set out in the Accounting Standard 3 on Cash Flow Statement issued by the Institute of Chartered Accountants of India and notified by the companies Accounting Standard Rules 2006.
2. Figures in brackets indicate cash outflow.
3. Previous year figures have been regrouped and recast wherever necessary to conform to current year classification.
4. Cash & Cash Equivalents include:

	Year Ended March 31, 2011	Year Ended March 31, 2010
Cash Balance on hand	1.13	1.84
Cheques in Hand	-	3.90
Balances with Scheduled Banks	-	-
- In Current Accounts	416.64	81.54
- In Fixed Deposits	8.03	10.81
- In Margin Money Accounts	9.19	8.84
	<u>434.99</u>	<u>106.93</u>

5. Rs. 9.19 (Previous year Rs. 8.84) margin money in fixed deposit accounts (Refer Schedule '9')
6. Bank balance includes restricted amount of Rs. 1.16 (Previous year Rs. 0.95) towards unclaimed dividend/Deposits/ Debentures.

As per our report of even date attached,

For CHATURVEDI & PARTNERS

Chartered Accountants

Firm Registration No.: 307068E

FOR AND ON BEHALF OF THE BOARD

R N CHATURVEDI

Partner

Membership No. 092087

Hyderabad,
May 28, 2011

Pragya Sahal Kaul
Company Secretary

E . Sunil Reddy
Managing Director

S. C. Sekaran
Executive Director

SCHEDULES TO CONSOLIDATED FINANCIAL STATEMENTS

(Rs. in Million)

	As at March 31, 2011	As at March 31, 2010
SCHEDULE - 1		
SHARE CAPITAL		
Authorised :		
100,000,000 (Previous year 100,000,000) Equity shares of Rs.2 each	<u>200.00</u>	<u>200.00</u>
Issued, subscribed and paid-up		
72,005,808 (Previous year 72,005,808) Equity shares of Rs. 2 each, fully paid Of the above,	<u>144.01</u>	<u>144.01</u>
(i) 39,804,430 (Previous year 39,804,430) Equity shares are held by the holding company, IVRCL Limited		
(ii) 62,463,388 (Previous year 62,463,388) Equity shares were issued as fully paid bonus shares by capitalisation of General Reserve.		
SCHEDULE - 2		
RESERVES AND SURPLUS		
Revaluation Reserve		
Balance at the beginning of the year	207.72	208.34
Less : Depreciation on revalued Land and Building	0.54	0.62
Less : Sale of revalued Land and Building	<u>36.28</u>	<u>-</u>
	170.90	207.72
Securities Premium Account		
Balance at the beginning of the year	<u>537.61</u>	<u>537.61</u>
General Reserve		
Balance at the beginning of the year	772.49	594.50
Less : Issue of Bonus Shares	-	72.01
Add : Transferred from Profit & Loss Account	<u>200.00</u>	<u>250.00</u>
	972.49	772.49
Foreign Exchange Translation Reserve	(3.29)	0.02
Profit and Loss Account	730.16	608.36
Surplus as per annexed account		
	<u>2,407.87</u>	<u>2,126.20</u>
SCHEDULE - 3		
SECURED LOANS		
Working Capital Loan		
From bank	1,600.09	786.11
(Secured by hypothecation of entire stocks, book debts, outstanding money receivable, claims and bills (both present and future), The loan is further secured by fixed assets situated at company's works at Vatva, Ahmedabad (Gujarat) and flats situated in Ahmedabad and Mumbai.		
Short Term Loan		
From bank	756.67	764.41
(Secured by Pledge of Fixed assets of DavyMarkham Ltd and further secured by corporate guarantee given by Hindustan Dorr Oliver Limited.		
	<u>2,356.76</u>	<u>1,550.52</u>
SCHEDULE - 4		
UNSECURED LOANS		
From bank	400.00	-
[(Repayable within one year Rs. 400.00 (Previous year Nil))		
	<u>400.00</u>	<u>-</u>

SCHEDULES TO CONSOLIDATED FINANCIAL STATEMENTS Contd.

SCHEDULE - 5

FIXED ASSETS

(Rs. in Million)

Particulars	GROSS BLOCK				DEPRECIATION/AMORTISATION					NET BLOCK	
	As at April 01, 2010	Additions during the year	Deductions during the year	As at March 31, 2011	Upto March 31, 2010	For the year	Adjustment	On Sales/ Deductions	Upto March 31, 2011	As at March 31, 2011	As at March 31, 2010
Tangible Assets											
Freehold Land	177.10	-	32.77	144.33	-	-	-	-	-	144.33	177.10
Leasehold Land	35.50	3.10	-	38.60	3.23	0.49	-	-	3.72	34.88	32.27
Buildings (including Company owned flats)	350.55	10.04	6.04	354.55	73.21	12.15	1.59	-	83.77	270.78	277.34
Plant and Machinery	383.94	48.94	-\$	432.88	129.47	38.31	-\$	-	167.78	265.10	254.47
Office equipment	53.55	2.40	2.83	53.12	40.38	5.38	2.83	-	42.93	10.19	13.17
Computers	164.97	15.92	0.38	180.51	67.93	30.28	0.38	-	97.83	82.68	97.04
Furniture and fixtures	59.11	4.88	0.83	63.16	30.53	5.31	0.83	-	35.01	28.15	28.58
Motor Vehicles	32.45	8.90	2.21	39.14	14.18	6.43	1.62	-	18.99	20.15	18.27
Intangible Assets											
Technical Know - How	9.81	-	-	9.81	9.81	-	-	-	9.81	-	-
Goodwill	6.90	-	-	6.90	6.90	-	-	-	6.90	-	-
Total	1,273.88	94.18	45.06	1,323.00	375.64	98.35	7.25	-	466.74	856.26	898.24
Previous year Total	(983.13)	(291.29)	(0.54)	(1,273.88)	(265.28)	(69.46)	(41.22)	(0.32)	(375.64)	(898.24)	(717.85)
Capital work-in-progress										97.20	(22.62)

