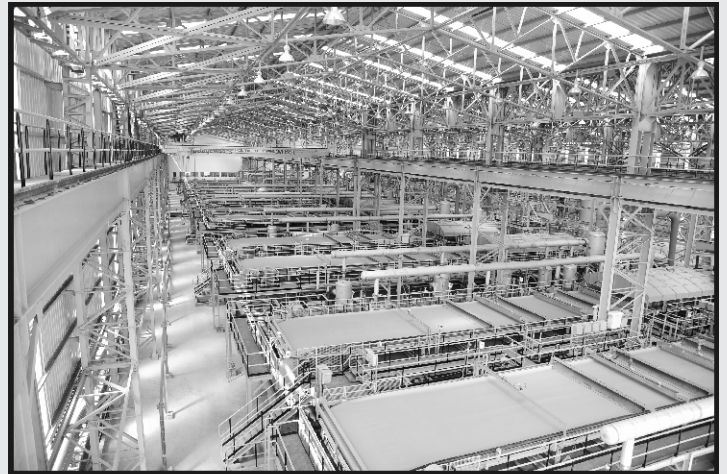


One Company
Many Solutions...



37th ANNUAL REPORT
2011-12

Board of Directors

| | |
|----------------------------|------------------------|
| Mr. Prabhakar Ram Tripathi | Chairman |
| Mr. E. Sudhir Reddy | Vice Chairman |
| 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

A.S. Pardha Saradhi

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.

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Annual General Meeting will be held on Saturday, December 29, 2012 at 3.00 p.m. at All India Plastic Manufacturers Association, AIPMA House, A-52, Street No. 1, MIDC, Andheri (East), Mumbai - 400 093. 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.

FIVE YEARS AT A GLANCE

Stand-alone financial performance at a glance

(₹ in Million)

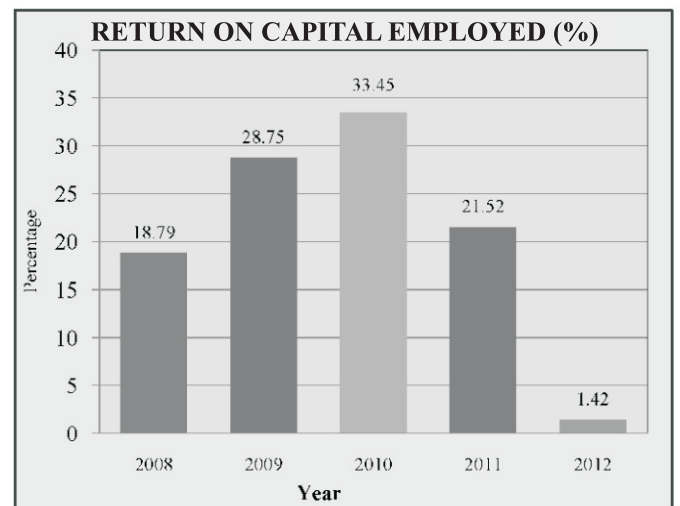
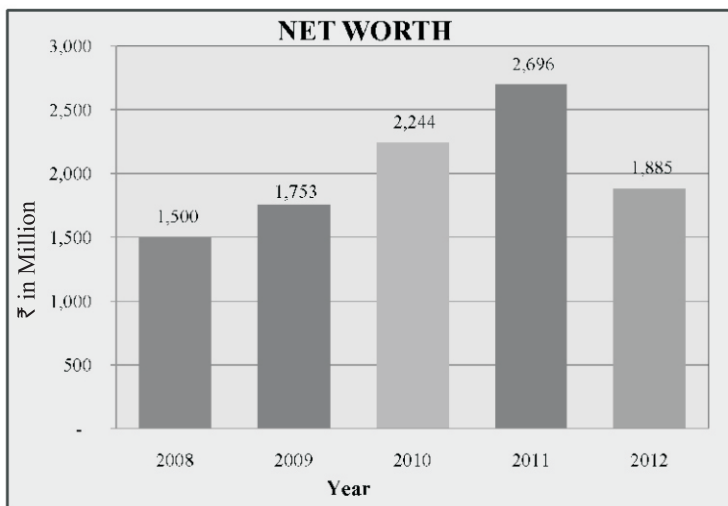
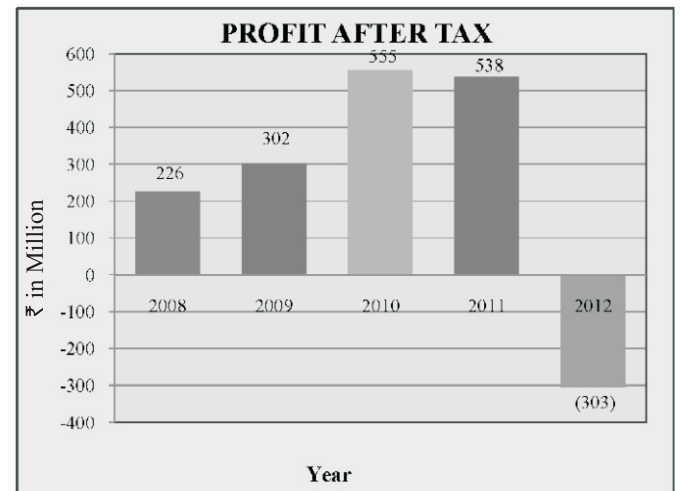
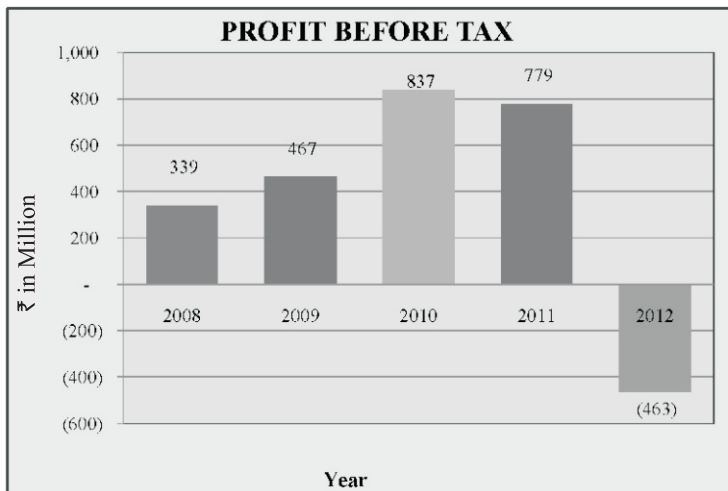
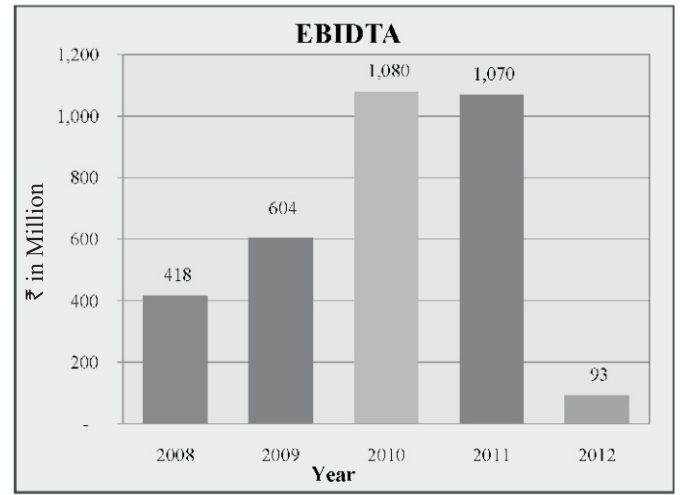
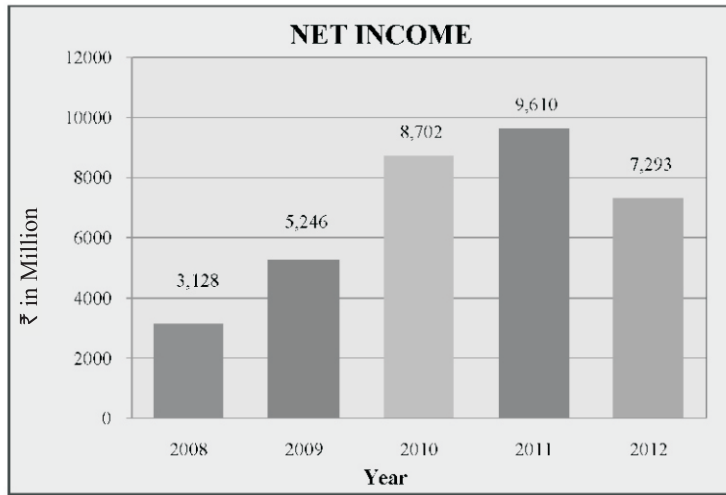
| Particulars | 2012* | 2011 | 2010 | 2009 | 2008 |
|---|-----------------|----------|----------|----------|----------|
| Gross Income | 7,293.05 | 9,717.47 | 8,782.32 | 5,315.04 | 3,190.45 |
| Excise Duty | - | 107.30 | 80.33 | 69.47 | 62.03 |
| Net Income | 7,293.05 | 9,610.17 | 8,701.99 | 5,245.57 | 3,128.42 |
| Cost of Sales | 7,200.16 | 8,540.57 | 7,622.35 | 4,642.07 | 2,710.86 |
| EBIDTA | 92.89 | 1,069.60 | 1,079.64 | 603.50 | 417.56 |
| EBDT | (421.09) | 847.53 | 892.37 | 500.69 | 362.93 |
| EBIT | 51.15 | 1,001.36 | 1,024.66 | 569.65 | 393.57 |
| Profit before Tax | (462.83) | 779.29 | 837.39 | 466.83 | 338.94 |
| Tax | (159.51) | 241.76 | 282.22 | 165.23 | 112.58 |
| Profit after Tax before exceptional items | (303.32) | 537.53 | 555.17 | 301.60 | 226.36 |
| Profit after Taxation | (303.32) | 537.53 | 555.17 | 301.60 | 226.36 |
| Equity | 144.01 | 144.01 | 144.01 | 72.01 | 72.01 |
| Reserve & Surplus | 1,741.13 | 2,551.53 | 2,100.46 | 1,681.48 | 1,428.35 |
| Net Worth | 1,885.14 | 2,695.54 | 2,244.47 | 1,753.49 | 1,500.36 |
| Gross Block | 517.01 | 1,213.61 | 1,100.26 | 941.22 | 657.69 |
| Net Block | 258.00 | 838.19 | 786.37 | 682.61 | 432.15 |
| Market Capitalisation** | 2,579.97 | 5,634.45 | 7,492.20 | 1,378.91 | 3,458.08 |
| Dividends | - | 66.95 | 67.17 | 42.12 | 25.27 |
| Retained Profit | (303.32) | 470.58 | 488.00 | 259.48 | 201.09 |
| EPS | (4.21) | 7.47 | 7.71 | 4.19 | 3.15 |
| Dividend *** | - | 0.80 | 0.80 | 1.00 | 0.60 |

* Results are for fifteen months period starting from April 01, 2011 to June 30, 2012.

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

*** Dividend includes tax on dividend.

PERFORMANCE INDICATORS



DIRECTORS' REPORT

Dear Shareholders,

Your Directors are pleased to present the 37th Annual Report and the audited accounts for the fifteen months period ended June 30, 2012.

FINANCIAL RESULTS

The financial performance of the Company for the fifteen months ended June 30, 2012 is summarised below

(₹In Million)

| Particulars | Period ended June 30, 2012 | Year ended March 31, 2011 |
|--|-------------------------------|------------------------------|
| Net Sales | 7187.53 | 9483.05 |
| Other Income | 105.52 | 127.12 |
| Total Income | 7293.05 | 9610.17 |
| Profit/ (Loss) from Ordinary Activities before Tax | (462.83) | 779.29 |
| Provision for taxation | (159.51) | 241.76 |
| Profit/ (Loss) after taxation | (303.32) | 537.53 |
| Balance brought forward from previous year | 849.62 | 579.03 |
| Balance available for appropriation | 546.30 | 1116.56 |
| Appropriations | | |
| Proposed dividend for the financial year | - | 57.60 |
| Corporate Dividend Tax | - | 9.35 |
| Transfer to General Reserve | - | 200.00 |
| Retained profits carried forward to Balance Sheet | 546.30 | 849.61 |

PERFORMANCE

Your Company achieved a gross turnover of ₹7,187.53 Million for the fifteen months period ended June 30, 2012 as against ₹9,483.05 Million for the previous twelve months ended March 31, 2011. On an annualised basis, turnover for the current period ended June 30, 2012 reduced by 39.37% as compared to the previous year. The pressure on liquidity coupled with reduced investments in infrastructure and other industries has adversely affected your Company resulting in reduced turnovers and consequent under realisation of overheads leading to a gross loss of ₹462.83 Million and net loss after tax of ₹303.32 Million.

In view of the loss incurred by the Company, your Directors regret and express their inability to recommend dividend for the fifteen months period ended June 30, 2012.

CHANGE IN FINANCIAL YEAR OF THE COMPANY

Pursuant to Section 210 read with Section 166 of the Companies Act, 1956, the financial year of the Company has been extended by three months to close on June 30, 2012 to facilitate the demerger of manufacturing division into a separate wholly owned subsidiary HDO Technologies Limited.

FUTURE OUTLOOK

The negative effects of global recessionary conditions are being attenuated by various countries through huge investments in infrastructure and India is no exception in this regard. Your directors are confident that the present environment of investments in infrastructure by the State and Central Governments assures growth of operations of your Company.

SUBSIDIARIES

The Consolidated Financial Statements prepared by the Company include the financial information of subsidiary companies, namely HDO Technologies Limited, HDO UK Limited, HDO Zambia Limited and DavyMarkham (India) Private Limited.

Pursuant to Section 212 of the Companies Act, 1956, the Balance Sheet, Statement of Profit and Loss and other documents of the said subsidiary companies are required to be annexed to the accounts of the holding Company. Ministry of Corporate Affairs vide its General Circular dated February 8, 2011 had granted general exemption for companies from complying with the provisions of section 212 of the Companies Act, 1956 subject to certain conditions being fulfilled by the Company.

DIRECTORS' REPORT (Contd.)

Accordingly, the Balance Sheet, Profit and loss account and other documents of the subsidiary companies are not being attached with the Balance Sheet of the Company. A statement containing the brief details of financials of subsidiary companies for the period ended June 30, 2012 is enclosed in the Annual Report. The annual accounts of the said subsidiary companies and relevant information shall be made available to the shareholders who seek such information and are also available for inspection by any shareholder at the Registered Office of the Company, on any working day during business hours. Copy of the said details will be provided upon receipt of written request from the shareholders.

DE-MERGER OF MANUFACTURING DIVISION

The Hon'ble High Court of Bombay had approved the Scheme of Arrangement which inter-alia provided for, demerger of manufacturing undertaking of your Company into its subsidiary HDO Technologies Limited – A Wholly owned subsidiary of the Company effective from April 01, 2011.

PUBLIC DEPOSITS

The Company did not accept any deposits from public during the year. ₹ 0.15 Million was unclaimed deposit as on June 30, 2012.

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

During the period under review Mr.E.Sunil Reddy has resigned as Managing Director and Director of the Company with effect from June 11, 2012. The Board wishes to place on record its appreciation for Mr.E.Sunil Reddy's valuable services and wide contributions made during his tenure.

Mr. R. Balarami Reddy and Mr. S. D. Kapoor 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 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, has not been enclosed for the period ended 30th June, 2012 in view of the demerger of the Manufacturing Division with effect from April 1st, 2011 as already approved by the Hon'ble Bombay High Court, the Company has nothing to report under this head specifically. However, generally the Company is quite conscious of its responsibility in respect of energy conservation and technology absorption and adopts suitable measures towards this end from time to time.

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 provided in Annexure forming part of the Report. In terms of Section 219(1)(b)(iv) of the Act, the Report and Accounts are being sent to the Shareholders excluding the

DIRECTORS' REPORT (Contd.)

aforesaid Annexure. Any shareholder interested in obtaining copy of the same may write to the Company Secretary. None of the employees listed in the said Annexure, except Mr.E.Sunil Reddy, Managing Director are related to any Director of the Company. Mr.E.Sunil Reddy has since resigned from the Company as Managing Director and Director with effect from June 11, 2012.

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 fifteen months period ended June 30, 2012:

- (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 fifteen months period ended on June 30, 2012 and of loss of the Company for the fifteen months ended on that date;
- (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, suger, 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,
August 29, 2012

S.C. Sekaran
Executive Director

R.Balarami Reddy
Director

MANAGEMENT DISCUSSIONS AND ANALYSIS

The Global economic and financial conditions likely to remain under pressure during the Year 2011-12. But India is still holding its ground in the midst of the current global financial crisis.

Mining and quarrying sector have reported negative growth for 2011-12 on account of weak coal output growth, restrictions imposed on iron ore production, decline in natural gas production and negative growth in crude oil output. These as also resulted in holding of new projects which was planned earlier both by Government and Private Sector.