Rupees in full figure - \$1,526.25

Notes

- 1 Freehold Land includes land at Nelankarai Village, Saidapet Taluka, Chinglepet District Chennai of the gross value of Rs. 2.81 for which the Company has taken legal action for removal of encroachment on certain part of the property.
- 2 (a) Land & Building were revalued as on 1 April, 1989, 31 March 1993 and 31 March, 1996 by professional valuers on current market value basis. The revalued amounts [Freehold Land Rs.144.33 (previous year Rs. 177.10), Leasehold Land Rs. 15.2 (previous year Rs. 15.2), Factory Building Rs. 40.73; (previous year Rs. 40.73), and other Buildings Rs. 36.75; (previous year Rs. 40.26)] have been substituted for historical cost [Freehold Land Rs. 0.30; (previous year Rs. 0.40), Leasehold Land Rs. 1.08; (previous year Rs. 1.08), Factory Building Rs. 6.06; (previous year Rs. 6.06) and other Buildings Rs. 6.97; (previous year Rs. 8.07)] in the Gross Block of Fixed Assets.
- (b) Depreciation for the year Rs. 98.34; (Previous Year Rs. 69.46) includes depreciation on revaluation - Leasehold land Rs. 0.18 and Buildings Rs. 0.36; (Previous Years Rs. 0.18 and Buildings Rs. 0.44 respectively).
- (c) Buildings include Company owned residential flats of the Book Value of Rs. 8.85; (Previous Year Rs.8.85) including face value of shares held in Co-operative Housing Societies of Rs. 0.01 in respect of which documents lodged with the Registrar of Properties for registration are yet to be received back.

SCHEDULES TO CONSOLIDATED FINANCIAL STATEMENTS Contd.

(Rs. in Million)

				As at March 31, 2011	As at March 31, 2010
SCHEDULE - 6					
INVESTMENTS					
LONG TERM					
	Nature of Instrument	Number	Share Face Value		
Other investment - Quoted:					
Equity Shares of Rs. 10 each fully paid up					
Voltas Limited	Equity Shares	500	Rs. 1	-\$	-\$
Ion Exchange (I) Limited	Equity Shares	50	Rs. 10	0.01	0.01
Gujarat State Petronet Limited	Equity Shares	8983	Rs. 10	0.24	0.24
Ahmednagar Forgings Limited	Equity Shares	100000	Rs. 10	16.10	16.10
Gitanjali Gems Limited	Equity Shares	884	Rs. 10	0.18	0.18
				16.53	16.53
Less : Provision for diminution in the value of Investments				0.01	0.01
				16.52	16.52
Unquoted:					
Western Bio Systems Limited	Equity Shares	10	Rs. 10	-\$	-\$
Jord Engineers India Limited	Equity Shares	100	Rs. 10	-\$	-\$
Western India Industries Limited	Equity Shares	50	Rs. 10	-\$	-\$
Western Paques (I) Limited	Equity Shares	100	Rs. 10	0.01	0.01
Triveni Engineering & Industries Limited	Preference Shares	66	Rs. 10	0.01	0.01
National Saving Certificates				0.01	0.01
				0.03	0.03
Less : Provision for diminution in the value of Investments				0.02	0.02
				0.01	0.01
				16.53	16.53

Aggregate amount of book value of quoted investment Rs. 16.52
(Previous year Rs. 16.52)

Aggregate market value thereof Rs. 14.06 (Previous year Rs.13.45)

Aggregate amount of book value of unquoted investment Rs. 0.03
(Previous year Rs. 0.03)

Rupees in full figure - \$ Rs. 3,325, # Rs. 100, * Rs. 3,290, @ Rs. 2,975

SCHEDULES TO CONSOLIDATED FINANCIAL STATEMENTS Contd.

(Rs. in Million)

	As at March 31, 2011	As at March 31, 2010
SCHEDULE - 7		
INVENTORIES		
(At lower of cost and net realisable value)		
Raw Materials	451.12	329.37
Work-in-progress	374.95	171.60
Stores & Spares	35.55	20.07
Tools and Patterns	11.46	5.02
	<u>873.08</u>	<u>526.06</u>
SCHEDULE - 8		
SUNDRY DEBTORS		
(Unsecured, considered good unless otherwise stated)		
Outstanding for a period exceeding six months:	609.23	629.46
Others	2,729.42	1,306.53
(Refer Note 8.2 of Schedule '20')	<u>3,338.65</u>	<u>1,935.99</u>
SCHEDULE - 9		
CASH/BANK BALANCES		
Cash Balance on hand	1.13	1.84
Cheques on hand	-	3.90
Balance with scheduled banks		
- In current accounts	416.64	81.54
- Fixed Deposits (Refer Note 1 below)	8.03	10.81
- Margin Money	9.19	8.84
	<u>434.99</u>	<u>106.93</u>
Note		
1. Fixed Deposit includes unutilised money on preferential issue of equity shares in an earlier year Rs. 7.16 (Previous year Rs. 10.00)		
SCHEDULE - 10		
OTHER CURRENT ASSETS		
(Unsecured, considered good unless otherwise stated)		
Interest Accrued other than on Investments	1.18	0.75
Retention Money	2,165.43	1,839.03
(Refer Note 8.2 of Schedule '20')		
Other Deposits	59.73	83.98
Unbilled Revenue	1,343.21	1,048.65
	<u>3,569.55</u>	<u>2,972.41</u>

SCHEDULES TO CONSOLIDATED FINANCIAL STATEMENTS Contd.

(Rs. in Million)

	As at March 31, 2011	As at March 31, 2010
SCHEDULE - 11		
LOANS AND ADVANCES		
(Unsecured, considered good unless otherwise stated)		
Advances recoverable in cash or in kind or for value to be received (Refer Note 8.2 of Schedule '20')	894.31	915.99
Security Deposit	17.56	17.56
Advance Income-Tax (net of provisions)	137.22	60.53
Balance with Customs and Central Excise etc.	31.84	50.39
	<u>1,080.93</u>	<u>1,044.47</u>
SCHEDULE - 12		
CURRENT LIABILITIES		
Acceptances		
[Acceptances of bills drawn against Letters of Credit and secured by hypothecation of entire stocks, book debts, outstanding money receivable, claims and bills (both present and future), The loan is further secured by fixed assets situated at company's works at Vatva, Ahmedabad (Gujarat) and flats situated in Ahmedabad and Mumbai.]	1,702.05	1,108.14
Sundry Creditors		
Total outstanding due to Micro Enterprises and Small Enterprises [Refer Note 7 of schedule 20]	13.29	-
Total outstanding due to Creditors other than Micro Enterprises and Small Enterprises [Amount payable to holding company Rs. 247.35 (Previous year Rs.Nil), Maximum amount outstanding is Rs. 331.60 (Previous year Rs.218.46)]	3,022.18	2,358.96
Other Liabilities	328.35	196.54
Security Deposit	14.60	12.69
Advances from Customers	280.69	414.72
Liability towards Investor Education and Protection Fund - Not due		
- Unclaimed Dividend	0.90	0.69
- Matured Unclaimed Deposits/Debentures	<u>0.26</u> 1.16	<u>0.26</u> 0.95
	<u>5,362.32</u>	<u>4,092.00</u>
SCHEDULE - 13		
PROVISIONS		
Gratuity	11.58	13.11
Leave Encashment	18.59	19.33
Proposed dividend	57.60	57.60
Corporate Dividend Tax	9.35	9.57
	<u>97.12</u>	<u>99.61</u>

SCHEDULES TO CONSOLIDATED FINANCIAL STATEMENTS Contd.

(Rs. in Million)

	Year Ended March 31, 2011		Year Ended March 31, 2010	
SCHEDULE - 14				
SALES AND SERVICES				
Sale of Systems, Equipments, Spares and Services		10,831.29		8,855.25
SCHEDULE - 15				
OTHER INCOME				
Dividend		0.21		0.11
Profit on sale of Assets		99.64		-
Rent Received		20.90		42.38
Miscellaneous income		40.71		17.12
		161.46		59.61
SCHEDULE - 16				
COST OF SALES AND SERVICES				
Opening Stock - Sites	36.11		-	
Add : Purchases of Systems, Equipments, Spares and Services	8,078.28		6,101.78	
	8,114.39		6,101.78	
Less : Closing Stock - Sites	15.22	8,099.17	36.11	6,065.67
Raw Materials and components consumed				
Opening Stock	293.26		168.68	
Add : Purchases	817.76		872.82	
	1,111.02		1,041.50	
Less : Closing Stock	435.90	675.12	293.26	748.24
Manufacturing Expenses				
Stores, Spares & Patterns	109.75		63.78	
Power & Fuel	12.60		12.30	
Processing Charges	128.12	250.47	28.13	104.21
		9,024.76		6,918.12
SCHEDULE - 17				
(INCREASE) / DECREASE IN INVENTORIES				
Opening Stock				
Components	-		5.14	
Work in progress	180.26	180.26	117.51	122.65
Less : Closing Stock				
Work in progress	374.95	374.95	180.26	180.26
		(194.69)		(57.61)

SCHEDULES TO CONSOLIDATED FINANCIAL STATEMENTS Contd.

(Rs. in Million)

	Year Ended March 31, 2011		Year Ended March 31, 2010	
SCHEDULE - 18				
OPERATING AND ADMINISTRATIVE EXPENSES				
Salaries, Wages and Bonus	490.70		391.55	
Contribution to provident and other funds	25.73		26.37	
Staff welfare expenses	38.87	555.30	23.54	441.46
Managerial Remuneration		41.52		49.03
Employee Compensation expense under ESOP		17.31		3.61
Rent		82.86		24.01
Rates and taxes		12.74		12.46
Travelling/Conveyance expenses		80.32		92.95
Repairs and maintenance - Buildings		6.01		8.06
Repairs and maintenance - Plant & Machinery		0.25		11.48
Repairs and maintenance - Others		9.21		10.81
Insurance		6.13		6.56
Communication Expenses		11.22		15.30
Sitting and Other Fees		0.24		0.28
Donations		1.14		0.77
Wealth Tax		0.30		0.28
Printing & Stationery		7.75		6.77
Advertisement and Publicity		5.53		3.95
Auditors Remuneration		3.06		2.75
Legal & professional charges		57.30		44.59
Tender Fees		1.52		0.83
Bad Debts written off		57.84		45.77
Loss on Exchange (Net)		21.89		27.33
Loss on sale of fixed assets		-		0.04
Technical Fees		7.30		-
Miscellaneous Expenses		57.85		56.28
		<u>1,044.59</u>		<u>865.37</u>
SCHEDULE - 19				
INTEREST AND FINANCE CHARGES				
Interest - On Fixed Loans	191.93		105.06	
- Others	56.26	248.19	44.08	149.14
Less : Interest Income:				
On Bank deposits	4.42	(4.42)	11.26	(11.26)
[Tax deducted at source Rs. 0.06 (previous year Rs. 2.09)]				
Other Finance/Bank charges		29.15		38.44
		<u>272.92</u>		<u>176.32</u>

SCHEDULES TO CONSOLIDATED FINANCIAL STATEMENTS Contd.

SCHEDULE – 20

SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

BACKGROUND

These financial statements comprise a consolidation of the Balance Sheet, Profit and Loss Account and Cash Flow Statement of Hindustan Dorr-Oliver Limited and its wholly owned subsidiary HDO Technologies Limited, HDO (UK) Limited, DavyMarkham Holdings Limited, DavyMarkham Limited and DavyMarkham India Private Limited (the Group).

Hindustan Dorr-Oliver Limited (the parent) is engaged in the business of providing Engineering & Turnkey solutions, Technology and EPC installations in liquid solid separation application in various industry segments like Mineral Processing and Beneficiation, Pulp and Paper processing, Fertilizer & Chemicals and Environment management.

HDO Technologies Limited (the subsidiary) is engaged in the business of providing engineering solutions for various engineering/process industries.

HDO (UK) Limited (the subsidiary) is engaged in the business of designing, manufacturing and fabricating of complex engineering components and assemblies in the various industry segments like mining, nuclear, power generation and steel.

A. SIGNIFICANT ACCOUNTING POLICIES

a) Method of Accounting:

The financial statements are based on historical cost convention (except for revaluation of certain Fixed Assets), in accordance with Generally Accepted Accounting Principles (GAAP) comprising of mandatory accounting standards specified in sections 211 (3C) of the Companies Act, 1956 and the Provisions of the Companies Act, 1956.

The Company follows mercantile system of accounting and recognizes income and expenditure on accrual basis.

b) Use of Accounting Estimates:

The preparation of the financial statements in conformity with GAAP requires the management to make estimates and assumptions that affect the balances of assets and liabilities and disclosures relating to contingent liabilities as at the reporting date of the financial statements and amounts of income and expenses during the year of account. Examples of such estimates include contract costs expected to be incurred to complete construction contracts, provision for doubtful debts, income taxes and future obligations under employee retirement benefit plans. Actual results could differ from those estimates.

c) Fixed Assets:

Fixed Assets are stated at cost of acquisition/valuation less depreciation, amortization and impairment losses, if any. Cost is inclusive of duties and taxes (net of Cenvat and other Credits), incidental expenses, erection/commissioning expenses and interest up to the date the qualifying asset is put to use.