Manufacturing and Construction have also been sluggish during the first three quarters of 2011-12. This trend in manufacturing will continue for another year. The overall growth rate will be 3.9% and 6.2% respectively against the planned target.

Strong growth in the service sector will continue with overall growth of 9.4% for 2011-12.

COMPANY PERFORMANCE

Your company recorded a good performance during the year 2010-11. But during the year 2011-12, the company is showing a negative performance at the end of 3rd quarter due to the economic slow down. This is mainly certain sectors due to pending decisions of investment and statutory Government clearances.

BUSINESS PORTFOLIO

HDO operates on diversified portfolios of business that have wide market segments. The Engineering, Procurement and Construction (EPC) Division of HDO has a good track record of executing large size and complex projects on turnkey basis. The projects include in the field of Minerals and Metals, Fertilizer & Chemicals, Water Management and Pulp & Paper sectors. The Divisions major capabilities include in-house engineering, global technology tie ups, world class manufacturing facilities, highly experienced project execution team and safe work culture.

Intense competition in domestic market with new competitors both from India and global companies, this division is diversifying into new product lines as well as venturing into new geographic locations.



Your company is proud to inform that your Manufacturing facility is one among the top ten leading engineering manufacturing facility in the country. It has been approved by all leading project management consultants in the country. Further, it has been upgraded with S & R certifications from ASME-USA to undertake various pressure vessels and heat exchangers manufacturing for Nuclear & Power sectors. Many global companies have visited our facility for their global requirement of their product to be manufactured at your workshop.

The company has launched a number of initiatives such as facility enhancement, automation of the system and quality improvement to meet the global market demand.

Your company has another world class manufacturing facility in the name of Davy Markham Limited at

Sheffield, U.K. This manufacturing facility is distinguished in the design fabrication, machining and manufacturing of heavy and complex engineering component to various industrial segments.

Davy Markham have been receiving large orders for manufacturing of Mining equipment such as Mining Hoists and tunnel boring machines from Europe and U.S. markets.

HDO being an ISO certified company , is engaged in continuous improvement in quality standards.

MANAGEMENT DISCUSSIONS AND ANALYSIS

GROWTH STRATEGIES:

Economy is likely to grow in the range of 7.5 to 8%. Mining and Manufacturing are expected to show substantial improvement in 2012-13 over the previous year.

As per the revised projections done by the Planning Commission, the expected investment in Infrastructure during the 11th Plan period will be ₹ 20.50 Lakh Crores for the 12th Plan (2012-17), the Planning Commission has indicated that the investment will be double.

In your company, each business vertical is continuously engaged in strategic growth in competitive market scenario.

A related sector wise analysis as follows:

a. Power

As per central Electricity Authority (CEA), there will be a requirement of 1,100 BOP packages during 12th Plan comprising of coal handling plants, water packages, cooling towers, fuel oil systems and chimney stacks. HDO is already executing LSTK project for NPCIL and is active in this areas.

b. Steel

In 2011, India produced 72.2 million tons of steel and was 4th largest producer in the world. The installed capacity is expected to increase upto 142 million tons by 2018. HDO has already signed MOU with global technology players for EPC packages on this Sector in Coke Oven, Sinter Plants, Blast Furnace and By Product Plants..

c. Mining & Minerals

India has vast reserves of many different minerals. It is world's 3rd largest producer of coal, 4th largest producer of ore and 5th largest producer of bauxite. It also has significant reserves of copper, zinc, lead and other minerals.

Iron ore beneficiation and pelletisation of unused iron ore fines will be needed in a big way to meet the growing demand of the steel industry. HDO is already existing two number of Iron ore slimes and fines beneficiation project for NMDC LTD at Donimali Karnataka. HDO hopes to play a significant role in setting up of iron ore beneficiation and pelletization with international technology partners.



MANAGEMENT DISCUSSIONS AND ANALYSIS

HDO is a market leader in Mineral Beneficiation in India having involved in all Alumina Refineries and also setting up the complete uranium ore processing plant for **UCIL** of 3000 TPD Capacity which is Asia's largest Uranium Processing Plant and worlds 4th Alkali leached plant in Kadappa, A.P.

During the 12th plan, many such plants are expected to come up where HDO has its strong credentials.

d. Opportunities and Threats

HDO is facing increased competition in many areas of operation due to entry of new players in the market. In addition ordering of new projects had slowed down in 2011-12 due to delays in policy decisions by the Government environmental clearances and other issues. To counter increased competitions in domestic markets, HDO is focusing on international markets in Africa, U.A.E, Brazil etc. HDO is also entering into manufacturing of new equipment from Oil and Gas, Steel Plants Components, etc.

MANAGEMENT DISCUSSIONS AND ANALYSIS OF FINANCIAL CONDITION AND RESULT OF OPERATION

Financial Review:

During the period, the HDO's Scheme of Arrangement of demerger was approved by the Hon'ble High Court of Bombay vide order dated 18th July, 2012. The Manufacturing Division of the Company was demerged and transferred to its wholly owned subsidiary HDO Technologies Limited. The above scheme of demerger was effective from 1st April, 2011.

The following table sets forth the income statement for the financial period (fifteen months) ended June 30, 2012 and year ended March 31, 2011. The components of expenses have been expressed as a percentage of total income for the period/year indicated.

(₹ in million)

| | June 30, 2012 | March 31, 2011 |
|---|---------------|----------------|
| Net Income from operations | 7,187.53 | 9,483.05 |
| Other income | 105.52 | 127.12 |
| Total income | 7,293.05 | 9,610.17 |
| Cost of material/ services consumed | 6,525.78 | 7,733.61 |
| Cost of material/ services consumed as a percentage to total income | 89.48% | 80.47% |
| Employee Benefit expenses | 405.93 | 466.93 |
| Employee Benefit expenses as a percentage to total income | 5.57% | 4.86% |
| Other Expenses | 268.45 | 340.03 |
| Other expenses as a percentage to total income | 3.68% | 3.54% |
| EBITDA | 92.89 | 1,069.60 |
| EBITDA- percentage to total income | 1.27% | 11.13% |
| Finance cost | 513.98 | 222.07 |
| Finance cost as a percentage to total income | 7.05% | 2.31% |
| Depreciation | 41.74 | 68.24 |
| Depreciation as a percentage to total income | 0.57% | 0.71% |
| Profit/ (Loss) before tax | (462.83) | 779.29 |
| Profit/ (Loss) before tax percentage to total income | (6.35%) | 8.11% |
| Profit/ (Loss) after tax | (303.32) | 537.54 |
| Profit/ (Loss) after tax percentage to total income | (4.16%) | 5.59% |

The Company could get fresh orders amounting to ₹ 12,692.62 million during the fifteen months period 2011-12.

Revenue from operations:

The growth rate was negative as regards Revenue from operation almost by 39.29% on an annualized basis. The reasons attributable for such negative growth are slow progress of some major works due to unavailability of fronts, delay in handing over sites for new projects and permissions by various authorities.

Cost:

Cost of raw material and services as a percentage to net operating income increased by 9.01% during the period as compared to the previous year, primarily due to cost inflation in rates of raw material during the period. Finance cost was increased by 4.74% and employee cost by 0.71% as a percentage to the net operating income as compared to the previous year.

Profitability:

During the period, inflation index has affected the rates of items used for raw material, which has resulted in increase in direct cost and reduced the EBITDA by 9.86% as a percentage to total income as compared to the previous year. Increase in finance cost by 4.74% is attributable to increase in the overall debt level due to delay in recovery and receivables. The increase in prime cost and finance cost have resulted in negative profitability of the Company.

CORPORATE GOVERNANCE REPORT

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.

The 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 June 30, 2012, the changes during the fifteen months period under review, number of Meetings attended and Directorships/Committee Memberships in other Companies are as follows:

| Sl. No. | Name of the Director | Category (1) | Attendance at Board Meetings held during the year | | Attendance at last AGM held on 30.09.11 | Directorships in Other Companies | Other Committee Positions in India (3) | |
|---------|-----------------------------|--------------|---|----------|---|----------------------------------|--|----------|
| | | | Held | Attended | | | Member | Chairman |
| 1 | Mr. Prabahakar Ram Tripathi | C & NED (I) | 6 | 5 | Yes | 5 | 5 | 2 |
| 2. | Mr. E. Sudhir Reddy | VC & NED | 6 | 6 | No | 10 | 1 | - |
| 3. | Mr. E. Sunil Reddy* | MD | 6 | 4 | No | 12 | 1 | - |
| 4. | Mr. S. C. Sekaran | ED | 6 | 6 | Yes | 2 | - | - |
| 5. | Mr. R. Balarami Reddy | NED | 6 | 6 | No | 10 | 3 | - |
| 6. | Mr. T. N. Chaturvedi | NED (I) | 6 | 2 | No | 6 | 1 | 5 |
| 7. | Mr. M. L.Majumdar | NED (I) | 6 | 6 | Yes | - | - | - |
| 8. | Mr. S. D. Kapoor | NED (I) | 6 | 6 | Yes | 6 | 4 | 2 |

* Mr. E. Sunil Reddy has resigned as Managing Director and Director from the Board with effect from June 11, 2012

Notes:

1. Category : C- Chairman, VC – Vice-Chairman, MD – Managing Director, ED – Executive Director, NED-Non-Executive Director and I – Independent Director.
2. Chairmanship/Membership of Board Committees include only Audit Committee and Shareholders/ Investors Grievance Committee.
3. Mr. E. Sudhir Reddy and Mr .E. Sunil Reddy being brothers are related to each other.

* 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 Fifteen Months period in 2011-12, the Board met six times as follows:

| Date of the Board Meeting | Total number of Directors on the date of the Meeting | Number of Directors who attended |
|---------------------------|--|----------------------------------|
| May 28, 2011 | 8 | 7 |
| August 12, 2011 | 8 | 6 |
| October 30, 2011 | 8 | 6 |
| November 12, 2011 | 8 | 7 |
| February 14, 2012 | 8 | 8 |
| May 14, 2012 | 8 | 7 |

* 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.

CORPORATE GOVERNANCE REPORT Contd.

III. Committees of Directors under Corporate Governance Code

a. Audit Committee

Composition

The Audit Committee presently comprises of 4 Independent Directors and one Non-executive Director, having rich accounting/financial management expertise. The present composition of the Audit Committee is as follows:

- a. Mr. S. D. Kapoor, Chairman
- b. Mr. Prabhakar Ram Tripathi, Member
- c. Mr. R. Balarami Reddy, Member
- d. Mr. T. N. Chaturvedi, Member
- e. Mr. M. L. Majumdar, Member

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

The Company Secretary 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 five times during the fifteen months period of 2011-12 and the gap between two meetings did not exceed 4 months. The details of the attendance of the Members is as follows:

exceed 4 months. The details of the attendance of the Members is as follows:

| Name | Attendance at the Meeting held on | | | | |
|----------------------------|-----------------------------------|-----------|------------|-----------|-----------|
| | 28/5/2011 | 12/8/2011 | 12/11/2011 | 14/2/2012 | 14/5/2012 |
| Mr. T. N. Chaturvedi | No | No | No | Yes | Yes |
| Mr. Prabhakar Ram Tripathi | Yes | No | Yes | Yes | Yes |
| Mr. R. Balarami Reddy | Yes | Yes | Yes | Yes | Yes |
| Mr. S. D. Kapoor | Yes | Yes | Yes | Yes | Yes |
| Mr. M. L. Majumdar | No | 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 36th Annual General Meeting held on September 30, 2011.

b. Remuneration Committee

Composition

The Remuneration 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

The Company Secretary 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

CORPORATE GOVERNANCE REPORT Contd.

(c) to decide any other related matters.

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

The Remuneration 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 fifteen months period ended June 30, 2012 are given below:

| Name of the Director | Sitting fee (₹) | Gross Remuneration (₹)* | Commission | Service Contract/Notice period/Severance |
|----------------------------|------------------|-------------------------|------------|--|
| Mr. Prabhakar Ram Tripathi | 1,35,000 | - | - | Liable to retire by rotation |
| Mr. E. Sudhir Reddy | - | - | - | Liable to retire by rotation |
| Mr. E. Sunil Reddy# | - | 81,71,042 | Nil | Not liable to retire by rotation |
| Mr. S. C. Sekaran | - | 67,38,113 | Nil | Not liable to retire by rotation |
| Mr. R. Balarami Reddy | - | - | - | Liable to retire by rotation |
| Mr. T. N. Chaturvedi | 60,000 | - | - | Liable to retire by rotation |
| Mr. M. L. Majumdar | 1,50,000 | - | - | Liable to retire by rotation |
| Mr. S. D. Kapoor | 1,65,000 | - | - | Liable to retire by rotation |

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

Mr. E. Sunil Reddy has resigned as Managing Director and Director from the Board with effect from June 11, 2012

There are no shares held by Non -Executive Directors.

c. Shareholders'/Investors' Grievance Committee

Composition

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

- Mr. P. R. Tripathi, Chairman
- Mr. E. Sudhir Reddy, Member
- Mr. S. C. Sekaran, Member

The Company Secretary 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, 58 complaints were received from Shareholders. All the complaints have been resolved to the satisfaction of the Complainants.

The Company has acted upon all valid transfers received during fifteen months period ended June 30, 2012 and no transfers were pending as on June 30, 2012.

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:

- Mr. E. Sudhir Reddy
- Mr. E. Sunil Reddy*
- Mr. R. Balarami Reddy
- Mr. S. C. Sekaran

* Mr. E. Sunil Reddy has resigned as Managing Director and Director from the Board with effect from June 11, 2012

CORPORATE GOVERNANCE REPORT Contd.

IV Subsidiary Companies

The Company monitors the performance of its subsidiary, HDO Technologies Limited, inter alia, by the following means:

- * The financial statements, in particular the investments made by the unlisted subsidiary, are reviewed by the Audit Committee as well as by the Board.
- * The minutes of the Board Meetings of the subsidiary are noted at the Board Meetings of the Company.

V General Body Meetings

General Body Meetings

The details of the last three Annual General Meetings, i.e. Thirty Sixth, Thirty Fifth Thirty Fourth 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 |
|--------------------------------|--|--|--|
| Extra-ordinary General Meeting | Friday, March 30, 2012 at 3.00 P.M. | The Mira Dor, New Link Road, Chakala, Andheri (East), Mumbai – 400 099 | (1) Scheme of Arrangement between the Company and HDO Technologies Limited |
| 36th Annual General Meeting | Friday, September 30, 2011 at 3.00 P.M. | The Mira Dor, New Link Road, Chakala, Andheri (East), Mumbai – 400 099 | - |
| 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. |

A Court convened meeting was conducted on March 02, 2012 seeking approval of Equity Shareholders for Scheme of Arrangement between Hindustan Dorr-Oliver Limited and HDO Technologies Limited and their respective shareholders. The Scheme has been approved with requisite majority by the Shareholders.

Postal Ballot

During the fifteen Months period ended June 30, 2012, no Resolution was put through postal ballot nor any resolution is proposed to be passed through Postal Ballot at the ensuing Annual General Meeting.

VI 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 39 of 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.

CORPORATE GOVERNANCE REPORT Contd.

VII Means of Communication

- | | | |
|--|---|---|
| (i) Quarterly results- Which news papers normally published in | : | Business Standard, Economic Times, Free Press Journal, Financial Express and 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.

VIII General Shareholders' information

*** Annual General Meeting:**

Annual General Meeting is proposed to be held on December 29, 2012 AT 3.00 p.m. at All India Plastic Manufacturers Association, AIPMA House, A-52, Street No. 1, MIDC, Andheri (East), Mumbai - 400 093

*** Financial Calendar**

- | | | |
|--|---|--------------------------------|
| (a) Financial year | - | July 01 to March 31 |
| (b) Results will be published for the Quarter ended: | | |
| (i) June 30, 2012 | - | N.A. |
| (ii) September 30, 2012 | - | on or before November 15, 2012 |
| (iii) December 31, 2012 | - | on or before February 15, 2013 |
| (iv) March 31, 2013 | - | in May, 2013 |

*** Date of Book Closure**

24th December, 2012 to 29th December, 2012 (both days inclusive).

*** 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 2012-13.

*** Stock Code**

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

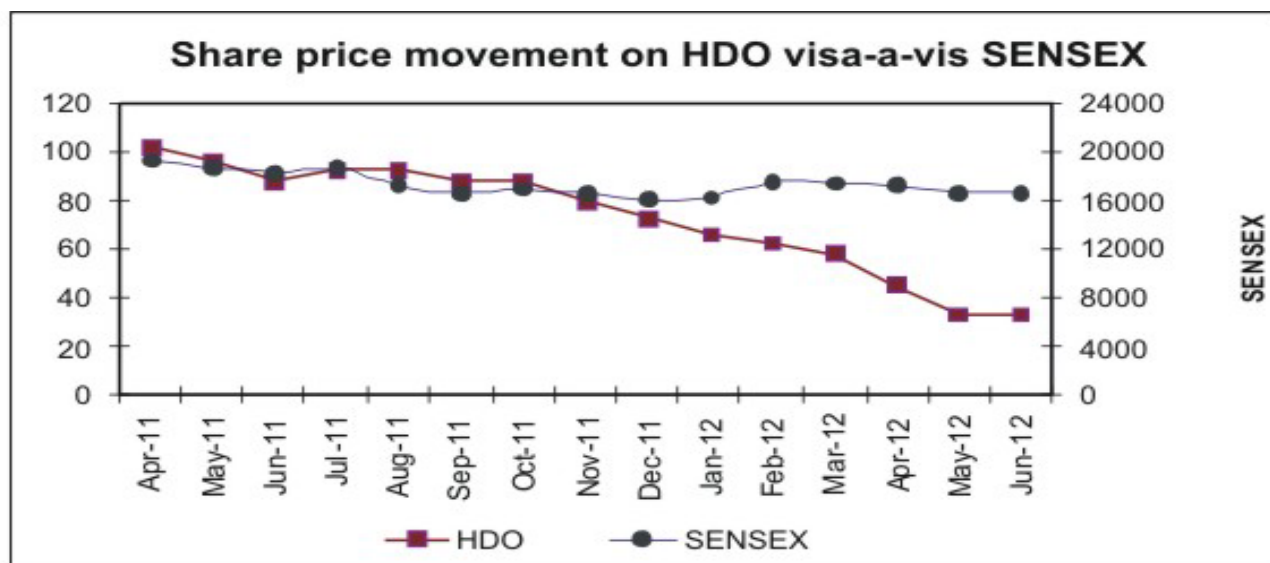
CORPORATE GOVERNANCE REPORT Contd.

* Stock Market Data

| Month | BOMBAY STOCK EXCHANGE | | NATIONAL STOCK EXCHANGE | |
|-----------------|-----------------------|---------|-------------------------|---------|
| | High (₹) | Low (₹) | High (₹) | Low (₹) |
| April, 2011 | 92.00 | 77.00 | 91.80 | 77.05 |
| May, 2011 | 82.15 | 57.60 | 83.80 | 57.50 |
| June, 2011 | 69.45 | 46.25 | 36.25 | 30.50 |
| July, 2011 | 60.00 | 48.50 | 60.00 | 46.25 |
| August, 2011 | 51.35 | 32.60 | 49.90 | 32.60 |
| September, 2011 | 47.30 | 33.15 | 47.45 | 33.65 |
| October, 2011 | 40.70 | 34.20 | 40.60 | 34.25 |
| November, 2011 | 39.15 | 23.10 | 39.20 | 22.95 |
| December, 2011 | 30.20 | 22.80 | 31.75 | 22.80 |
| January, 2012 | 35.60 | 23.10 | 35.60 | 22.50 |
| February, 2012 | 41.50 | 31.25 | 41.30 | 31.10 |
| March, 2012 | 37.75 | 31.25 | 37.80 | 30.00 |
| April, 2012 | 56.50 | 35.50 | 56.45 | 35.40 |
| May, 2012 | 37.50 | 30.40 | 37.80 | 30.25 |
| June, 2012 | 36.30 | 30.60 | 36.25 | 30.50 |

Source : BSE website

Source : NSE website



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.

Shareholding pattern as on 30.06.2012

| 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-promoters holding | | |
| Mutual funds | 7336061 | 10.19 |
| Banks, Financial Institutions and Insurance Companies | 125000 | 0.17 |
| Central Government/State Government | - | - |
| Foreign Institutional Investors | 3378091 | 4.69 |
| Sub-Total | 10839152 | 15.05 |
| Others | | |
| Private Corporate Bodies | 4430544 | 6.15 |
| Indian Public | 15998629 | 22.22 |
| NRIs/OBCs | 700409 | 0.97 |
| Directors | 130700 | 0.18 |
| Clearing Members | 98224 | 0.14 |
| Trusts | 3720 | 0.01 |
| GDRs(Shares held by depository against GDRs) | - | - |
| Sub-Total | 21362226 | 29.67 |
| Total | 72005808 | 100.00 |

Distribution of Shareholding as on 30.06.2012

| Category | Number | % to total | No. of shares | % Amount |
|----------------|--------------|---------------|-----------------|---------------|
| Upto 1 - 5000 | 21195 | 94.36 | 7977512 | 11.08 |
| 5001 - 10000 | 723 | 3.22 | 2693648 | 3.74 |
| 10001 - 20000 | 284 | 1.26 | 2108597 | 2.93 |
| 20001 - 30000 | 96 | 0.43 | 1170617 | 1.63 |
| 30001 - 40000 | 41 | 0.18 | 746621 | 1.04 |
| 40001 - 50000 | 27 | 0.12 | 628529 | 0.87 |
| 50001 - 100000 | 46 | 0.20 | 1640793 | 2.28 |
| 100001 & Above | 49 | 0.22 | 55039491 | 76.44 |
| Total: | 22461 | 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.

CORPORATE GOVERNANCE REPORT Contd.

*** Dematerialization of shares and liquidity**

Shares aggregating to 97.94 % of the share capital have been dematerialized as on June 30, 2012.

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.

IX 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 – 400 099 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

KOLKATA

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

NEW DELHI

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

X 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 2011-12.

Hyderabad
August 29, 2012

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 fifteen months period ended on June 30, 2012 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 Number: 307068E

R N CHATURVEDI

Membership No 092087

Hyderabad

August 29, 2012

CEO/CFO 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 June 30, 2012 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 fifteen months period ended June 30, 2012 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

August 29, 2012

S. C. Sekaran

Executive Director

Girish Dave

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** (the "Company"), as at June 30, 2012, the Statement of Profit and Loss and also the Cash Flow Statement for the period 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, Statement of Profit and Loss and Cash Flow Statement dealt with by this report are in agreement with the books of account;
 - d. In our opinion, the Balance Sheet, Statement of Profit and Loss and Cash Flow Statement dealt with by this report comply with the Accounting Standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956;
 - e. On the basis of written representations received from the directors, as on June 30, 2012 and taken on record by the Board of Directors, we report that none of the directors is disqualified as on June 30, 2012 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 32 regarding investments in Subsidiary and loans and advances outstanding from such subsidiary aggregating to ₹ 1,305.94 Million, whose accumulated losses exceeded their consolidated net worth 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 June 30, 2012,
 - ii. in the case of the Statement of Profit and Loss, of the loss for the period ended on that date; and
 - iii. in the case of the Cash Flow Statement, of the cash flows for the period ended on that date.

For CHATURVEDI & PARTNERS
Chartered Accountants
Firm Registration Number: 307068E

Hyderabad
August 29, 2012

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 fixed assets has been physically verified by the management during the period 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 period 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 period 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 ₹1,232.43 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. In our opinion and according to the information and explanations given to us, the loan given to the wholly owned subsidiary is not repayable during the period covered by our audit.
- d. There is no overdue amount in excess of ₹1 Lakh in respect of loan granted to the wholly owned subsidiary.
- 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, we are of the opinion that particulars of contracts or arrangements that need to be entered into the register maintained under Section 301 of the Companies Act, 1956 have been so entered.
- b. In our opinion and 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 lakhs in respect of any party during the year have been made at prices which are reasonable having 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. In our opinion and according to the information and explanations given to us, the management is in the process of compiling and maintaining the cost records of the company pursuant to the rules made by the Central Government under Section 209 (1) (d) of the Companies Act, 1956.

AUDITORS' REPORT Contd.

- ix. a. The company is generally regular in depositing with appropriate authorities, 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. There has been delay in deposit of *works contract tax* in some cases.
- 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 June 30, 2012 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 (₹ in Million) | Period to which the amount relates | Forum where dispute is pending |
|-------|--|---------------------|--------------------------|--|--|
| 1 | Custom Act, 1962 | Custom Duty | 0.77 | 1992-93 | The collector of customs (Judicial), Mumbai |
| 2 | Central Sales Tax Act, 1956 and Sales Tax Act of Various States. | Sales Tax/ WCT/ VAT | 4.90 | 1999-2000 to 2002-03 and 2007-08 | A.C. (Appeal) |
| | | | 14.33 | 1984-85, 1992-93 to 2002-03 and 2006-07 | D.C. (Appeal) |
| | | | 21.50 | 2008-09 | D.C. (Enforcement) |
| | | | 18.65 | 2002-03 to 2004-05 | J. C. (Appeal) |
| | | | 3.59 | 1987-88 to 1993-94 | Tribunal |
| | | | 0.42 | 1995-96 and 2008-09 | Sales Tax Officer |
| | | | 17.91 | 1988-89, 1995-96 and 2007-08 | High Court |
| 3 | The Income Tax Act, 1961 | Income Tax | 18.08 | 1997-98 to 2001-02 | ITAT |
| | | | 2.57 | 1996-97 | CIT |
| | | | 3.19 | 2000-01 and 2002-03 | CIT (A) |

- x. The Company does not have any accumulated losses at the end of the period. Further, the Company has incurred cash losses in the period covered by our audit, and has not incurred cash losses during 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.

AUDITORS' REPORT Contd.

- 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. In our opinion and according to the information and explanations given to us, the term loans have been applied for the purposes for which they were raised.
- 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 except on non-current assets aggregating to ₹ 1,995.93 Million.
- 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 period. 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 Number: 307068E

Hyderabad
August 29, 2012

R N CHATURVEDI
Partner
Membership No.092087

BALANCE SHEET AS AT JUNE 30, 2012

(All amounts in ₹ Million unless otherwise stated)

| Particulars | Note No. | As at June 30, 2012 | As at March 31, 2011 |
|--|----------|------------------------|-------------------------|
| I EQUITY AND LIABILITIES | | | |
| 1 Shareholders' Funds | | | |
| (a) Share Capital | 3 | 144.01 | 144.01 |
| (b) Reserves and Surplus | 4 | 1,741.13 | 2,551.53 |
| 2 Non-Current Liabilities | | | |
| (a) Long-term borrowings | 5 | 1,046.81 | - |
| (b) Deferred tax liabilities (net) | 6 | - | 26.74 |
| (c) Long-term provisions | 7 | 10.63 | 13.97 |
| 3 Current Liabilities | | | |
| (a) Short-term borrowings | 8 | 2,213.55 | 2,000.09 |
| (b) Trade payables | 9 | 4,975.46 | 4,365.58 |
| (c) Other current liabilities | 10 | 1,161.60 | 642.56 |
| (d) Short-term provisions | 11 | 618.19 | 979.11 |
| Total | | 11,911.38 | 10,723.59 |
| II. ASSETS | | | |
| 1 Non-Current Assets | | | |
| (a) Fixed assets | 12 | | |
| (i) Tangible assets | | 238.85 | 711.97 |
| (ii) Intangible assets | | 19.15 | 29.02 |
| (iii) Capital work in progress | | - | 97.20 |
| (b) Non-current investments | 13 | 1,390.69 | 90.64 |
| (c) Deferred tax assets (net) | 6 | 151.65 | - |
| (d) Long-term loans and advances | 14 | 1,238.88 | 466.55 |
| (e) Other non-current assets | 15 | 1,899.29 | 2,165.43 |
| 2 Current Assets | | | |
| (a) Inventories | 16 | 25.80 | 858.58 |
| (b) Trade receivables | 17 | 2,450.49 | 2,933.86 |
| (c) Cash and bank balances | 18 | 38.41 | 34.13 |
| (d) Short-term loans and advances | 19 | 2,341.56 | 1,991.82 |
| (e) Other current assets | 20 | 2,116.61 | 1,344.39 |
| Total | | 11,911.38 | 10,723.59 |
| Significant Accounting Policies and Notes on Financial Statements | 1 to 44 | | |

As per our report of even date.

For CHATURVEDI & PARTNERS

Chartered Accountants

Firm Registration Number: 307068E

R N CHATURVEDI

Partner

Membership No. 092087

Hyderabad,

August 29, 2012

FOR AND ON BEHALF OF THE BOARD

S.C. SEKARAN

Executive Director

R. BALARAMIREDDY

Director

A.S. PARDHA SARADHI

Company Secretary

STATEMENT OF PROFIT AND LOSS FOR THE PERIOD FROM APRIL 01, 2011 TO JUNE 30, 2012

(All amounts in ₹ Million unless otherwise stated)

| Particulars | Note No. | For the Period Ended June 30, 2012 | For the Year Ended March 31, 2011 |
|---|----------|--|---|
| I Revenue from Operations (Gross) | 21 | 7,187.53 | 9,590.35 |
| Less : Excise Duty | | - | 107.30 |
| Revenue from Operation (Net) | | <u>7,187.53</u> | <u>9,483.05</u> |
| II Other Income | 22 | 105.52 | 127.12 |
| III Total Revenue(I + II) | | <u>7,293.05</u> | <u>9,610.17</u> |
| IV Expenses | | | |
| Cost of material/ services consumed | 23 | 6,511.40 | 7,946.81 |
| Changes in inventories of work-in-progress | 24 | 14.38 | (213.20) |
| Employee benefits expense | 25 | 405.93 | 466.93 |
| Finance costs | 26 | 513.98 | 222.07 |
| Depreciation and amortization expenses | 12 | 41.74 | 68.24 |
| Other expenses | 27 | 268.45 | 340.03 |
| Total Expenses | | <u>7,755.88</u> | <u>8,830.88</u> |
| V Profit/(Loss) before Tax(III-IV) | | <u>(462.83)</u> | <u>779.29</u> |
| VI Tax Expense | | | |
| Current Tax (in respect of earlier year ₹5.85 Million, Previous Year Nil) | | (5.85) | 231.34 |
| Deferred Tax | | (153.66) | 10.42 |
| VII Profit/(Loss) for the period (V-VI) | | <u>(303.32)</u> | <u>537.53</u> |
| VIII Earning per equity share: | | | |
| Basic | | (4.21) | 7.47 |
| Diluted | | (4.21) | 7.41 |
| Significant Accounting Policies and Notes on Financials Statements | 1 to 44 | | |

As per our report of even date.

For CHATURVEDI & PARTNERS

Chartered Accountants

Firm Registration Number: 307068E

FOR AND ON BEHALF OF THE BOARD

R N CHATURVEDI

Partner

Membership No. 092087

Hyderabad,

August 29, 2012

S.C. SEKARAN
Executive Director

R. BALARAMI REDDY
Director

A.S. PARDHA SARADHI
Company Secretary

CASH FLOW STATEMENT FOR THE PERIOD APRIL 01, 2011 TO JUNE 30, 2012

(All amounts in ₹ Million unless otherwise stated)

| Particulars | For the Period Ended June 30, 2012 | For the Year Ended March 31, 2011 |
|---|---------------------------------------|--------------------------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Net Profit/(Net Loss) for the period/year before Taxation | (462.83) | 779.29 |
| Adjustments for | | |
| Depreciation and amortisation | 41.74 | 68.24 |
| (Profit)/loss on Sale of Fixed Assets | 0.13 | (99.64) |
| Liabilities/Provisions no longer required written back | (21.14) | - |
| Employee Compensation expense under ESOP | - | 17.31 |
| Interest & Finance Charges | 513.98 | 222.07 |
| Interest Income | (8.00) | (4.42) |
| Dividend Income | (0.21) | (0.21) |
| Bad debts written Off | 9.31 | 57.84 |
| (Gain)/Loss on Exchange (Net) | (42.32) | 12.31 |
| | <u>493.49</u> | <u>273.50</u> |
| Operating profit before working capital changes | 30.66 | 1,052.79 |
| (Increase)/Decrease in Inventories | 14.38 | (356.89) |
| (Increase)/Decrease in Trade Receivables | (392.23) | (1,319.61) |
| (Increase)/Decrease in Loans and Advances | (2,701.94) | (1,038.03) |
| Increase/(Decrease) in Current Liabilities | <u>2,104.47</u> | <u>1,156.57</u> |
| | <u>(975.32)</u> | <u>(1,557.96)</u> |
| Cash generated from operations | (944.66) | (505.17) |
| Taxes Paid | (126.28) | (301.64) |
| | <u>(1,070.94)</u> | <u>(806.81)</u> |
| Net cash generated by operations | (1,070.94) | (806.81) |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Purchase of Fixed Assets | (11.96) | (158.41) |
| Sale of Fixed Assets | 0.20 | 101.17 |
| Purchase of investments | (0.05) | (73.03) |
| Dividend received | 0.21 | 0.21 |
| Interest Received | <u>8.16</u> | <u>3.99</u> |
| | <u>(3.44)</u> | <u>(126.07)</u> |
| Net cash used in investing activities | (3.44) | (126.07) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Proceeds from borrowings | 1,646.68 | 1,213.98 |
| Dividend Paid | (57.36) | (57.40) |
| Tax on Dividend | (9.35) | (9.57) |
| Interest and finance charges paid | <u>(499.40)</u> | <u>(222.07)</u> |
| | <u>1,080.57</u> | <u>924.94</u> |
| Net cash provided by financing activities | 1,080.57 | 924.94 |
| NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS DURING THE YEAR | 6.19 | (7.94) |
| Cash and cash equivalents at the beginning of the year | <u>34.13</u> | <u>42.07</u> |
| Cash and cash equivalents at the beginning of the year on account of demerger | (1.91) | - |
| Cash and cash equivalents at the end of the year | 38.41 | 34.13 |

CASH FLOW STATEMENT FOR THE PERIOD APRIL 01, 2011 TO JUNE 30, 2012 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 confirm to current year classification.
4. Cash & Cash Equivalents include: (₹ in Million)

| | Period Ended June 30, 2012 | Year Ended March 31, 2011 |
|-------------------------------|---------------------------------------|--------------------------------------|
| Cash Balance on hand | 1.56 | 1.11 |
| Balances with Scheduled Banks | | |
| - In Current Accounts | 17.94 | 14.91 |
| - In Fixed Deposits | 8.79 | 8.03 |
| - In Margin Money Accounts | 8.92 | 9.18 |
| - In Dividend Account | 1.20 | 0.90 |
| | 38.41 | 34.13 |

As per our report of even date.