Capital work in Progress comprises advances paid to acquire fixed assets, and the cost of fixed assets not ready for their intended use as at the reporting date of the financial statements.

d) Investments:

Long-term investments are stated at cost. Provision for diminution in value is made to recognise a decline other than temporary in the value of such investments.

e) Depreciation/Amortization:

Depreciation is provided on the basis of the straight-line method as per rates prescribed in Schedule XIV of the Companies Act, 1956 on the original cost of the Fixed Assets except the following which are depreciated based on useful life determined by the management:

	Particulars	Rate
(i)	Buildings (including company-owned flats)	1.64 % / 1.67% / 20%
(ii)	Factory Buildings	3.34% / 8.33%
(iii)	Plant & Machinery	
	Diesel generating sets, welding machines etc.	25%
	Air Conditioners	20%
	Office Equipments	20%
	Motor Vehicles	20%
	Laboratory Equipments	10% / 20%
	Other items	10% / 20%
(iv)	Furniture and Fittings	10%

SCHEDULES TO CONSOLIDATED FINANCIAL STATEMENTS Contd.

In the case of certain assets where depreciation is calculated on revalued cost and the portion related to the revalued quantum is adjusted against Revaluation Reserve.

The premium, being the cost of leasehold land, is amortized over the lease period.

Assets costing less than Rupees Five thousand individually are fully depreciated in the year of purchase.

Technical Know-how is amortized over a period of five years in equal installments.

f) Borrowing Costs:

Borrowing costs that are attributable to the acquisition and construction of a qualifying asset are capitalised as a part of the cost of such assets till such time the asset is ready for its intended use. A qualifying asset is one that requires substantial period of time to get ready for its intended use. Other borrowing costs are recognized as an expense in the year in which they are incurred.

g) Inventories:

Inventories are valued at lower of cost and net realizable value after providing for obsolescence and other anticipated losses, if any. Cost of manufactured goods and Work-in-Progress include related overheads incurred in bringing the inventories to their present location and condition and excise duty paid/payable.

h) Revenue Recognition:

i. Long-term Contracts

Contract Revenue is recognized by reference to the stage of completion of the contract activity at the reporting date of the financial statements on the basis of percentage of completion method.

The stage of completion of contracts are measured by reference to the proportion that contract costs incurred for work performed up to the reporting date bear to the estimated total contract costs for each contract.

An expected loss on the construction contract is recognized as an expense immediately when it is certain that the total contract costs will exceed the total contract revenue.

Price escalation and other claims and/or, variation in the contract works are included in contract revenue only when negotiations have reached an advanced stage such that it is probable that the customer will accept the claim; and the amount that is probable will be accepted by the customer can be measured reliably.

Incentive payments, as per customer-specified performance standards, are included in contract revenue only when the contract is sufficiently advanced and that it is probable that the specified performance standards will be met and the amount of the incentive payment can be measured reliably.

ii. Service Contracts

Revenues in respect of time and rate contracts are recognized based on time spent and/or parameters achieved in accordance with contracted terms.

Revenues in respect of other contracts are recognized on accrual basis in accordance with the terms of the contracts.

iii. Others

In the case of other contracts, sales and profits are accounted for on the basis of actual work done on the contracts / dispatch of items.

iv. Manufactured Goods

Revenue from sale of manufactured goods is recognized when substantial risks and rewards are transferred to the buyer under terms of contract.

i) Provisions and Contingencies:

A provision is recognised when the Group has a present legal or constructive obligation as a result of past event and it is probable that an outflow of resources will be required to settle the obligation, in respect of which 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 adjusted to reflect the current best estimates. Contingencies are recorded when it is probable that a liability will be incurred, and the amount can be reasonably estimated. Contingent liabilities are disclosed by way of a note to the accounts.

SCHEDULES TO CONSOLIDATED FINANCIAL STATEMENTS Contd.**j) Foreign Currency Transactions:**

Transactions in foreign currencies are recorded at the exchange rate prevailing on the date of the transactions. Monetary items denominated in foreign currency and outstanding at the Balance Sheet date are translated at the exchange rate prevailing on the Balance Sheet date. Exchange differences on foreign exchange transactions are recognised in the Profit and Loss Account.

k) Employee Benefits:**i) Gratuity**

The company provides for obligation towards Gratuity, a defined benefit plan, covering eligible employees on the basis of an actuarial valuation using the projected unit credit method as at the year end. In case of funded defined plans, the fair value of the plan assets is reduced from the gross obligation under the defined benefit plans to recognize the net obligation. Further, for certain employees, contributions are made to the fund administered by the management.

ii) Superannuation

Contributions made under a scheme of Life Insurance Corporation of India are charged to the profit and loss account.

iii) Leave Encashment

Liability for leave encashment is provided on the basis of actuarial valuation using the projected unit credit method as on Balance Sheet date. Actuarial Gain/Losses, if any, are immediately recognized in the Profit and Loss account.

iv) Provident Fund

The contribution towards Provident Fund is made to the Statutory Authorities/ fund administered by the management and is charged to the profit and loss account.

l) Impairment:

The carrying values of assets of the cash-generating units at each Balance Sheet date are reviewed for impairment. If any indication of such impairment exists, the recoverable amounts of those assets are estimated and impairment loss is recognized, if the carrying amount of those assets exceeds their recoverable amount. The recoverable amount is the greater of the net selling price and their value in use. Value in use is arrived at by discounting the estimated future cash flows to their present value based on appropriate discount factor.

m) Income-Tax:

Tax Expenses for the year, comprises both current tax and deferred tax. Current tax is determined as the amount of tax payable in respect of taxable income for the year. Deferred tax is recognized on timing differences, being the difference between taxable income and accounting income that originate in one period and are capable of reversal in one or more subsequent periods and quantified using the tax rates and law enacted or substantively enacted by the reporting date. Where there is an unabsorbed depreciation or carry forward loss, deferred tax assets are recognized only if there is virtual certainty of realisation of such assets. Other deferred tax assets are recognized only to the extent there is reasonable certainty of realisation in future. Deferred tax assets are reviewed for the appropriateness of their respective carrying values at each balance sheet date.

n) Earnings Per Share:

Basic earnings per share is calculated by dividing the net earnings after tax for the year attributable to equity shareholders by the weighted average number of equity shares outstanding during the year.