For CHATURVEDI & PARTNERS

Chartered Accountants

Firm Registration Number: 307068E

FOR AND ON BEHALF OF THE BOARD

R N CHATURVEDI

Partner

Membership No. 092087

Hyderabad,

August 29, 2012

S.C. SEKARAN
Executive Director

R. BALARAMI REDDY
Director

A.S. PARDHA SARADHI
Company Secretary

Notes forming part of the Financial Statements

1. 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.

Pursuant to the Scheme of Arrangement between the Company and HDO Technologies Limited, (a wholly owned subsidiary of the Company) all properties, assets and liabilities forming a part of the manufacturing undertaking of the Company have been transferred to HDO Technologies Limited during the year with effect from April 1, 2011. (Refer Note 29).

2. SIGNIFICANT ACCOUNTING POLICIES

a) Method of Accounting

The financial statements are based on historical cost convention on an accrual basis (except for revaluation of certain Fixed Assets), in accordance with Generally Accepted Accounting Principles (GAAP) and in compliance with the accounting standards notified in the Companies (Accounting Standards) Rules, 2006 and relevant Provisions of the Companies Act, 1956. The Company follows mercantile system of accounting and recognizes income and expenditure on accrual basis.

Pursuant to the amendment to the Schedule VI to the Act, effective 1 April 2011 the Company has adopted revised schedule VI for preparation and presentation of the financial statements and have reclassified previous year figures to conform to this year's presentation and classification. Except accounting for dividend on investment in subsidiaries, the adoption of revised Schedule VI does not impact recognition and measurement principles followed for preparation of financial statements. However, it significantly impacts presentation and disclosures made in the financial statements.

All assets and liabilities have been classified as current or non-current as per the Company's normal operating cycle and other criteria set out in the revised schedule VI to the Act, based on the nature of work and the time between the acquisition of assets for processing and their realization in cash and cash equivalents.

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.

Although these estimates are based upon management's best knowledge of current events and actions, actual results could differ from these estimates. Any revision to accounting estimates is recognized prospectively in the current and future periods.

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) Impairment

The carrying values of assets / cash generating units at each Balance Sheet date are reviewed for impairment of assets. If any indication of such impairment exists, the recoverable amount of such assets is estimated and impairment is recognized if the carrying amount of these assets exceeds their recoverable amount. The recoverable amount is greater of the asset's net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value at the weighted average cost of capital. After impairment, depreciation is provided on the revised carrying amount of the asset over its remaining useful life.

e) 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.

Notes forming part of the Financial Statements (Contd.)

f) 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) Plant & Machinery | |
| Diesel generating sets, welding machines etc. | 25% |
| Air Conditioners | 20% |
| Office Equipments | 20% |
| Motor Vehicles | 20% |
| Laboratory Equipments | 10% / 20% |
| (iii) Furniture and Fittings | 10% |

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.

g) 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 recognised as an expense in the year in which they are incurred.

h) 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.

i) Revenue Recognition:

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 is 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 work 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.

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.

Foreign Currency Transactions

- The reporting currency of the Company is Indian Rupee.
- Foreign currency transactions are recorded on initial recognition in the reporting currency, using the exchange rate at the date of the transaction. At each balance sheet date, foreign currency monetary items are reported using the closing rate.

Notes forming part of the Financial Statements (Contd.)

- c. Exchange differences that arise on settlement of monetary items or on reporting of monetary items at each balance sheet date at the closing date are recognized as income or expense in the period in which they arise.

j) 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 the 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.

k) 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.

l) 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.

m) 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.

n) Contingent Liabilities

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

Notes forming part of the Financial Statements (Contd.)

3 Share Capital

(All amounts in ₹ Million unless otherwise stated)

| Particulars | As at June 30, 2012 | | As at March 31,2011 | |
|---|---------------------|--------|---------------------|--------|
| | Number | Amount | Number | Amount |
| Authorised : | | | | |
| Equity Shares of ₹ 2 each | 100,000,000 | 200.00 | 100,000,000 | 200.00 |
| Issued, subscribed and paid-up : | | | | |
| Equity Shares of ₹ 2 each | 72,005,808 | 144.01 | 72,005,808 | 144.01 |

3.1 Reconciliation of the number of Shares outstanding at the beginning and at the end of the reporting period:

| Particulars | As at June 30, 2012 | | As at March 31,2011 | |
|---|---------------------|--------|---------------------|--------|
| | Number | Amount | Number | Amount |
| Number of Equity Shares at the beginning and end of the period/year | 72,005,808 | 144.01 | 72,005,808 | 144.01 |

3.2 Rights, preferences and restrictions of equity shares:

The Company has only one class of Equity Shares having a par value of ₹ 2 per share. Each holder of equity shares is entitled to one vote per share. In the event of liquidation of the Company, the holders of equity shares will be entitled to receive remaining assets of the Company, after distribution of all preferential amounts. The distribution will be in proportion to the number of equity shares held by the shareholders.

3.3 Equity Shares held by Holding Company:

| Particulars | As at June 30, 2012 | | As at March 31,2011 | |
|---|---------------------|--------|---------------------|--------|
| | Number | Amount | Number | Amount |
| Equity shares are held by IVRCL Limited | 39,804,430 | 79.61 | 39,804,430 | 79.61 |

3.4 The Shareholder holding more than 5% Shares in the Company:

| Name | Number | % Shareholding | Number | % Shareholding |
|------------------------------------|------------|----------------|------------|----------------|
| IVRCL Limited, the Holding Company | 39,804,430 | 55.28% | 39,804,430 | 55.28% |

3.5 Aggregate number of equity shares allotted as fully-paid up by way of bonus shares:

| Particulars | As at June 30, 2012 | | As at March 31,2011 | |
|---|---------------------|------------|---------------------|------------|
| | Year | Number | Year | Number |
| Equity shares were issued as fully paid bonus shares by capitalisation of General Reserve | 2006-07 | 6,000,484 | 2006-07 | 6,000,484 |
| | 2009-10 | 36,002,904 | 2009-10 | 36,002,904 |
| | | 42,003,388 | | 42,003,388 |

Notes forming part of the Financial Statements (Contd.)

(All amounts in ₹ Million unless otherwise stated)

3.6 Shares reserved for issue under employee stock option scheme:

| Particulars | As at June 30, 2012 | | As at March 31, 2011 | |
|---|---------------------|--|----------------------|--|
| | Number | Weighted Average Exercise Price Per Stock Option | Number | Weighted Average Exercise Price Per Stock Option |
| Employees Stock Options Granted and outstanding at beginning of the year. | 504,000 | 41.51 | 496,000 | 41.51 |
| Granted during the period/year | - | - | 504,000 | 41.51 |
| Exercised during the period/year | - | - | - | - |
| Lapsed during the period/year | - | - | 496,000 | 41.51 |
| Option withdrawn during the period/year | 504,000 | 41.51 | - | - |
| Employees Stock Options outstanding at end of the year. | - | - | 504,000 | 41.51 |

Under ESOP 2005 Scheme, the members had approved 1,000,000 options of face value ₹2 each to the permanent employees of the Company. 504,000 options were outstanding at the beginning of the year which have lapsed during the year.

| Note | Particulars | As at June 30, 2012 | As at March 31, 2011 |
|----------|---|---------------------|----------------------|
| 4 | Reserves & Surplus | | |
| | Revaluation Reserve | | |
| | Balance at the beginning of the year | 170.90 | 207.72 |
| | Less: Transfer to Statement of Profit and Loss | - | 0.54 |
| | Less: Deduction on sale of revalued assets | - | 36.28 |
| | Less: Pursuant to the scheme of arrangement (Refer Note 29) | 170.90 | - |
| | | - | 170.90 |
| | Securities Premium Account | | |
| | Balance at the beginning of the year | 537.61 | 537.61 |
| | Less: Pursuant to the scheme of arrangement (Refer Note 29) | 315.27 | - |
| | | 222.34 | 537.61 |
| | General Reserve | | |
| | Balance at the beginning of the year | 972.49 | 772.49 |
| | Add: Transferred from Statement of Profit and Loss | - | 200.00 |
| | | 972.49 | 972.49 |
| | Employee stock options outstanding (Refer Note 3.6) | - | 20.92 |
| | Surplus/ (deficit) in the Statement of Profit and Loss | | |
| | Balance at the beginning of the year | 849.62 | 579.03 |
| | Add/(Less): Profit/ (Loss) for the period/year | (303.32) | 537.53 |
| | Less: Appropriations | | |
| | Proposed Dividend | - | 57.60 |
| | Tax on Dividend | - | 9.35 |
| | Transferred to General Reserve | - | 200.00 |
| | Closing balance | 546.30 | 849.61 |
| | Total | 1,741.13 | 2,551.53 |

Notes forming part of the Financial Statements (Contd.)

(All amounts in ₹ Million unless otherwise stated)

| Note | Particulars | As at June 30, 2012 | As at March 31, 2011 |
|------------|--|------------------------|-------------------------|
| 5 | Long Term Borrowings | | |
| | Secured | | |
| | From banks | 1,046.81 | - |
| | Total | <u>1,046.81</u> | <u>-</u> |
| 5.1 | Nature of Security | | |
| | Borrowings of ₹1,046.81 Million (External commercial borrowings of US \$ 20 Million) is secured by first charge over the land and building situated at Mumbai (the Company's Corporate office) along with other assets of the Company with current value not less than 1.25x of the facility amount. Borrowing is further secured by first charge over the existing fixed assets and current assets of Davy Markham Limited UK {a wholly owned subsidiary of HDO UK Limited (a wholly owned foreign subsidiary of the Company)} | | |
| 5.2 | Terms of Repayment | | |
| | Repayable in 16 equal quarterly installments with the first installment due on April 17, 2013 (i.e. at the end of 15th month from the date of disbursement) and ending on January 17, 2017. USD 3 months LIBOR as prevailing at the start of every interest period plus margin (300 bps pa) payable in arrears at the end of every interest period net of withholding tax or deductions, if any. | | |
| 6 | Deferred Tax Liabilities/(Assets) | | |
| | Deferred Tax Liabilities on account of | | |
| | Depreciation | 3.69 | 34.90 |
| | Deferred Tax Assets on account of | | |
| | Employee benefits | (6.49) | (8.16) |
| | Business loss/ Unabsorbed Depreciation | (148.64) | - |
| | Others | (0.21) | - |
| | Total | <u>(151.65)</u> | <u>26.74</u> |
| | As per the Scheme of the Arrangement, (more fully described in Note 29), deferred tax liability aggregating to ₹24.72 Million has been transferred on demerger. | | |
| 7 | Long Term Provisions | | |
| | For Employee Benefits | 10.63 | 13.97 |
| | Total | <u>10.63</u> | <u>13.97</u> |
| 8 | Short Term Borrowings | | |
| | Secured | | |
| | From banks | | |
| | Working Capital loan from Bank (Refer note 8.1 and 8.2 below) | 2,213.55 | 1,600.09 |
| | Unsecured | | |
| | Loan from bank | - | 400.00 |
| | Total | <u>2,213.55</u> | <u>2,000.09</u> |

Notes forming part of the Financial Statements Contd.

(All amounts in ₹ Million unless otherwise stated)

| Note | Particulars | As at June 30, 2012 | As at March 31, 2011 |
|------|---|--|--|
| 8.1 | As per the Scheme of the Arrangement, more fully described in Note 29, working capital loan of the company related to the activities/utilisation for the manufacturing undertaking is vested in/transferred to the Wholly Owned Subsidiary Company. The parties to the Scheme of Arrangement are in process of filing for approval with the respective bankers. | | |
| 8.2 | Nature of Security and Interest Working capital loan from banks are 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. The facility carries interest @11% to 13%. | | |
| 9 | Trade Payables Dues to Micro enterprises and small enterprises (Refer note 30) Acceptances (Refer note below) Other Trade Payables | 8.76 1,832.90 3,133.80 | 13.29 1,702.05 2,650.24 |
| | Total | 4,975.46 | 4,365.58 |
| | 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), this is further secured by fixed assets situated at company's works at Vatva, Ahmedabad (Gujarat) and flats situated in Ahmedabad and Mumbai. | | |
| 10 | Other Current Liabilities Current maturities of long term debt Interest accrued but not due on borrowings Advance from Contractee/ Clients Security Deposit Unclaimed Dividend (#) Matured Unclaimed Deposits Other Liabilities i. Accrued salaries and benefits ii. Withholding and other taxes payable iii. Other payables | 69.79 14.57 774.37 14.60 1.20 0.21 29.44 255.72 1.70 | - - 280.69 14.60 0.90 0.26 29.63 315.25 1.23 |
| | Total | 1,161.60 | 642.56 |
| | (#) Do not include any amount, due and outstanding, to be credited to Investor Education and Protection fund | | |
| 11 | Short term Provisions For Employee Benefits For Others Proposed dividend Tax on Dividend Income Tax | 8.29 - - 609.90 | 13.06 57.60 9.34 899.11 |
| | Total | 618.19 | 979.11 |

Notes forming part of the Financial Statements Contd.

12. Fixed Assets

(All amounts in ₹ Million unless otherwise stated)

| Particulars | GROSS BLOCK | | | | | DEPRECIATION/ AMORTISATION | | | | | NET BLOCK | |
|---|---------------------|--------------|-----------------------|--------------------------------------|---------------------|----------------------------|----------------|-----------------------|--------------------------------------|--------------------|---------------------|----------------------|
| | As at April 1, 2011 | Additions | Deletion/ Adjustments | On transfer out through demerger (#) | As at June 30, 2012 | Upto March 31, 2011 | For the period | Deletion/ Adjustments | On transfer out through demerger (#) | Upto June 30, 2012 | As at June 30, 2012 | As at March 31, 2011 |
| A. Tangible Assets | | | | | | | | | | | | |
| Freehold Land | 144.33 | - | - | - | 144.33 | - | - | - | - | - | 144.33 | 144.33 |
| Leasehold Land | 38.60 | - | - | 38.60 | - | 3.71 | - | - | 3.71 | - | - | 34.89 |
| Buildings (including Company owned flats) | 353.40 | - | - | 277.41 | 75.99 | 83.62 | 3.62 | 0.23 | 56.01 | 31.00 | 44.99 | 269.78 |
| Plant and Machinery | 299.94 | 1.63 | - | 262.98 | 38.59 | 113.39 | 1.57 | - | 80.93 | 34.03 | 4.56 | 186.55 |
| Office equipment | 47.45 | 1.06 | - | 3.42 | 45.09 | 39.28 | 3.91 | - | 2.59 | 40.60 | 4.49 | 8.17 |
| Computers | 83.14 | 2.63 | 1.90 | 13.57 | 70.30 | 60.13 | 12.11 | 1.70 | 7.60 | 62.94 | 7.36 | 23.01 |
| Furniture and fixtures | 59.94 | 4.05 | - | 9.01 | 54.98 | 34.40 | 4.53 | - | 3.68 | 35.25 | 19.73 | 25.54 |
| Motor Vehicles | 38.24 | 2.52 | 0.65 | 1.21 | 38.90 | 18.54 | 7.82 | 0.51 | 0.34 | 25.51 | 13.39 | 19.70 |
| Total Tangible Assets | 1,065.04 | 11.89 | 2.55 | 606.20 | 468.18 | 353.07 | 33.56 | 2.44 | 154.86 | 229.33 | 238.85 | 711.97 |
| B. Intangibles Assets | | | | | | | | | | | | |
| Softwares | 34.66 | 3.93 | - | 6.47 | 32.12 | 5.64 | 8.18 | - | 0.85 | 12.97 | 19.15 | 29.02 |
| Goodwill | 6.90 | - | - | - | 6.90 | 6.90 | - | - | - | 6.90 | - | - |
| Technical Knowhow | 9.81 | - | - | - | 9.81 | 9.81 | - | - | - | 9.81 | - | - |
| Total Intangible Assets | 51.37 | 3.93 | - | 6.47 | 48.83 | 22.35 | 8.18 | - | 0.85 | 29.68 | 19.15 | 29.02 |
| Grand Total | 1,116.41 | 15.82 | 2.55 | 612.67 | 517.01 | 375.42 | 41.74 | 2.44 | 155.71 | 259.01 | 258.00 | 740.99 |
| Previous Year Total | (1,077.64) | (83.83) | (45.06) | - | (1,116.41) | (313.89) | (68.78) | (7.25) | - | (375.42) | (740.99) | - |

Notes

- Freehold Land includes land at Nelankarai Village, Saidapet Taluka, Chinglepet District Chennai of the gross value of ₹ 2.81 Million for which the Company has taken legal action for removal of encroachment on certain part of the property.
- Buildings include Company owned residential flats of the Book Value of ₹ 8.85 Million (Previous Year ₹ 8.85 Million) including face value of shares held in Co-operative Housing Societies of ₹ 0.01 Million in respect of which documents lodged with the Registrar of Properties for registration are yet to be received back.
(#)Refer Note 29

| Note | Particulars | | | As at June 30, 2012 | As at March 31, 2011 |
|-----------|---|---------|-------|---------------------|----------------------|
| 13 | Non Current Investments | | | | |
| | Trade Investments (valued at cost unless stated otherwise) | | | | |
| | Unquoted | | | | |
| | Investment in Equity Shares of Subsidiary Companies | | | | |
| | HDO Technologies Limited | 50000 | ₹ 10 | 0.50 | 0.50 |
| | Investment Suspense Account | | | | |
| | HDO Technologies Limited | | | | |
| | {Valued at Fair Value, refer Note 29} | | | 1,300.00 | - |
| | HDO (UK) Limited | 1008000 | GBP 1 | 73.51 | 73.51 |
| | DavyMarkham (India) Private Limited | 10000 | ₹ 10 | 0.10 | 0.10 |
| | HDO Zambia Limited | 50000 | ZMK 1 | 0.05 | - |
| | | | | 1,374.16 | 74.11 |
| | Other Investment | | | | |
| | Quoted | | | | |
| | Equity Shares of ₹ 10 each fully paid up | | | | |
| | Voltas Limited | 500 | ₹ 1 | -\$ | -\$ |
| | Ion Exchange (I) Limited | 50 | ₹ 10 | 0.01 | 0.01 |
| | Gujarat State Petronet Ltd. | 8983 | ₹ 10 | 0.24 | 0.24 |
| | Ahmednagar Forgings Ltd. | 100000 | ₹ 10 | 16.10 | 16.10 |
| | Gitanjali Gems Limited | 884 | ₹ 10 | 0.18 | 0.18 |
| | Less : Provision for diminution in the value of Investments | | | (0.01) | (0.01) |
| | | | | 16.52 | 16.52 |

Notes forming part of the Financial Statements Contd.