For calculating diluted earnings per share, the number of shares comprises the weighted average shares considered for deriving basic earnings per share, and also the weighted average number of shares, if any which would have been used in the conversion of all dilutive potential equity shares. The number of shares and potentially dilutive equity shares are adjusted for the bonus shares and the sub-division of shares, if any.

o) Contingent Liabilities:

Contingent liabilities are determined on the basis of available information and are disclosed by way of a note to the accounts.

SCHEDULES TO CONSOLIDATED FINANCIAL STATEMENTS Contd.

B. CRITERIA FOR PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS

- a) Hindustan Dorr-Oliver Limited has presented consolidated Financial Statements by consolidating its own financial statements with those of its wholly owned Subsidiary in accordance with Accounting Standard – 21 (Consolidated Financial Statements) as specified under Section 211 (3C) of the Companies Act, 1956.
- b) The Financial Statements of the Indian Subsidiary are prepared in accordance with the generally accepted accounting principles and Accounting Standards as specified in the Section 211 (3C) of the Companies Act, 1956, prescribed by the Central Government, and those of the foreign subsidiaries have been prepared in compliance with the local laws and applicable Accounting Standards. Necessary adjustments for differences in the accounting policies, wherever applicable, have been made in the consolidated financial statements. The effects of inter-company transactions between consolidated companies are eliminated in consolidation.

C. PRINCIPLES OF CONSOLIDATION

1. The consolidated Financial Statements have been prepared on the following basis:
 - a) The consolidated financial statements have been combined on a line-by-line basis by adding the book values of like items of assets, liabilities, income and expenses after fully eliminating intra-group balances and intra-group transactions resulting unrealized profits or losses as per Accounting Standard 21 specified under Section 211(3C) of the Companies Act, 1956.
 - b) The difference between the costs of investments in the subsidiary company over the net assets is recognised in the financial statements as Goodwill upon consolidation.
 - c) Minority interests' share of net profit of the subsidiary consolidated for the year is identified and adjusted against the income of the group in order to arrive at the net income attributable to the shareholders of the Company.
 - d) Minority interests' share of net assets of consolidated subsidiary is identified and presented in the Consolidated Balance Sheet separately from liabilities and equity of the Company's shareholders.
2. The consolidated financial statements present the consolidated financial statements of Hindustan Dorr-Oliver Limited with the following subsidiaries:

S No	Name of the Subsidiary	Country of Incorporation	Extent of equity shares held	Date on Which be come subsidiary
1	HDO Technologies Limited	India	100%	July 20, 2006
2	HDO (UK) Limited	United Kingdom	100%	February 28, 2010
3	DavyMarkham Holdings Limited ¹ (Subsidiary of HDO UK Limited)	United Kingdom	100%	February 28, 2010
4	DavyMarkham Limited (Subsidiary of HDO UK Limited)	United Kingdom	100%	February 28, 2010
5	DavyMarkham India Private limited ²	India	100%	May 26, 2010

Note:

- 1 Closed operations during the year.
- 2 Subsidiary incorporated during the year.

SCHEDULES TO CONSOLIDATED FINANCIAL STATEMENTS Contd.

D. NOTES ON ACCOUNTS

1. Contingent liabilities not provided for in respect of:

(Rs. in Million)

Particulars	As at	As at
	March 31, 2011	March 31, 2010
i) Bank Guarantees/Letters of Credit issued by the bank on behalf of the Company [(Net of margin money aggregating to Rs. 9.19 million. (Previous year Rs. 8.84 million)]	4,784.11	4,907.31
ii) Corporate Guarantees	1,502.09	1,562.59
ii) *Claims against the Company not acknowledged as debts, to the extent quantifiable.	14.17	22.27
iii) *Income-tax matters	20.88	21.97
iv) *Sales-tax / WCT / VAT matters	80.20	28.73
v) *Excise/Service Tax matters	5.86	5.86
vi) *Labour Cess	-	5.31
vii) *Customs duty matters	0.77	0.77

* Excluding interest / penalty as may be determined / levied on the conclusion of the matters.

- Estimated amount of contracts remaining to be executed on capital account and not provided Rs. 80.05 Million (previous year Rs. 15.51 Million).
- Managerial Remuneration and Computation of net profit in accordance with section 309(5) of the Companies Act, 1956

Managerial Remuneration

(Rs. in Million)

Particulars	Year ended March 31, 2011	Year ended March 31, 2010
Salaries and Allowances	19.26	18.22
Contribution to Provident and Superannuation funds	2.45	2.55
Commission to Managing Director	19.81	28.26
Total	41.52	49.03

- The balances in Sundry Debtors, Sundry Creditors and Advances are subject to confirmations and adjustments, if any. Such adjustments, in the opinion of the management, are not likely to be material and will be carried out as and when ascertained.
- In the opinion of the Board, Current Assets, Loans and Advances have a value on realization in the ordinary course of business at least equal to the amount at which they are stated.
- The Subsidiary Company, HDO (UK) Limited, and its wholly owned subsidiary, DavyMarkham Limited, during the year, suffered losses which resulted in increase in accumulated losses exceeding the consolidated net worth of the Subsidiary Company as at the balance sheet date. The financial statements of the said subsidiary for the full financial year have been consolidated for the first time in the consolidated financial statement of the group. The Holding Company has plans to support growth plans of the Subsidiary Company which, management believe, will result into increase in its revenue and consequently profitability and net worth. Accordingly, the financial statements of Subsidiary Company, which have been prepared on "Going Concern" basis, are considered for consolidation. The said Subsidiary Company is confident of achieving the target and in the opinion of the Company, the carrying value of Goodwill represents its recoverable amount and no provision for impairment is considered necessary at this stage for the reasons stated above.

SCHEDULES TO CONSOLIDATED FINANCIAL STATEMENTS Contd.