(All amounts in ₹ Million unless otherwise stated)

| Note | Particulars | | | As at June 30, 2012 | As at March 31, 2011 |
|-----------|--|-----|------|------------------------|-------------------------|
| 13 | Non Current Investments (Contd.) | | | | |
| | Unquoted | | | | |
| | Western Bio Systems Ltd. | 10 | ₹ 10 | -# | -# |
| | Jord Engineers India Ltd. | 100 | ₹ 10 | -* | -* |
| | Western India Industries | 50 | ₹ 10 | -@ | -@ |
| | Western Paques (I) Limited | 100 | ₹ 10 | 0.01 | 0.01 |
| | Less : Provision for diminution in the value of Investments | | | (0.02) | (0.02) |
| | National Savings Certificates | | | 0.01 | 0.01 |
| | | | | 0.01 | 0.01 |
| | Unquoted (Preference):Others | | | | |
| | Triveni Engineering & Industries Limited | | | 0.01 | 0.01 |
| | Less : Provision for diminution in the value of Investments | | | (0.01) | (0.01) |
| | | | | - | - |
| | | | | 1,390.69 | 90.64 |
| | Aggregate amount of quoted investment and market value thereof: | | | | |
| | Book Value | | | 16.52 | 16.52 |
| | Market Value | | | 15.10 | 14.06 |
| | Aggregate amount of unquoted investments | | | 1,374.17 | 74.12 |
| | Aggregate provision for diminution in value of investment | | | 0.04 | 0.04 |
| | ₹ in full figures - \$ ₹, # ₹100, * ₹3,290, @ ₹2,975 | | | | |
| 14 | Long Term Loans and Advances | | | | |
| | (Unsecured & Considered Good Unless otherwise stated) | | | | |
| | Capital Advances | | | 4.32 | - |
| | Security Deposit | | | 2.13 | 4.50 |
| | Loan and Advances to related party-Wholly Owned Subsidiary | | | 1,232.43 | 462.05 |
| | Total | | | 1,238.88 | 466.55 |
| 15 | Other Non-Current Assets | | | | |
| | (Unsecured, Considered good) | | | | |
| | Retention Money | | | 1,899.29 | 2,165.43 |
| | Total | | | 1,899.29 | 2,165.43 |
| 16 | Inventories | | | | |
| | At Project Sites | | | | |
| | Project Stores | | | 25.80 | 40.18 |
| | At Factory | | | | |
| | Raw Material | | | - | 435.90 |
| | Work-in-Progress | | | - | 335.49 |
| | Stores & Spares | | | - | 35.55 |
| | Tools and Patterns | | | - | 11.46 |
| | {For mode of valuation Refer Note 2 (h)} | | | | |
| | Total | | | 25.80 | 858.58 |

Notes forming part of the Financial Statements Contd.

(All amounts in ₹ Million unless otherwise stated)

| Note | Particulars | As at June 30, 2012 | As at March 31, 2011 |
|-----------|--|------------------------|-------------------------|
| 17 | Trade Receivables | | |
| | (Unsecured, considered good unless otherwise stated) | | |
| | Outstanding for a period exceeding six months from the date they are due for the payment | 736.00 | 601.14 |
| | Other trade receivables | 1,714.49 | 2,332.72 |
| | Total | 2,450.49 | 2,933.86 |
| 18 | Cash and Bank Balances | | |
| | Cash and Cash Equivalents | | |
| | Cash on Hand | 1.56 | 1.11 |
| | Balances With Banks | | |
| | - In Current Accounts | 17.94 | 14.91 |
| | | 19.50 | 16.02 |
| | Other Bank Balances | | |
| | - In Deposit Accounts with maturity more than 3 months and less than 12 months | 8.79 | 8.03 |
| | - In Margin Money Deposits (Lodged with banks against guarantees/letter of credit issued by them) | 8.92 | 9.18 |
| | - In Dividend Account | 1.20 | 0.90 |
| | | 18.91 | 18.11 |
| | Total | 38.41 | 34.13 |
| 19 | Short Term Loans and Advances | | |
| | (Unsecured, Considered Good Unless otherwise stated) | | |
| | Loan and Advances to Related Parties | | |
| | - Subsidiaries | 26.80 | 13.20 |
| | - Directors | 10.26 | - |
| | Advances to Sub-contractors, Suppliers and others | 1,008.41 | 558.71 |
| | Balance with Statutory and Government Authorities | 355.52 | 329.90 |
| | Security Deposits | 58.04 | 54.92 |
| | Prepaid Expenses | 40.33 | 35.76 |
| | Advance Income-Tax and tax deducted at source | 842.20 | 999.35 |
| | Total | 2,341.56 | 1,991.84 |
| 20 | Other Current Assets | | |
| | (Unsecured, Considered Good) | | |
| | Interest accrued other than on Investments | 0.67 | 1.18 |
| | Other Receivables | 132.79 | - |
| | Unbilled Revenue | 1,983.15 | 1,343.21 |
| | Total | 2,116.61 | 1,344.39 |

Notes forming part of the Financial Statements Contd.

(All amounts in ₹ Million unless otherwise stated)

| Note | Particulars | For the Period Ended June 30,2012 | For the Year Ended March 31,2011 |
|-----------|--|---|--|
| 21 | Revenue from Operations | | |
| | Revenue from Operations | 7,187.53 | 9,551.94 |
| | Other Operating Revenue | - | 38.41 |
| | Total | 7,187.53 | 9,590.35 |
| 22 | Other Income | | |
| | Interest Received on deposits with banks | 8.00 | 4.42 |
| | Liabilities/Provisions no longer required written back | 21.14 | - |
| | Dividend received on investment | 0.21 | 0.21 |
| | Rent received | 28.50 | 20.90 |
| | Gain on exchange (Net) | 47.06 | - |
| | Surplus on sale of fixed assets (Net) | - | 99.64 |
| | Other non operating income | 0.61 | 1.95 |
| | Total | 105.52 | 127.12 |
| 23 | Cost of Materials/ Services Consumed | | |
| | Systems, Equipments, Spares and materials | | |
| | Opening Stock | 15.22 | 36.11 |
| | Add : Purchases | 3,410.28 | 4,387.51 |
| | | 3,425.50 | 4,423.62 |
| | Less : Closing Stock | 15.22 | 15.22 |
| | Cost of Systems, Equipments and Spares Consumed | 3,410.28 | 4,408.40 |
| | Services work bills | 3,013.36 | 2,469.28 |
| | Indirect Taxes | 87.76 | 143.54 |
| | Raw Materials and components consumed | | |
| | Opening Stock | - | 293.26 |
| | Add : Purchases | - | 817.76 |
| | | - | 1,111.02 |
| | Less : Closing Stock | - | 435.90 |
| | Cost of Raw Material and components consumed | - | 675.12 |
| | Consumption of Stores, Spares & Patterns | - | 109.75 |
| | Power & Fuel | - | 12.60 |
| | Processing Charges | - | 128.12 |
| | Total | 6,511.40 | 7,946.81 |
| 24 | Changes in Inventories of Work-in-progress | | |
| | Inventories at the beginning of the year | | |
| | Work-in-progress | 360.44 | 147.24 |
| | Less:Pursuant to the scheme of arrangement (Refer Note 29) | 335.48 | - |
| | | 24.96 | 147.24 |
| | Inventories at the end of the year | | |
| | Work-in-progress | 10.58 | 360.44 |
| | | 10.58 | 360.44 |
| | Total | 14.38 | (213.20) |

Notes forming part of the Financial Statements Contd.

(All amounts in ₹ Million unless otherwise stated)

| Note | Particulars | For the Period Ended June 30,2012 | For the Year Ended March 31,2011 |
|-----------|--|---|--|
| 25 | Employee Benefits Expense | | |
| | Employees' Remuneration and Benefits Salaries, Wages and Bonus etc. | 356.79 | 350.05 |
| | Contribution to provident and other funds | 15.25 | 21.69 |
| | Staff welfare expenses | 18.98 | 36.36 |
| | Managerial Remuneration | 14.91 | 41.52 |
| | Employee Compensation expense under ESOP | - | 17.31 |
| | Total | 405.93 | 466.93 |
| 26 | Finance Cost | | |
| | Interest Expenses | 458.64 | 192.98 |
| | Bank and other financial charges | 55.34 | 29.09 |
| | Total | 513.98 | 222.07 |
| 27 | Other Expenses | | |
| | Rent | 16.47 | 11.41 |
| | Rates and taxes | 4.85 | 12.72 |
| | Travelling/Conveyance expenses | 74.34 | 75.76 |
| | Repairs and maintenance - Buildings | 3.02 | 5.84 |
| | Repairs and maintenance - Plant & Machinery | - | 0.25 |
| | Repairs and maintenance - Others | 10.00 | 7.09 |
| | Insurance | 9.21 | 6.10 |
| | Communication Expenses | 11.67 | 10.85 |
| | Sitting and Other Fees | 0.51 | 0.24 |
| | Donations | 1.53 | 1.14 |
| | Wealth Tax | 0.25 | 0.30 |
| | Printing & Stationery | 7.05 | 7.42 |
| | Advertisement and Publicity | 2.89 | 5.53 |
| | Auditors Remuneration | 3.25 | 2.96 |
| | Legal & professional charges | 52.79 | 55.59 |
| | Tender Fees | 1.33 | 1.52 |
| | Bad Debts written off | 9.31 | 57.84 |
| | Loss on Exchange (Net) | - | 21.89 |
| | Loss on sale of fixed assets (Net) | 0.13 | - |
| | Miscellaneous Expenses | 59.85 | 55.58 |
| | Total | 268.45 | 340.03 |

Notes forming part of the Financial Statements Contd.

28. The Board of Directors of the Company vide resolution dated March 27, 2012 have approved extension of financial year 2011-12 of the company by a period of three months i.e. June 30, 2012. Accordingly, the annual accounts of the company for the financial year 2011-12 are prepared for a period of fifteen months from April 01, 2011 to June 30, 2012.

In View of the scheme of arrangement between the Company and the HDO Technologies Limited (refer note 29) and extension of financial year to a period of fifteen months, the figures for the current period are not comparable with those of the previous year.

29. The Scheme of Arrangement ("the scheme") between the Hindustan Dorr-Oliver Limited (The "Company") and HDO Technologies Limited (a wholly owned subsidiary of the Company) and their respective shareholders to transfer manufacturing undertaking of the Company to the wholly owned subsidiary Company has been sanctioned by the Hon'ble High Court of Bombay vide its order dated July 18, 2012 and is effective from April 1, 2011.

Pursuant to the scheme all the properties, assets and liabilities of the Manufacturing Undertaking of the Company have been transferred to and vested with wholly owned subsidiary HDO Technologies Limited with effect from April 1, 2011. The scheme has, accordingly, been given effect in these financials statements as under:

- i. Net assets of ₹1,782.45 Million have been transferred at the values appearing in the books of the Company as at April 1, 2011 and assets and liabilities of manufacturing undertaking have been reduced from the total value of assets and liabilities of the Company. The difference between the value of shares of HDO Technologies Limited and the book value of net assets transferred is debited to the reserves in the order specified in the scheme.
 - ii. The transferee Company were to allot 1,000,000 equity share of ₹10 each which have been recorded at their fair value determined by the Board. Pending allotment as at June 30, 2012, the value of investment has been accounted for in investment (suspense) account.
30. Dues to micro and small enterprises under the Micro, Small and Medium Enterprises Development Act, 2006 (MSMED Act) information relating to Micro and Small Enterprises have been determined based on the information available with the Company. The required details are given below:

(₹ in Million)

| | Particulars | As at June 30, 2012 | As at March 31, 2011 |
|-----|--|------------------------|-------------------------|
| (a) | Principal amount remaining unpaid | 8.76 | 13.29 |
| (b) | Interest due thereon | 0.98 | 1.21 |
| (c) | Interest paid by the Company in terms of Section 16 of MSMED Act, along with the amount of the payment made to the suppliers and service providers beyond the appointed day during the year. | - | - |
| (d) | 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 MSMED Act. | - | - |
| (e) | Interest accrued and remaining unpaid. | 0.98 | 1.21 |
| (f) | 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. | - | - |

31. Contingent liabilities and commitments (to the extent not provided for)

a. Contingent liabilities

(₹ in Million)

| S. No. | Particulars | As at June 30, 2012 | As at March 31, 2011 |
|--------|---|------------------------|-------------------------|
| (a) | Claims against the Company not acknowledged as debt | 34.61 | 14.17 |
| (b) | Guarantees | | |
| | Bank Guarantees/Letters of Credit issued by the bank on behalf of the Company (Net of margin money aggregating to ₹8.92 Million. Previous year ₹9.18 Million) | 5,367.60 | 4,784.11 |
| | Corporate Guarantees | 133.85 | 1,502.09 |
| (c) | Other money for which the Company is contingently liable | | |
| | *Income-tax matters | 23.84 | 20.88 |
| | *Sales-tax / WCT / VAT matters | 81.30 | 80.20 |
| | *Excise/Service Tax matters | - | 5.86 |
| | *Customs duty matters | 0.77 | 0.77 |

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

Notes forming part of the Financial Statements Contd.

b. Commitments

(₹ in Million)

| Particulars | June 30, 2012 | March 31, 2011 |
|--|---------------|----------------|
| Estimated amount of contracts remaining to be executed on capital account and not provided for | - | 80.05 |

32. The Company has equity investments aggregating to ₹73.51 Million and an amount of ₹1,232.43 Million advanced as interest free loans as on June 30, 2012 in HDO (UK) Limited, a wholly owned subsidiary. The said subsidiary and its wholly owned subsidiary, DavyMarkham Limited, (UK) during the period ended June 30, 2012, suffered losses which have 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, 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.

33. The balances in Trade Receivables, 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.

34. 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.

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

(₹ in Million)

| Particulars | June 30, 2012 | March 31, 2011 |
|--|---------------|----------------|
| Cost of systems, equipments, components, spares and services | 277.25 | 405.43 |
| Capital Expenditure (Import of machineries) | - | 49.14 |
| Total | 277.25 | 454.57 |

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

(₹ in Million)

| Particulars | June 30, 2012 | March 31, 2011 |
|----------------|---------------|----------------|
| Foreign Travel | 2.41 | 2.43 |
| Others | 9.31 | 4.84 |
| Total | 11.72 | 7.27 |

37. Earnings in foreign exchange

(₹ in Million)

| Particulars | June 30, 2012 | March 31, 2011 |
|--|---------------|----------------|
| Sale of Equipment (including components and spares) on FOB basis | 13.64 | 13.10 |
| Freight and insurance recoveries | 0.02 | 0.42 |
| Earning in the form of advances | 1.21 | - |
| Total | 14.87 | 13.52 |

38. a. Value of systems, equipment and spares consumed

(₹ in Million)

| Particulars | June 30, 2012 | | March 31, 2011 | |
|--------------|---------------|-----------------|----------------|-----------------|
| | % | (₹ in Million) | % | (₹ in Million) |
| Imported | 9.24 | 315.09 | 7.36 | 324.39 |
| Indigenous | 90.76 | 3,095.19 | 92.64 | 4,084.01 |
| Total | 100.00 | 3,410.28 | 100.00 | 4,408.40 |

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.

b. Value of raw material and components consumed

(₹ in Million)

| Particulars | June 30, 2012 | | March 31, 2011 | |
|--------------|---------------|----------------|----------------|----------------|
| | % | (₹ in Million) | % | (₹ in Million) |
| Imported | - | - | 13.52 | 91.26 |
| Indigenous | - | - | 86.48 | 583.86 |
| Total | - | - | 100.00 | 675.12 |

Notes forming part of the Financial Statements Contd.

39. 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).

39.1. 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)

Davy Markham India Private Limited

HDO Zambia Limited¹

Note:

1 Subsidiary Incorporated during the period

C. Fellow Subsidiaries

| Sl. No. | Name of the Company | Sl. No. | Name of the Company |
|---------|--|---------|--|
| 1 | IVR Hotels and Resorts Limited | 40 | Gajuwaka Developers Private Limited |
| 2 | First STP Private Limited | 41 | IVR Prime Developers (Amalapuram) Private Limited |
| 3 | Salem Tollways Limited | 42 | IVR Prime Developers (Araku) Private Limited |
| 4 | IVR Prime Developers (Annanagar) Private Limited | 43 | IVR Prime Developers (Erode) Private Limited |
| 5 | Jalandhar Amritsar Tollways Limited | 44 | IVR Prime Developers (Guntur) Private Limited |
| 6 | Kumarapalayam Tollways Limited | 45 | IVR Prime Developers (Kakinada) Private Limited |
| 7 | SPB Developers Private Limited | 46 | IVR Prime Developers (Pudukkottai) Private Limited |
| 8 | IVRCL Indore Gujarat Tollways Limited | 47 | IVR Vaanaprastha Private Limited |
| 9 | IVRCL Chengapalli Tollways Limited | 48 | IVR PUDL Resorts & Clubs Private Limited |
| 10 | IVRCL Goa Tollways Limited | 49 | Simhachalam Prime Developers Private Limited |
| 11 | IVRCL Chandrapur Tollways Limited | 50 | Siripuram Developers Private Limited |
| 12 | IVRCL Multi-level Car Parking Private Limited | 51 | IVRCL Megamalls Limited |
| 13 | IVRCL Raipur-Bilaspur Tollways Limited | 52 | Tirumani Developers Private Limited |
| 14 | IVRCL Narnaul Bhiwani Tollways Limited | 53 | Annupampattu Developers Private Limited |
| 15 | IVRCL Gundugolanu-Rajahmundry Tollways Limited | 54 | Samatteri Developers Private Limited |
| 16 | IVRCL Patiala Bathinda Tollways Limited | 55 | Agaram Developers Private Limited |
| 17 | IVRCL Lanka (Private) Limited - Foreign Company | 56 | Ilavampedu Developers Private Limited |
| 18 | IVRCL Building Products Limited | 57 | Mummidi Developers Private Limited |
| 19 | Alkor Petroo Limited | 58 | IVR Prime Developers (Perambadur) Private Limited |
| 20 | IVRCL PSC Pipes Limited | 59 | IVR Prime Developers (Adayar) Private Limited |
| 21 | IVR Enviro Projects Private Limited | 60 | IVR Prime Developers (Ananthapuram) Private Limited |
| 22 | RIHIM Developers Private Limited | 61 | IVR Prime Developers (Retiral Homes) Private Limited |
| 23 | IVRCL TLT Private Limited | 62 | IVR Prime Developers (Egmore) Private Limited |
| 24 | IVRCL Steel Construction & Services Limited | 63 | IVR Prime Developers (Ashram) Private Limited |
| 25 | IVRCL Cadagua Hogenakkal Water Treatment Company Private limited | 64 | Absorption Aircon Engineer Private Limited |

Notes forming part of the Financial Statements Contd.

| Sl. No. | Name of the Company | Sl. No. | Name of the Company |
|---------|---|---------|--|
| 26 | IVRCL Patalaganga Truck Terminals Private Limited | 65 | IVR Prime Developers (Anakapalle) Private Limited |
| 27 | IVRCL International FZE | 66 | IVR Prime Developers (Bhimavaram) Private Limited |
| 28 | Duvvda Developers Private Limited | 67 | IVR Prime Developers (Bobbili) Private Limited |
| 29 | Eluru Developers Private Limited | 68 | IVR Prime Developers (Rajahmundry) Private Limited |
| 30 | Geo Prime Developers Private Limited | 69 | IVR Prime Developers (Rajampeta) Private Limited |
| 31 | Kasibugga Developers Private Limited | 70 | IVR Prime Developers (Red Hills) Private Limited |
| 32 | Rudravaram Developers Private Limited | 71 | IVR Prime Developers (Tanuku) Private Limited |
| 33 | Theata Developers Private Limited | 72 | IVR Prime Developers (Tuni) Private Limited |
| 34 | Vedurwada Developers Private Limited | 73 | IVR Prime Developers (Mylapore) Private Limited |
| 35 | Vijayawada Developers Private Limited | 74 | IVR Prime Developers (Thandiarpet) Private Limited |
| 36 | Kunnam Developers Private Limited | 75 | IVR Prime Developers (Kodambakkam) Private Limited |
| 37 | Geo IVRCL Engineering Limited | 76 | IVR Prime Developers (Arumbakkam) Private Limited |
| 38 | Bibinagar Developers Private Limited | 77 | IVR Prime Developers (Gummidipoondi) Private Limited |
| 39 | Chodavaram Developers Private Limited | | |

D. Joint Ventures

Name of the Company

Sai Sudhir HDO (JV)

E. 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

F. Key Managerial Personnel and their relatives

Name of the Key Personnel

Relationship

Mr. E Sudhir Reddy

Vice Chairman

Mr. E Sunil Reddy

Managing Director (till June 11, 2012)

Mr. S C Sekaran

Executive Director

Mr. R Balrami Reddy

Director

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

Relative of Managing Director

Relative of the Director

Notes forming part of the Financial Statements Contd.

39.2 Followings are the transactions with the related parties

(₹ in Million)

| Particulars | Year | Holding Company | Subsidiary | Company under common control | Key Management Personnel | Total |
|--|---------|-----------------|------------|------------------------------|--------------------------|----------|
| Income/Expense | | | | | | |
| Sales (Net of Indirect Taxes) | 2011-12 | 217.20 | - | - | - | 217.20 |
| | 2010-11 | 152.77 | - | - | - | 152.77 |
| Purchases/Services | 2011-12 | 690.78 | 479.88 | 237.87 | - | 1,408.53 |
| | 2010-11 | 504.38 | 162.14 | 212.49 | - | 879.01 |
| Dividend Paid | 2011-12 | 31.84 | - | - | - | 31.84 |
| | 2010-11 | 31.84 | - | - | - | 31.84 |
| Payment made by the Company for | | | | | | |
| Expenses | 2011-12 | 1.11 | 79.80 | - | - | 80.91 |
| | 2010-11 | 2.29 | 18.12 | - | - | 20.41 |
| Payment made by the Holding Company for | | | | | | |
| Expenses | 2011-12 | 32.90 | - | - | - | 32.90 |
| | 2010-11 | 0.34 | - | - | - | 0.34 |
| Rent Paid | 2011-12 | 2.39 | - | 3.24 | - | 5.63 |
| | 2010-11 | 1.90 | - | 2.58 | - | 4.48 |
| Investment | 2011-12 | - | 1,300.05 | - | - | 1,300.05 |
| | 2010-11 | - | 73.03 | - | - | 73.03 |
| Finance | | | | | | |
| Loans/ Advances Given | 2011-12 | - | 878.28 | 81.57 | 10.26 | 970.11 |
| | 2010-11 | - | 455.28 | - | - | 455.28 |
| Loans/ Advances Taken | 2011-12 | - | 186.00 | 81.54 | - | 267.54 |
| | 2010-11 | - | - | - | - | - |
| Remuneration | 2011-12 | - | - | - | 14.91 | 14.91 |
| | 2010-11 | - | - | - | 41.52 | 41.52 |
| Balances with related parties | | | | | | |
| Loans/Advances Recoverable | 2011-12 | - | 1,259.23 | 0.03 | - | 1,259.26 |
| | 2010-11 | 85.44 | 475.24 | - | - | 560.68 |
| Creditors | 2011-12 | - | 322.84 | 86.80 | - | 409.64 |
| | 2010-11 | 247.35 | - | 50.61 | - | 297.96 |
| Trade Receivables | 2011-12 | 16.02 | - | - | - | 16.02 |
| | 2010-11 | - | - | - | - | - |

Notes forming part of the Financial Statements Contd.

39.3 Disclosure of Material Transactions with Related Parties

(₹ in Million)

| Particulars | June 30, 2012 | March 31, 2011 |
|---|---------------|----------------|
| Sales (Net of Indirect Taxes) | | |
| IVRCL Limited | 217.20 | 152.77 |
| Purchases/Services | | |
| IVRCL Limited | 690.78 | 504.38 |
| HDO Technologies Limited | 479.88 | 162.14 |
| Palladium Infrastructures & Projects Limited | 237.87 | 212.49 |
| Dividend Paid | | |
| IVRCL Limited | 31.84 | 31.84 |
| Payment made by the Company – Expenses | | |
| HDO Technologies Limited | 79.80 | 18.12 |
| IVRCL Limited | 1.11 | 2.29 |
| Payment made by the Holding Company – Expenses | | |
| IVRCL Limited | 32.90 | 0.34 |
| Investment made by the Company | | |
| HDO Technologies Limited | 1300.00 | - |
| HDO Zambia Limited | 0.05 | - |
| HDO (UK) Limited | - | 73.03 |
| Loans/Advances given by the Company | | |
| HDO (UK) Limited | 622.47 | 455.28 |
| HDO Zambia Limited | 23.48 | - |
| HDO Technologies Limited | 232.33 | - |
| Sudasha Infra & Trade Private Limited | 81.54 | - |
| Indus Palm Hotels and Resorts Private Limited | 0.03 | - |
| Recovery from Directors | 10.26 | - |
| Loans/Advances received by the Company | | |
| HDO Technologies Limited | 186.00 | - |
| Sudasha Infra & Trade Private Limited | 81.54 | - |
| Rent Paid | | |
| IVRCL Limited | 2.39 | 1.90 |
| A P Enercon Engineers Private Limited | 2.49 | 1.98 |
| Indus Palm Hotels and Resorts Private Limited | 0.75 | 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.**

| Name of the Company | Relationship | Amount as on June 30, 2012 | Maximum outstanding |
|---------------------|--------------|----------------------------|---------------------|
| HDO (UK) Limited | Subsidiary | 1,232.43 | 1,241.50 |
| HDO Zambia Limited | Subsidiary | 26.80 | 23.48 |

Notes forming part of the Financial Statements Contd.

40. Segment Reporting

Primary Segment – Business

The Company is primarily engaged in the business of 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.

41. Derivative Instruments

The period/ year end foreign currency exposures are given below: (₹ in Million)

| Particulars | June 30, 2012 | | March 31, 2011 | |
|------------------|---------------|---------|----------------|---|
| | USD | ₹ | USD | ₹ |
| Secured Loan | 20.00 | 1116.60 | - | - |
| Interest Payable | 0.26 | 14.57 | | |

Particulars of derivative instruments outstanding

(₹ in Million)

| Particulars | Purpose | June 30,2012 | March 31,2011 |
|---------------|--|---------------------|---------------|
| Interest Swap | Hedge against exposure to variable interest outflow on foreign currency loan. Swap to receive variable rate of interest of 3 Months USD LIBOR and pay a fixed rate of equal to 6.5% P.A. on the notional amount. (As per agreement rate was 3 months USD LIBOR +300 bps) | USD 20.00 (Million) | - |

42. 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:

(₹ in Million)

| Particulars | June 30, 2012 | March 31, 2011 |
|--|---------------|----------------|
| Contract Revenue recognised as revenue | | |
| During the year – (paragraph 38a) | 6,363.81 | 8,472.67 |
| Contract costs incurred and recognized | | |
| Profits, less losses – (paragraph 39a) | 6,614.15 | 7,289.44 |
| Advances received, net of recoveries | | |
| From progressive bills – (paragraph 39b) | 696.42 | 538.16 |
| Gross amount due from customers for | | |
| Contract works – (paragraph 41a) | 2,917.51 | 3,019.54 |
| Gross amounts due to customers for | | |
| Contract works – (paragraph 41b) | - | - |
| Retention amount due from customers for | | |
| Contract works – (paragraph 40c) | 1,681.71 | 2,073.06 |

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

Notes forming part of the Financial Statements Contd.

43. Employee Benefit:

Funded status of the Gratuity Plan and disclosures pursuant to AS-15 are setout below: (₹ in Million)

| Particulars | June 30, 2012 | March 31, 2011 |
|---|---------------|----------------|
| Change in Benefit Obligation | | |
| Liability at the beginning of the year | 43.48 | 39.48 |
| Adjustment pursuant to Scheme of Arrangement (Note 29) | (18.59) | - |
| Interest Cost | 2.61 | 3.20 |
| Current Service Cost | 4.51 | 4.02 |
| Benefit Paid | (1.87) | (2.68) |
| Actuarial (gain)/loss on obligations | (5.67) | (0.54) |
| Liability at the end of the year | 24.47 | 43.48 |
| Fair value of Planned Assets | | |
| Fair value of planned assets at the beginning of the year | 28.19 | 23.87 |
| Adjustment pursuant to Scheme of Arrangement (Note 29) | (13.76) | - |
| Expected return on planned assets | 1.79 | 1.94 |
| Contributions | - | 5.86 |
| Benefit paid | (1.87) | (2.68) |
| Actuarial gain/(loss) on planned assets | 3.95 | (0.80) |
| Fair value of planned assets at the end of the year | 18.30 | 28.19 |
| Total Actuarial gain/(loss) to be recognized | (9.62) | (0.26) |
| Actual return on planned assets | | |
| Expected return on planned assets | 1.79 | 1.94 |
| Actuarial gain/(loss) on planned assets | 3.95 | (0.80) |
| Actual return on planned assets | 5.74 | 1.14 |
| Amount recognized in the Balance Sheet | | |
| Liability at the end of the year | (24.47) | 43.49 |
| Fair value of planned assets at the end of the year | 18.29 | 28.19 |
| Experience Adjustment/ Non-Management Fund | - | 5.12 |
| Amount recognized in the Balance Sheet | (6.19) | 10.18 |
| Expenses recognized in the Income Statement | | |
| Current service cost | 4.51 | 4.02 |
| Interest cost | 2.61 | 3.20 |
| Expected return on planned assets | (1.79) | (1.94) |
| Net Actuarial (gain)/loss to be recognized | (9.61) | 0.26 |
| Expense recognized in the Statement of Profit and Loss | (4.28) | 5.54 |
| Balance Sheet Reconciliation | | |
| Opening Net Liability | 10.18 | 15.61 |
| Adjustment pursuant to Scheme of Arrangement (Note 29) | (0.29) | - |
| Expense as above | (4.28) | 5.54 |
| Employers Contribution | - | (5.86) |
| Experience Adjustment/ Non-Management Fund | - | (5.12) |
| Amount Recognised in the Balance Sheet | 6.19 | 10.18 |
| Assumptions | | |
| Discount rate | 8.75% | 8.25% |
| Rate of return on planned assets | 5.50% | 8.25% |

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

FOR AND ON BEHALF OF THE BOARD

S. C. SEKARAN
Executive Director

R. BALARAMIREDDY
Director

Hyderabad
August 29, 2012

A. S. PARDHA SARADHI
Company Secretary

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 June 30, 2012 and also the Consolidated Statement of Profit and Loss 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 ₹ 1,066.23 Million as at June 30, 2012, total revenue of ₹ 1,771.95 Million and net cash outflows of ₹ 292.65 Million for the financial year ended on June 30, 2012 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 34 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-21, "Consolidated Financial Statements" Accounting Standard-23, "Accounting for investments in Associates in Consolidated Financial Statements" and Accounting Standard -27, " Financials Reporting of Interest in Joint Ventures" as 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, subject to our comments in paragraphs 3 and 4 above, the impact of which is presently not ascertainable, 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 June 30, 2012;
 - (ii) in the case of the Consolidated Statement of Profit and Loss, of the loss of the Group for the period 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 period ended on that date.