7. Information relating to Micro and Small Enterprises under the Micro, Small and Medium Enterprises Development Act, 2006 have been determined based on the information available with the Company and the required disclosures are given below:

(Rs. in Million)

Particulars	As at March 31, 2011	As at March 31, 2010
Principal amount remaining unpaid as on March, 31	13.29	-
Interest due thereon as on March, 31	1.21	-
Interest paid by the Company in terms of Section 16 of Micro, Small and Medium Enterprises Development Act, 2006, along with the amount of the payment made to the suppliers and service providers beyond the appointed day during the year	-	-
Interest due and payable for the period of delay in making payment (which has been paid but beyond the appointed day during the year) but without adding the interest specified under Micro, Small and Medium Enterprises Development Act, 2006.	-	-
Interest accrued and remaining unpaid as at March, 31	1.21	-
Further interest remaining due and payable even in the succeeding years until such date when the interest dues as above are actually paid to the small enterprise.	-	-

8. Related Party Disclosure

Information regarding Related Party Transactions as per Accounting Standard AS-18 "Related Party Disclosures" notified by Companies (Accounting Standards) Rules, 2006, (as amended).

8.1 List of related parties

A. Holding Company

IVRCL Limited

B. Subsidiary Companies -The ownership, directly or indirectly through subsidiaries)

Name of the Company

HDO Technologies Limited
HDO (UK) Limited,
DavyMarkham Limited, (UK) (Subsidiary of HDO (UK) Limited)
DavyMarkham Holding Limited ¹
DavyMarkham India Private Limited ² (w.e.f. May 26, 2010)

Note:

- 1 Closed operations during the year.
- 2 Subsidiary Incorporated during the year

C. Fellow Subsidiaries

Name of the Company

IVRCL PSC Pipes Private Limited
IVR Enviro Projects Private Limited
IVRCL Assets & Holdings Limited
IVRCL Steel Constructions & Services Limited
IVRCL Holdings & Services Pte. Limited
IVRCL Cadagua Hogenakkal Water Private Limited

SCHEDULES TO CONSOLIDATED FINANCIAL STATEMENTS Contd.

Alkoor Petroo Limited
IVRCL Building Product Limited
IVRCL Patalganga Truck Terminals Private Limited

D. Subsidiaries of Fellow Subsidiaries

Name of the Company

IVRCL Chengapalli Tollways Limited
Salem Tollways Limited
Kumarapalyam Tollways Limited
Chennai Water Desalination Limited
First STP Private Limited
Sion Panvel Tollways Private Limited
IVRCL Indore Gujarat Tollways Limited
IVR Hotels and Resorts Limited
Geo IVRCL Engineering Limited
IVRCL Mega Malls Limited
Agaram Developers Private Limited
Papankuzhi Developers Private Limited
SPB Developers Private Limited
Mummidi Developers Private Limited
Samatteri Developers Private Limited
Annupampattu Developers Private Limited
Kunnam Developers Private Limited
Tirumani Developers Private Limited
Ilavampedu Developers Private Limited
Haripuram Developers Private Limited
Chodavaram Developers Private Limited
Vedurwada Developers Private Limited
Rudravaram Developers Private Limited
Gajuwaka Developers Private Limited
Geo Prime Developers Private Limited
Theata Developers Private Limited
Duvvda Developers Private Limited
IVR Prime Developers (Mylapore) Private Limited
IVR Prime Developers (Palakkad) Private Limited
IVR Prime Developers (Guindy) Private Limited
Gamaa Developers Private Limited
Simhachalam Prime Developers Private Limited
Siripuram Developers Private Limited
Kasibugga Developers Private Limited
Vijayawada Developers Private Limited
Eluru Developers Private Limited
IVR Prime Developers (Nellore) Private Limited
IVR Prime Developers (Amalapuram) Private Limited
IVR Prime Developers (Erode) Private Limited
IVR Prime Developers (Guntur) Private Limited
IVR Prime Developers (Kakinada) Private Limited
IVR Prime Developers (Araku) Private Limited
IVR Prime Developers (Pudukkottai) Private Limited
Absorption Aircon Engineer Private Limited
IVR Prime Developers (Vanaprastha) Private Limited
IVR PUDL Resorts & Clubs Private Limited
Jalandhar Amritsar Tollways Limited
IVRCL Goa Tollways Limited
IVRCL Chandrapur Tollways Limited
IVR Prime Developers (Thandiarpet) Private Limited
IVR Prime Developers (Gummidipundy) Private Limited

SCHEDULES TO CONSOLIDATED FINANCIAL STATEMENTS Contd.

IVR Prime Developers (Kodambakkam) Private Limited
 IVR Prime Developers (Arumbakkam) Private Limited
 IVR Prime Developers (Anna Nagar) Private Limited
 IVR Prime Developers (Pallavaram) Private Limited
 IVR Prime Developers (West Mambalam) Private Limited
 Bibinagar Developers Private Limited
 IVR Prime Developers (Anakapalle) Private Limited
 IVR Prime Developers (Rajampeta) Private Limited
 IVR Prime Developers (Tanuku) Private Limited
 IVR Prime Developers (Red Hills) Private Limited
 IVR Prime Developers (Rajahmundry) Private Limited
 IVR Prime Developers (Tuni) Private Limited
 IVR Prime Developers (Bobbilli) Private Limited
 IVR Prime Developers (Bhimavaram) Private Limited
 IVR Prime Developers (Valasaravakkam) Private Limited
 IVR Prime Developers (Adayar) Private Limited
 IVR Prime Developers (Ananthapuram) Private Limited
 IVR Prime Developers (Perumbadur) Private Limited
 IVR Prime Developers (Egmore) Private Limited
 IVR Prime Developers (Tambaram) Private Limited
 IVR Prime Developers (Ashram) Private Limited
 IVR Prime Developers (Retiral Homes) Private Limited
 IVR Prime Developers (Avadi) Private Limited
 IVR Prime Developers (Alwarpet) Private Limited
 IVRCL International (FZE)

E. Joint Ventures

Name of the Company

Sai Sudhir HDO

F. Companies Under Common Control

Name of the Company

Indus Palm Hotels & Resorts Limited
 S.V. Equities Limited
 Palladium Infrastructures & Projects Limited
 Soma Hotels & Resorts Limited
 Eragam Holdings Limited
 Eragam Finlease Limited
 A P Enercon Engineers Private Limited

G. Key Managerial Personnel and their relatives

Name of the Person

Mr. E Sudhir Reddy
 Mr. E Sunil Reddy
 Mr. S C Sekaran
 Mr. R Balrami Reddy
 Mr. E Ella Reddy
 Mrs.E Sujatha Reddy
 Mrs.E Indira Reddy
 Mr. E Siddhanth Reddy
 Mr. E Sanjeeth Reddy
 Ms. E Suha Reddy
 Ms. E Soma Reddy
 Mrs.R Vani

Relationship

Vice Chairman
 Managing Director
 Executive Director
 Director

Relative of Managing Director

Relative of the Director

SCHEDULES TO CONSOLIDATED FINANCIAL STATEMENTS Contd.