For CHATURVEDI & PARTNERS

Chartered Accountants

Firm Registration Number: 307068E

R N CHATURVEDI

Partner

Membership No. 092087

Hyderabad
August 29, 2012

CONSOLIDATED BALANCE SHEET AS AT JUNE 30, 2012

(All amounts in ₹ Million unless otherwise stated)

| Particulars | Note No. | As at June 30, 2012 | As at March 31, 2011 |
|---|----------|------------------------|-------------------------|
| I EQUITY AND LIABILITIES | | | |
| 1 Shareholders' Funds | | | |
| (a) Share Capital | 3 | 144.01 | 144.01 |
| (b) Reserves and Surplus | 4 | 2,251.82 | 2,428.79 |
| 2 Non-Current Liabilities | | | |
| (a) Long-term borrowings | 5 | 1,046.81 | - |
| (b) Deferred tax liabilities (net) | 6 | - | 33.49 |
| (c) Long-term provisions | 7 | 16.81 | 16.90 |
| 3 Current Liabilities | | | |
| (a) Short-term borrowings | 8 | 3,315.35 | 2,756.76 |
| (b) Trade payables | 9 | 6,167.62 | 3,870.62 |
| (c) Other current liabilities | 10 | 1,600.06 | 1,491.71 |
| (d) Short-term provisions | 11 | 634.64 | 994.17 |
| Total | | 15,177.12 | 11,736.45 |
| II. ASSETS | | | |
| 1 Non-Current Assets | | | |
| (a) Fixed assets | 12 | | |
| (i) Tangible assets | | 1,705.12 | 803.20 |
| (ii) Intangible assets | | 42.98 | 53.06 |
| (iii) Capital work in progress | | 63.92 | 97.20 |
| (b) Goodwill on Consolidation | | 1,815.35 | 555.30 |
| (c) Non-current investments | 13 | 16.53 | 16.53 |
| (d) Deferred tax assets (net) | 6 | 198.13 | - |
| (e) Long-term loans and advances | 14 | 22.03 | 22.15 |
| (f) Other non-current assets | 15 | 1,899.29 | 2,165.43 |
| 2 Current Assets | | | |
| (a) Inventories | 16 | 951.35 | 873.08 |
| (b) Trade receivables | 17 | 3,686.27 | 3,338.65 |
| (c) Cash and bank balances | 18 | 148.22 | 434.99 |
| (d) Short-term loans and advances | 19 | 2,575.96 | 2,032.47 |
| (e) Other current assets | 20 | 2,051.97 | 1,344.39 |
| Total | | 15,177.12 | 11,736.45 |
| Significant Accounting Policies and Notes on the Financials Statements | 1 to 41 | | |

As per our report of even date.

For CHATURVEDI & PARTNERS

Chartered Accountants

Firm Registration Number: 307068E

FOR AND ON BEHALF OF THE BOARD

R N CHATURVEDI

Partner

Membership No. 092087

Hyderabad,

August 29, 2012

S.C. SEKARAN
Executive Director

R. BALARAMI REDDY
Director

A.S. PARDHA SARADHI
Company Secretary

STATEMENT OF CONSOLIDATED PROFIT AND LOSS FOR THE PERIOD FROM APRIL 01, 2011 TO JUNE 30, 2012

(All amounts in ₹ Million unless otherwise stated)

| Particulars | Note No. | For the Period Ended June 30, 2012 | For the Year Ended March 31, 2011 |
|--|----------|--|---|
| I Revenue from Operations (Gross) | 21 | 10,384.61 | 10,831.29 |
| Less : Excise Duty/Service Tax Recovered | | 167.51 | 109.08 |
| Revenue from Operation (Net) | | 10,217.10 | 10,722.21 |
| II Other Income | 22 | 110.50 | 165.88 |
| III Total Revenue(I + II) | | 10,327.60 | 10,888.09 |
| IV Expenses | | | |
| Cost of material/ services consumed | 23 | 9,550.20 | 9,024.76 |
| Changes in inventories of finished goods and work-in-progress | 24 | (355.07) | (194.69) |
| Employee benefits expense | 25 | 778.88 | 614.14 |
| Finance costs | 26 | 689.20 | 277.33 |
| Depreciation and amortization expenses | 12 | 181.10 | 97.81 |
| Other expenses | 27 | 505.89 | 430.46 |
| Total Expenses | | 11,350.20 | 10,249.80 |
| V Profit/(Loss) before Tax(III-IV) | | (1,022.60) | 638.29 |
| VI Tax Expense | | | |
| Current Tax [in respect of earlier year- ₹3.20 Million and Previous Year - (₹0.06 Million)] | | (3.20) | 240.88 |
| Deferred Tax | | (231.62) | 8.66 |
| VII Profit/(Loss) for the period (V-VI) | | (787.78) | 388.75 |
| VIII Earning per equity share: | | | |
| Basic | | (10.94) | 5.40 |
| Diluted | | (10.94) | 5.36 |
| Significant Accounting Policies and Notes on Financials Statements | 1 to 41 | | |

As per our report of even date.

For CHATURVEDI & PARTNERS

Chartered Accountants

Firm Registration Number: 307068E

R N CHATURVEDI

Partner

Membership No. 092087

Hyderabad,

August 29, 2012

FOR AND ON BEHALF OF THE BOARD

S.C. SEKARAN

Executive Director

R. BALARAMI REDDY

Director

A.S. PARDHA SARADHI

Company Secretary

CONSOLIDATED CASH FLOW STATEMENT FOR THE PERIOD APRIL 01, 2011 TO JUNE 30, 2012

(All amounts in ₹ Million unless otherwise stated)

| Particulars | For the Period Ended June 30, 2012 | For the Year Ended March 31, 2011 |
|--|--|---|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Net Profit/(Net Loss) for the period/year before Taxation | (1,022.60) | 638.29 |
| Adjustments for | | |
| Depreciation and amortisation | 181.10 | 97.81 |
| (Profit)/loss on Sale of Fixed Assets | 0.15 | (99.64) |
| Liabilities/Provisions no longer required written back | (22.11) | - |
| Employee Compensation expense under ESOP | - | 17.31 |
| Interest & Finance Charges | 689.20 | 277.33 |
| Interest Income | (8.00) | (4.42) |
| Dividend Income | (0.21) | (0.21) |
| Bad debts written Off | 9.31 | 57.84 |
| (Gain)/Loss on Exchange (Net) | <u>(42.32)</u> | <u>9.00</u> |
| Operating profit before working capital changes | (215.48) | 993.31 |
| Foreign Currency Translation Reserve | (195.80) | (3.29) |
| (Increase)/Decrease in Inventories | (238.79) | (347.02) |
| (Increase)/Decrease in Trade Receivables | (917.27) | (1,460.50) |
| (Increase)/Decrease in Loans and Advances | (1,543.05) | (565.49) |
| Increase/(Decrease) in Current Liabilities | <u>2,392.77</u> | <u>1,267.83</u> |
| Cash generated from operations | (717.62) | (115.16) |
| Taxes Paid | (118.31) | (317.57) |
| Net cash generated by operations | (835.93) | (432.73) |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Purchase of Fixed Assets | (218.22) | (168.76) |
| Movement in Goodwill | - | (37.77) |
| Sale of Fixed Assets | 0.21 | 101.17 |
| Dividend received | 0.21 | 0.21 |
| Interest Received | 8.51 | 3.99 |
| Net cash used in investing activities | (209.29) | (101.16) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Proceeds from borrowings | 1,499.79 | 1,206.25 |
| Dividend Paid | (57.36) | (57.40) |
| Corporate Dividend Tax | (9.35) | (9.57) |
| Interest and finance charges paid | (674.63) | (277.33) |
| Net cash provided by financing activities | 758.45 | 861.95 |
| NET (DECREASE)/ INCREASE IN CASH AND CASH EQUIVALENTS DURING THE YEAR | (286.77) | 328.06 |
| Cash and cash equivalents at the beginning of the year | 434.99 | 106.93 |
| Cash and cash equivalents at the end of the year | 148.22 | 434.99 |

Notes

CONSOLIDATED CASH FLOW STATEMENT FOR THE PERIOD APRIL 01, 2011 TO JUNE 30, 2012

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 confirm to current year classification.
4. Cash & Cash Equivalents include:

(₹ in Million)

| | Period Ended June 30, 2012 | Year Ended March 31, 2011 |
|-------------------------------|---------------------------------------|--------------------------------------|
| Cash Balance on hand | 2.23 | 1.13 |
| Balances with Scheduled Banks | | |
| - In Current Accounts | 127.08 | 415.75 |
| - In Fixed Deposits | 8.79 | 8.03 |
| - In Margin Money Accounts | 8.92 | 9.18 |
| - In Dividend Account | 1.20 | 0.90 |
| | <u>148.22</u> | <u>434.99</u> |

As per our report of even date.

For CHATURVEDI & PARTNERS

Chartered Accountants

Firm Registration Number: 307068E

R N CHATURVEDI

Partner

Membership No. 092087

Hyderabad,

August 29, 2012

FOR AND ON BEHALF OF THE BOARD

S.C. SEKARAN

Executive Director

R. BALARAMI REDDY

Director

A.S. PARDHA SARADHI

Company Secretary

NOTES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

1. COMPANY OVERVIEW

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 Limited, (UK) 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.

2. SIGNIFICANT ACCOUNTING POLICIES

a) Method of Accounting

The financial statements are based on historical cost convention on an accrual basis (except for revaluation of certain Fixed Assets), in accordance with Generally Accepted Accounting Principles (GAAP) and in compliance with the accounting standards notified in the Companies (Accounting Standards) Rules, 2006 and relevant Provisions of the Companies Act, 1956. The Company follows mercantile system of accounting and recognizes income and expenditure on accrual basis.

Pursuant to the amendment to the Schedule VI to the Act, effective 1 April 2011 the Company has adopted revised schedule VI for preparation and presentation of the financial statements and have reclassified previous year figures to conform to this year's presentation and classification. Except accounting for dividend on investment in subsidiaries, the adoption of revised Schedule VI does not impact recognition and measurement principles followed for preparation of financial statements. However, it significantly impacts presentation and disclosures made in the financial statements.

All assets and liabilities have been classified as current or non-current as per the Company's normal operating cycle and other criteria set out in the revised schedule VI to the Act, based on the nature of work and the time between the acquisition of assets for processing and their realization in cash and cash equivalents.

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.

Although these estimates are based upon management's best knowledge of current events and actions, actual results could differ from these estimates. Any revision to accounting estimates is recognized prospectively in the current and future periods.

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) Impairment

The carrying values of assets / cash generating units at each Balance Sheet date are reviewed for impairment of assets. If any indication of such impairment exists, the recoverable amount of such assets is estimated and impairment is recognized if the carrying amount of these assets exceeds their recoverable amount. The recoverable amount is greater of the asset's net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value at the weighted average cost of capital. After impairment, depreciation is provided on the revised carrying amount of the asset over its remaining useful life.

e) 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.

NOTES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

f) 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% |

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.

g) 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 recognised as an expense in the year in which they are incurred.

h) 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.

i) Revenue Recognition:

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 is 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 work 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.

Service Contracts

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

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

NOTES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

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.

j) Foreign Currency Transactions

- a. The reporting currency of the Company is Indian Rupee.
- b. Foreign currency transactions are recorded on initial recognition in the reporting currency, using the exchange rate at the date of the transaction. At each balance sheet date, foreign currency monetary items are reported using the closing rate.
- c. Exchange differences that arise on settlement of monetary items or on reporting of monetary items at each balance sheet date at the closing date are recognized as income or expense in the period in which they arise.

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 the 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) 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.

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.

NOTES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

3 Share Capital (All amounts in ₹ Million unless otherwise stated)

| Particulars | As At June 30, 2012 | | As At March 31, 2011 | |
|---|---------------------|--------|----------------------|--------|
| | Number | Amount | Number | Amount |
| Authorised : Equity Shares of ₹2 each | 100,000,000 | 200.00 | 100,000,000 | 200.00 |
| Issued, subscribed and paid-up : Equity Shares of ₹2 each | 72,005,808 | 144.01 | 72,005,808 | 144.01 |

3.1 Reconciliation of the number of Shares outstanding at the beginning and at the end of the reporting period:

| | As At June 30, 2012 | | As At March 31, 2011 | |
|---|---------------------|--------|----------------------|--------|
| | Number | Amount | Number | Amount |
| Number of Equity Shares at the beginning and end of the period/year | 72,005,808 | 144.01 | 72,005,808 | 144.01 |

3.2 Rights, preferences and restrictions attached to equity shares :

The Company has only one class of Equity Shares having a par value of ₹2 per share. Each holder of equity shares is entitled to one vote per share. In the event of liquidation of the Company, the holders of equity shares will be entitled to receive remaining assets of the Company, after distribution of all preferential amounts. The distribution will be in proportion to the number of equity shares held by the shareholders.

3.3 Equity shares held by Holding Company:

| | As At June 30, 2012 | | As At March 31, 2011 | |
|---|---------------------|--------|----------------------|--------|
| | Number | Amount | Number | Amount |
| Equity shares are held by IVRCL Limited | 39,804,430 | 79.61 | 39,804,430 | 79.61 |

3.4 The shareholder holding more than 5% Shares in the company:

| | As At June 30, 2012 | | As At March 31, 2011 | |
|------------------------------------|---------------------|----------------|----------------------|----------------|
| | Number | % Shareholding | Number | % Shareholding |
| IVRCL Limited, the Holding Company | 39,804,430 | 55.28% | 39,804,430 | 55.28% |

3.5 Aggregate number of equity shares allotted as fully-paid up by way of bonus shares:

| | As At June 30, 2012 | | As At March 31, 2011 | |
|---|---------------------|------------|----------------------|------------|
| | Year | Number | Year | Number |
| Equity shares were issued as fully paid bonus shares by capitalisation of General Reserve | 2006-07 | 6,000,484 | 2006-07 | 6,000,484 |
| | 2009-10 | 36,002,904 | 2009-10 | 36,002,904 |
| | | 42,003,388 | | 42,003,388 |

NOTES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

(All amounts in ₹ Million unless otherwise stated)

3.6 Shares reserved for issue under employee stock option scheme:

| Particulars | As at June 30, 2012 | | As at March 31, 2011 | |
|---|---------------------|--|----------------------|--|
| | Number | Weighted Average Exercise Price Per Stock Option | Number | Weighted Average Exercise Price Per Stock Option |
| Employees Stock Options Granted and outstanding at beginning of the year. | 504,000 | 41.51 | 496,000 | 41.51 |
| Granted during the period/year | - | - | 504,000 | 41.51 |
| Exercised during the period/year | - | - | - | - |
| Lapsed during the period/year | - | - | 496,000 | 41.51 |
| Option withdrawn during the period/year | 504,000 | 41.51 | - | - |
| Employees Stock Options outstanding at end of the year. | - | - | 504,000 | 41.51 |

Under ESOP 2005 Scheme, the members had approved 1,000,000 options of face value ₹2 each to the permanent employees of the Company. 504,000 options were outstanding at the beginning of the year which have lapsed during the period.

| Note | Particulars | As At June 30, 2012 | As At March 31, 2011 |
|----------|---|---------------------|----------------------|
| 4 | Reserves & Surplus | | |
| | Revaluation Reserve | | |
| | Balance at the beginning of the year | 170.90 | 207.72 |
| | Less: Transfer to Statement of Profit and Loss | - | 0.54 |
| | Less: Deduction on sale of revalued assets | - | 36.28 |
| | Less: Pursuant to the scheme of arrangement (Refer Note 29) | 170.90 | - |
| | | - | 170.90 |
| | Securities Premium Account | | |
| | Balance at the beginning of the year | 537.61 | 537.61 |
| | Less: Pursuant to the scheme of arrangement (Refer Note 29) | 315.27 | - |
| | | 222.34 | 537.61 |
| | General Reserve | | |
| | Balance at the beginning of the year | 972.49 | 772.49 |
| | Add: Transferred from Statement of Profit and Loss | - | 200.00 |
| | | 972.49 | 972.49 |
| | Employee stock options outstanding (Refer Note 3.6) | - | 20.92 |
| | Capital Reserve | 1,296.98 | - |
| | Foreign Exchange Translation Reserve | (182.37) | (3.29) |
| | Surplus/ (deficit) in the Statement of Profit and Loss | | |
| | Balance at the beginning of the year | 730.16 | 608.36 |
| | Add/(Less): Profit/ (Loss) for the period/year | (787.78) | 388.75 |
| | Less: Appropriations | | |
| | Proposed Dividend | - | 57.60 |
| | Tax on Dividend | - | 9.35 |
| | Transferred to General Reserve | - | 200.00 |
| | Closing balance | (57.62) | 730.16 |
| | Total | 2,251.82 | 2,428.79 |

NOTES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS Contd.