8.2. Followings are the transactions with the related parties:

(Rs. in Million)

Particulars	Year	Holding Company	Subsidiary	Fellow Subsidiary	Subsidiary of Fellow Subsidiary	Company under common control	Key Management Personnel	Total
Income/Expense								
Sales (Net of Indirect Taxes)	2010-11	152.77	-	-	-	-	-	152.77
	2009-10	348.78	-	-	-	-	-	348.78
Purchases/Services	2010-11	504.38	-	-	-	212.49	-	716.87
	2009-10	458.92	-	-	-	104.88	-	563.80
Dividend Paid	2010-11	31.84	-	-	-	-	-	31.84
	2009-10	19.83	-	-	-	-	-	19.83
Payment made by the Company for								
Expenses	2010-11	2.29	-	-	-	-	-	2.29
	2009-10	1.21	-	-	-	-	-	1.21
Payment made by the Holding Company for								
Expenses	2010-11	0.34	-	-	-	-	-	0.34
	2009-10	0.04	-	-	-	-	-	0.04
Rent Paid	2010-11	1.90	-	-	-	2.58	-	4.48
	2009-10	1.61	-	-	-	2.60	-	4.21
Finance								
Remuneration	2010-11	-	-	-	-	-	41.52	41.52
	2009-10	-	-	-	-	-	49.03	49.03
Balances with related parties								
Loans/Advances Recoverable	2010-11	85.44	-	-	-	-	-	85.44
	2009-10	73.83	-	1.07	-	-	-	74.90
Creditors	2010-11	247.35	-	-	-	50.61	-	297.96
	2009-10	-	-	-	-	3.58	-	3.58
Retention Money Receivable	2010-11	78.71	-	-	-	-	-	78.71
	2009-10	78.86	-	-	-	-	-	78.86

SCHEDULES TO CONSOLIDATED FINANCIAL STATEMENTS Contd.

8.3 Disclosure of Material Transactions with Related Parties

(Rs. in Million)

Particulars	Year Ended March 31, 2011	Year Ended March 31, 2010
Sales (Net of Indirect Taxes)		
IVRCL Limited	152.77	348.78
Purchases/Services		
IVRCL Limited	504.38	458.92
Palladium Infrastructures & Projects Limited	212.49	104.88
Dividend Paid		
IVRCL Limited	31.84	19.83
Payment made by the Company – Expenses		
IVRCL Limited	2.29	1.21
Payment made by the Holding Company - Expenses		
IVRCL Limited	0.34	0.04
Loans / Advances Given by the Company		
IVRCL Limited	-	-
HDO (UK) Limited	455.28	688.70
Payment made by the Holding Company - Fixed Assets		
IVRCL Limited	-	-
Rent Paid		
IVRCL Limited	1.90	1.61
A P Enercon Engineers Private Limited	1.98	1.20
Indus Palm Hotels and Resorts Private Limited	0.60	0.60

Notes:

1. Related party relationship is as identified by the Company and relied upon by the Auditors.
2. No amount pertaining to related parties which have been provided for as doubtful debts or written off in respect of related parties.

9. Segment Reporting

Primary Segment – Business

The Group is primarily engaged in the business of manufacturing, supply of equipment including erection and commissioning and providing engineering services. As such, there is no separate reportable segment as per the Accounting Standard - 17 (Segment Reporting) notified in Companies (Accounting Standards) Rules, 2006.

Secondary Segment – Geographical

The operations of the group are mainly in India and United Kingdom. However, scale of operation in United Kingdom does not constitute a reportable segment as per the Accounting Standard - 17 (Segment Reporting) notified in Companies (Accounting Standards) Rules, 2006.

10. Earnings per share

Particulars	Year ended March 31, 2011	Year ended March 31, 2010
Net Profit attributable to shareholders (Rs. in Million)	388.75	571.77
Weighted average number of equity shares outstanding		
For Basic EPS	72,005,808	72,005,808
For Diluted EPS	72,131,808	72,131,808
Earnings Per Share (Face Value of Rs. 2 each)		
Basic (Rupees)	5.40	7.95
Diluted (Rupees)	5.36	7.93

SCHEDULES TO CONSOLIDATED FINANCIAL STATEMENTS Contd.

11. Deferred Tax

The Company has carried out deferred tax computation in accordance with Accounting Standard 22 – 'Accounting for Taxes on Income' notified in Companies (Accounting Standards) Rules, 2006.

The deferred tax Assets as shown in the balance sheet consists of:

(Rs. in Million)

Particulars	As at March 31, 2011	As at March 31, 2010
Tax impact of differences between carrying amount of the fixed assets in the financial statements and the income tax	43.14	36.83
Tax impact of expenses charged in the financial statements but allowable as deductions in future years under income tax	(9.65)	(12.00)
Deferred Tax Liability/(Assets)	33.49	24.83

12. Employees Share Based Plan

1. Method used for accounting for share based plan:

The Company has used intrinsic value method to account for the compensation cost of stock option to employees of the Company. Intrinsic value is the amount by which the quoted market price of the underlying stock exceeds the exercise price of the option. The total intrinsic value of the options granted during the year is recognised as deferred compensation expense with a corresponding liability as Stock Options.

Deferred employee compensation expense is amortised on a straight line basis over a vesting period of the option granted.

2. Employees Stock Options Scheme, 2005

Under ESOP 2005 Scheme, the members had approved 1000,000 options of face value Rs. 2 each to the permanent employees of the Company. During the previous year 5,04,000 options were granted to certain employees of the Company at a single exercise price of Rs. 41.51 per stock option with a vesting period of 1 year.

3. Movement in the options during the year:

Particulars	ESOP : 2005 Scheme	Weighted average exercise price per stock option (Rs.)
Options outstanding at the beginning of the year	4,96,000	41.51
Granted during the year	-	-
Exercised during the year	-	-
Lapsed during the year	-	-
Options outstanding during the year	4,96,000	41.51
Options exercisable at the end of the year	5,04,000	41.51

4. Fair value Methodology:

The fair value of options used to compute pro forma net income and earnings per equity share have been estimated on the date of granting using Black-Scholes model. The key assumptions used in Black-Scholes model for computing the fair value are; (a) Risk free interest rate of 6.6% p.a. (b) Expected life of 1 year and (c) Expected volatility of share price of 61.55%. The weighted average fair value of the option works out to Rs. 45.34.

Had compensation cost for the stock options granted under ESOP 2005 been determined based on fair value approach, the Company's net profit and earning per share would have been as per the pro forma amounts indicated below:

(Rs. in Million)

Particulars	Year ended March 31, 2011
Net Profit (as reported)	537.53
Add: Employee compensation expense included in net income, based on market price as on Date of grant	12.09
Less: Employee compensation expense determined under fair value based method	1.59
Net profit (pro forma)	548.03
Basic Earnings per share (as reported)	7.47
Basic Earnings per share (pro forma)	7.61
Diluted Earnings per share (as reported)	7.41
Diluted Earnings per share (pro forma)	7.56

SCHEDULES TO CONSOLIDATED FINANCIAL STATEMENTS Contd.

13. Employee Benefit:

Funded status of the Gratuity Plan and the amount recognised as required by AS-15 is set out below:

The Amount Recognised in the Balance Sheet is as follows:

(Rs. in Million)

Particulars	As at March 31, 2011	As at March 31, 2010
Change in Benefit Obligation		
Liability at the beginning of the year	40.85	35.22
Interest Cost	3.39	2.83
Current Service Cost	5.03	3.56
Benefit Paid	(2.68)	(5.39)
Actuarial (gain)/loss on obligations	(1.70)	4.63
Liability at the end of the year	44.89	40.85
Fair value of Planned Assets		
Fair value of planned assets at the beginning of the year	23.87	25.25
Expected return on planned assets	1.94	1.94
Contributions	5.86	1.68
Benefit paid	(2.68)	(5.39)
Actuarial gain/(loss) on planned assets	(0.80)	0.39
Fair value of planned assets at the end of the year	28.20	23.87
Total Actuarial gain/(loss) to be recognized	0.91	(4.24)
Actual return on planned assets		
Expected return on planned assets	1.94	1.94
Actuarial gain/(loss) on planned assets	(0.80)	0.39
Actual return on planned assets	1.15	2.33
Amount recognized in the Balance Sheet		
Liability at the end of the year	44.89	40.85
Fair value of planned assets at the end of the year	28.19	23.87
Experience Adjustment/ Non-Management Fund	5.12	
Amount recognized in the Balance Sheet	11.58	16.98
Expenses recognized in the Income Statement		
Current service cost	5.03	3.56
Interest cost	3.39	2.83
Expected return on planned assets	(1.94)	(1.94)
Net Actuarial (gain)/loss to be recognized	(0.91)	4.24
Expense recognized in the Profit and Loss Account	5.57	8.68
Balance Sheet Reconciliation		
Opening Net Liability	16.98	9.98
Expense as above	5.57	8.69
Employers Contribution	(5.86)	(1.69)
Experience Adjustment/ Non-Management Fund	(5.12)	
Amount Recognised in the Balance Sheet	11.57	16.98
Assumptions		
Discount rate	8.25%	8.00%
Rate of return on planned assets	8.25%	8.00%

14. The previous year's figures have been regrouped/rearranged wherever necessary.

FOR AND ON BEHALF OF THE BOARD

Hyderabad
May 28, 2011

Pragya Sahal Kaul
Company Secretary

E. Sunil Reddy
Managing Director

S. C. Sekaran
Executive Director

STATEMENT PURSUANT TO SECTION 212 OF THE COMPANIES ACT, 1956, RELATING TO COMPANY'S INTEREST IN SUBSIDIARY COMPANY

(Rs. in Million)

Sr. No.	Name of the Subsidiary Company	HDO Technologies Limited	HDO (UK) Limited	Davymarkham (India) Private Limited
1.	The financial year of the Subsidiary Company ended on	March 31, 2011	March 31, 2011	March 31, 2011
2.	Date from which it became Subsidiary Company	July 20, 2006 (Date of incorporation)	February 28, 2010 (Date of incorporation)	May 26, 2010 (Date of incorporation)
3.	(a) Number of shares held by Hindustan Dorr-Oliver Limited with its nominees in the Subsidiary at the end of the financial year of the Subsidiary Company	50,000 Equity Shares of the face value of Rs. 10/- each fully paid-up.	10,08,000 Equity Shares of the face value of GBP 1/- each fully paid-up.	10,000 Equity Shares of the face value of Rs. 10/- each fully paid-up.
	(b) Extent of interest of Holding Company at the end of the financial year of the Subsidiary Company	100%	100%	100%
4.	The net aggregate amount of the Subsidiary Company's Profit/(Loss) so far as it concerns the members of the Holding Company.			
	(a) Not dealt within the Holding Company's Accounts:			
	(i) For the Financial Year ended March 31, 2011	Nil	Nil	Nil
	(ii) For the previous Financial Year of the Subsidiary Company since it became the Holding Company's Subsidiary	Nil	Nil	Nil
	(b) Dealt within the Holding Company's Accounts:			
	(i) For the Financial Year ended March 31, 2011	Rs. 16.33	Rs. (55.59)	N.A.
	(ii) For the previous Financial Year of the Subsidiary Company since it became the Holding Company's Subsidiary	Rs. 23.19	N.A.	N.A.

FOR AND ON BEHALF OF THE BOARD

Hyderabad,
May 28, 2011

E. Sunil Reddy
Director

S.C. Sekaran
Director

SUBSIDIARY COMPANIES : FINANCIAL HIGHLIGHTS 2010-2011

(Rs. in Million)

S.No.	Name of the Subsidiary Company	Share Capital	Reserves	Total Assets	Total Liabilities	Details of investment (except in case of investment in subsidiaries)	Turnover/ Income	Profit Before Taxation	Provision for Taxation	Profit After Taxation	Proposed Dividend
1	HDO Technologies Limited	0.50	52.24	60.49	60.49	-	166.98	24.11	7.78	16.33	-
2	HDO (UK) Limited	73.51	-	73.51	73.51	-	-	(55.59)	-	(55.59)	-
3	Davymarkham (India) Private Limited	0.10	-	0.10	0.10	-	-	-	-	-	-

Notes