(All amounts in ₹ Million unless otherwise stated)

| Note | Particulars | As At June 30, 2012 | As At March 31, 2011 |
|------------|---|------------------------|-------------------------|
| 5 | Long Term Borrowings | | |
| | Secured | | |
| | From banks | 1,046.81 | - |
| | Total | <u>1,046.81</u> | <u>-</u> |
| 5.1 | Nature of Security | | |
| | Borrowings of ₹ 1,046.81 Million (External commercial borrowings of US \$ 20 Million) is secured by first charge over the land and building situated at Mumbai (the Company's Corporate office) along with other assets of the Company with current value not less than 1.25x of the facility amount. Borrowing is further secured by first charge over the existing fixed assets and current assets of Davy Markham Limited UK {a wholly owned subsidiary of HDO UK Limited (a wholly owned foreign subsidiary of the Company)} | | |
| 5.2 | Terms of Repayment | | |
| | Repayable in 16 equal quarterly installments with the first installment due on April 17, 2013 (i.e. at the end of 15th month from the date of disbursement) and ending on January 17, 2017. USD 3 months LIBOR as prevailing at the start of every interest period plus margin (300 bps pa) payable in arrears at the end of every interest period net of withholding tax or deductions, if any. | | |
| 6 | Deferred Tax Liabilities (Assets) | | |
| | Deferred Tax Liabilities on account of | | |
| | Depreciation | 47.96 | 43.14 |
| | Deferred Tax Assets on account of | | |
| | Employee benefits | (11.84) | (9.65) |
| | Business loss/ Unabsorbed Depreciation | (234.04) | - |
| | Others | (0.21) | - |
| | Total | <u>(198.13)</u> | <u>33.49</u> |
| 7 | Long Term Provisions | | |
| | For Employee Benefits | 16.81 | 16.90 |
| | Total | <u>16.81</u> | <u>16.90</u> |
| 8 | Short Term Borrowings | | |
| | Secured | | |
| | From banks | | |
| | Working Capital loan from Bank (Refer note 8.1 and 8.2 below) | 3,315.35 | 1,600.09 |
| | Unsecured | | |
| | Loan from bank | - | 1,156.67 |
| | Total | <u>3,315.35</u> | <u>2,756.76</u> |

NOTES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS Contd.

(All amounts in ₹ Million unless otherwise stated)

| Note | Particulars | As At June 30, 2012 | As At March 31, 2011 |
|------|---|---|--|
| 8.1 | As per the Scheme of the Arrangement, more fully described in Note 29. Cash credit facility available with the Company has been transferred to its Wholly Owned Subsidiary Company based upon its utilization for the manufacturing undertaking. In order to obtain the separate cash credit facility from the bankers, the parties to the Scheme of Arrangement are in process of filing for approval with the respective bankers. | | |
| 8.2 | Nature of Security and Interest Working capital loan from banks are 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. The facility carries interest @11% to 13%. | | |
| 9 | Trade Payables Dues to Micro enterprises and small enterprises (Refer note 32) Acceptances (Refer note below) Other Trade Payables | 17.98 2,324.38 3,825.26 | 13.29 1,702.05 2,155.28 |
| | Total | 6,167.62 | 3,870.62 |
| | 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), this is further secured by fixed assets situated at company's works at Vatva, Ahmedabad (Gujarat) and flats situated in Ahmedabad and Mumbai. | | |
| 10 | Other Current Liabilities Current maturities of long term debt Interest accrued but not due on borrowings Advance from Contractee/ Client Security Deposit Unclaimed Dividend (#) Matured Unclaimed Deposits Other Liabilities i. Accrued salaries and benefits ii. Withholding and other taxes payable iii. Accrued operating expenses iv. Other payables | 69.79 14.57 1,131.84 14.60 1.20 0.21 49.33 265.51 51.31 1.70 | - - 280.69 14.60 0.90 0.26 30.76 323.43 839.69 1.38 |
| | | 1,600.06 | 1,491.71 |
| | (#) Do not include any amount, due and outstanding, to be credited to Investor Education and Protection fund | | |
| 11 | Short Term Provisions For Employee Benefits For Others Proposed dividend Tax on Dividend Income Tax | 14.42 - - 620.22 | 13.26 57.60 9.35 913.96 |
| | Total | 634.64 | 994.17 |

NOTES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS Contd.

12. Fixed Assets

(All amounts in ₹ Million unless otherwise stated)

| Particulars | GROSS BLOCK | | | | | DEPRECIATION/ AMORTISATION | | | | | NET BLOCK | | | |
|---|---------------------|--------------------------------------|---------------|-----------------------------|-----------------------|----------------------------|---------------------|--------------------------------------|-----------------|-----------------------------|-----------------------|--------------------|---------------------|----------------------|
| | As at April 1, 2011 | On transfer out through demerger (#) | Additions | Foreign Currency Adjustment | Deletion/ Adjustments | As at June 30, 2012 | Upto March 31, 2011 | On transfer out through demerger (#) | For the period* | Foreign Currency Adjustment | Deletion/ Adjustments | Upto June 30, 2012 | As at June 30, 2012 | As at March 31, 2011 |
| A. Tangible Assets | | | | | | | | | | | | | | |
| Freehold Land | 144.33 | - | - | - | - | 144.33 | - | - | - | - | - | - | 144.33 | 144.33 |
| Leasehold Land | 38.60 | 771.40 | 0.53 | - | - | 810.53 | 3.71 | 3.71 | 15.75 | - | - | 15.75 | 794.78 | 34.89 |
| Buildings (including Company owned flats) | 354.55 | - | 95.54 | 0.26 | - | 450.35 | 83.77 | - | 15.14 | 0.04 | - | 98.95 | 351.40 | 270.78 |
| Plant and Machinery | 432.88 | - | 125.02 | 29.98 | - | 587.88 | 167.78 | - | 57.84 | 14.33 | - | 239.95 | 347.93 | 265.10 |
| Office equipment | 53.12 | - | 1.49 | - | - | 54.61 | 42.93 | - | 4.84 | - | - | 47.77 | 6.84 | 10.19 |
| Computers | 98.85 | - | 3.51 | 0.37 | 1.90 | 100.83 | 69.24 | - | 18.04 | 0.32 | 1.70 | 85.90 | 14.93 | 29.61 |
| Furniture and fixtures | 63.16 | - | 7.16 | 1.33 | - | 71.65 | 35.01 | - | 7.40 | 0.89 | - | 43.30 | 28.35 | 28.14 |
| Motor Vehicles | 39.14 | - | 5.34 | - | 0.69 | 43.79 | 18.98 | - | 8.78 | - | 0.53 | 27.23 | 16.56 | 20.16 |
| Total Tangible Assets | 1,224.63 | 771.40 | 238.59 | 31.94 | 2.59 | 2,263.97 | 421.42 | 3.71 | 127.79 | 15.58 | 2.23 | 558.85 | 1,705.12 | 803.20 |
| B. Intangibles Assets | | | | | | | | | | | | | | |
| Softwares | 81.66 | - | 12.90 | - | - | 94.56 | 28.60 | - | 22.98 | - | - | 51.58 | 42.98 | 53.06 |
| Goodwill | 6.90 | - | - | - | - | 6.90 | 6.90 | - | - | - | - | 6.90 | - | - |
| Technical Knowhow | 9.81 | - | - | - | - | 9.81 | 9.81 | - | - | - | - | 9.81 | - | - |
| Total Intangible Assets | 98.37 | - | 12.90 | - | - | 111.27 | 45.31 | - | 22.98 | - | - | 68.29 | 42.98 | 53.06 |
| Grand Total | 1,323.00 | 771.40 | 251.49 | 31.94 | 2.59 | 2,375.24 | 466.73 | 3.71 | 150.77 | 15.58 | 2.23 | 627.14 | 1,748.10 | 856.26 |
| Previous Year Total | (1,273.88) | - | (94.18) | - | (45.06) | (1,323.00) | (375.64) | - | (98.35) | - | (7.25) | (466.74) | (856.26) | - |

Notes

- Freehold Land includes land at Nelankarai Village, Saidapet Taluka, Chinglepet District Chennai of the gross value of ₹ 2.81 Million for which the Company has taken legal action for removal of encroachment on certain part of the property.
- Buildings include Company owned residential flats of the Book Value of ₹ 8.85 Million (Previous Year ₹ 8.85 Million) including face value of shares held in Co-operative Housing Societies of ₹ 0.01 Million in respect of which documents lodged with the Registrar of Properties for registration are yet to be received back.
- Addition to leasehold Land include, ₹ 771.40 Million on account of fair valuation of land acquired on demerger.

* Depreciation for the period is excluding amortisation of goodwill of ₹ 30.33 Million (Previous Year Nil).

(#) Refer note 29

| Note | Particulars | | | As At June 30, 2012 | As At March 31, 2011 |
|-----------|---|--------|------|---------------------|----------------------|
| 13 | Non Current Investments | | | | |
| | Trade Investments (valued at cost unless stated otherwise) | | | | |
| | Other investment - Quoted: | | | | |
| | Equity Shares of ₹ 10 each fully paid up | | | | |
| | Voltas Limited | 500 | ₹ 1 | ₹ - | ₹ - |
| | Ion Exchange (I) Limited | 50 | ₹ 10 | ₹ 0.01 | ₹ 0.01 |
| | Gujarat State Petronet Ltd. | 8983 | ₹ 10 | ₹ 0.24 | ₹ 0.24 |
| | Ahmednagar Forgings Ltd. | 100000 | ₹ 10 | ₹ 16.10 | ₹ 16.10 |
| | Gitanjali Gems Limited | 884 | ₹ 10 | ₹ 0.18 | ₹ 0.18 |
| | Less : Provision for diminution in the value of Investments | | | (₹ 0.01) | (₹ 0.01) |
| | | | | ₹ 16.52 | ₹ 16.52 |
| | Unquoted (Equity):Others | | | | |
| | Western Bio Systems Ltd. | 10 | ₹ 10 | ₹ - | ₹ - |
| | Jord Engineers India Ltd. | 100 | ₹ 10 | ₹ - | ₹ - |
| | Western India Industries | 50 | ₹ 10 | ₹ - | ₹ - |
| | Western Paques (I) Limited | 100 | ₹ 10 | ₹ 0.01 | ₹ 0.01 |
| | Less : Provision for diminution in the value of Investments | | | (₹ 0.01) | (₹ 0.01) |
| | National Savings Certificates | | | ₹ 0.01 | ₹ 0.01 |
| | | | | ₹ 0.01 | ₹ 0.01 |

NOTES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS Contd.

(All amounts in ₹ Million unless otherwise stated)

| Note | Particulars | As At June 30, 2012 | As At March 31, 2011 |
|-----------|---|------------------------|-------------------------|
| 13 | Non Current Investments (Contd.) | | |
| | Unquoted (Preference):Others | | |
| | Triveni Engineering & Industries Limited | 0.01 | 0.01 |
| | Less : Provision for diminution in the value of Investments | (0.01) | (0.01) |
| | | - | - |
| | | 16.53 | 16.53 |
| | Aggregate amount of quoted investment and market value thereof: | | |
| | Book Value | 16.52 | 16.52 |
| | Market Value | 15.10 | 14.06 |
| | Aggregate amount of unquoted investments | 0.01 | 0.01 |
| | Aggregate provision for diminution in value of investment | 0.03 | 0.03 |
| | ₹ in full figures - \$ ₹3,325, # ₹100, * ₹3,290, @ ₹2,975. | | |
| 14 | Long Term Loans and Advances | | |
| | (Unsecured, Considered Good Unless otherwise stated) | | |
| | Capital Advances | 4.97 | - |
| | Security Deposit | 17.06 | 22.15 |
| | Total | 22.03 | 22.15 |
| 15 | Other Non-Current Assets | | |
| | (Unsecured, Considered good) | | |
| | Retention Money | 1,899.29 | 2,165.43 |
| | | 1,899.29 | 2,165.43 |
| 16 | Inventories | | |
| | At Project Sites | | |
| | Store and Spares | 25.80 | 40.18 |
| | At Factory | | |
| | Raw Material | 325.18 | 435.90 |
| | Work-in-Progress | 558.92 | 349.99 |
| | Stores & Spares | 31.79 | 35.55 |
| | Tools and Patterns | 9.66 | 11.46 |
| | {For mode of valuation Refer Note 2 (h)} | | |
| | Total | 951.35 | 873.08 |
| 17 | Trade Receivables | | |
| | (Unsecured, Considered Good Unless otherwise stated) | | |
| | Outstanding for a period exceeding six months from the date they were due for the payment | 1,164.47 | 609.23 |
| | Other trade receivables | 2,521.80 | 2,729.42 |
| | Total | 3,686.27 | 3,338.65 |

NOTES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS Contd.

(All amounts in ₹ Million unless otherwise stated)

| Note | Particulars | As At June 30, 2012 | As At March 31, 2011 |
|-----------|--|------------------------|-------------------------|
| 18 | Cash and Bank Balances | | |
| | Cash and Cash Equivalents | | |
| | Cash on Hand | 2.23 | 1.13 |
| | Balances With Banks | | |
| | - In Current Accounts | 127.08 | 415.75 |
| | | <u>129.31</u> | <u>416.88</u> |
| | Other Bank Balances | | |
| | - In Deposit Accounts with maturity more than 3 months and less than 12 months | 8.79 | 8.03 |
| | - In Margin Money Deposits | 8.92 | 9.18 |
| | (Lodged with banks against guarantees/letter of credit issued by them) | | |
| | - In Dividend Account | 1.20 | 0.90 |
| | | <u>18.91</u> | <u>18.11</u> |
| | Total | <u>148.22</u> | <u>434.99</u> |
| 19 | Short Term Loans and Advances | | |
| | (Unsecured, Considered Good Unless otherwise stated) | | |
| | Loan and Advances to Related Parties | | |
| | - Directors | 10.26 | - |
| | Advances to Sub-contractors, Suppliers and others | 1,183.59 | 560.60 |
| | Balance with Statutory and Government Authorities | 369.12 | 330.10 |
| | Security Deposits | 62.73 | 54.83 |
| | Prepaid Expenses | 71.31 | 35.76 |
| | Advance Income-Tax and tax deducted at source | 878.95 | 1,051.18 |
| | Total | <u>2,575.96</u> | <u>2,032.47</u> |
| 20 | Other Current Assets | | |
| | (Unsecured, Considered Good Unless otherwise stated) | | |
| | Interest accrued other than on Investments | 0.67 | 1.18 |
| | Unbilled Revenue | 2,051.30 | 1,343.21 |
| | | <u>2,051.97</u> | <u>1,344.39</u> |

NOTES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS Contd.

(All amounts in ₹ Million unless otherwise stated)

| Note | Particulars | For the Period Ended June 30,2012 | For the Year Ended March 31,2011 |
|-----------|--|---|--|
| 21 | Revenue from Operations | | |
| | Sale of Systems, Equipments, Services and Spares | 8,981.42 | 10,831.29 |
| | Sale of product | 1,348.03 | - |
| | Other Operating Revenue | 55.16 | - |
| | Total | 10,384.61 | 10,831.29 |
| 22 | Other Income | | |
| | Interest Received on deposits with banks | 8.00 | 4.42 |
| | Liabilities/Provisions no longer required written back | 22.11 | - |
| | Dividend received on investment | 0.21 | 0.21 |
| | Rent received | 28.50 | 20.90 |
| | Gain on exchange (net) | 47.06 | - |
| | Gain on sale of fixed assets (Net) | - | 99.64 |
| | Other non-operating Income | 4.62 | 40.71 |
| | Total | 110.50 | 165.88 |
| 23 | Cost of Materials/ Services Consumed | | |
| | Systems, Equipments, Spares and materials | | |
| | Opening Stock | 15.22 | 36.11 |
| | Add : Purchases | 3,097.49 | 5,465.46 |
| | | 3,112.71 | 5,501.57 |
| | Less : Closing Stock | 15.22 | 15.22 |
| | Cost of Systems, Equipments and Spares Consumed | 3,097.49 | 5,486.35 |
| | Services work bills | 2,861.86 | 2,469.28 |
| | Indirect Taxes | 87.76 | 143.54 |
| | Raw Materials and Components Consumed | | |
| | Opening Stock | 435.90 | 293.26 |
| | Add : Purchases | 2,999.88 | 817.76 |
| | | 3,435.78 | 1,111.02 |
| | Less : Closing Stock | 325.18 | 435.90 |
| | Cost of Raw Material and Components Consumed | 3,110.60 | 675.12 |
| | Consumption of Stores, Spares & Patterns | 162.46 | 109.75 |
| | Power & Fuel | 20.19 | 12.60 |
| | Processing Charges | 209.84 | 128.12 |
| | Total | 9,550.20 | 9,024.76 |
| 24 | Changes in Inventories of Work-in-progress | | |
| | Inventories at the beginning of the year | | |
| | Work-in-progress* | 214.43 | 180.26 |
| | | 214.43 | 180.26 |
| | Inventories at the end of the year | | |
| | Work-in-progress | 569.50 | 374.95 |
| | | 569.50 | 374.95 |
| | Total | (355.07) | (194.69) |

NOTES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS Contd.

* Refer Note 29

(All amounts in ₹ Million unless otherwise stated)

| Note | Particulars | For the Period Ended June 30,2012 | For the Year Ended March 31,2011 |
|-----------|---|---|--|
| 25 | Employee Benefits Expense | | |
| | Employees' Remuneration and Benefits | | |
| | Salaries, Wages and Bonus etc. | 681.81 | 490.70 |
| | Contribution to provident and other funds | 31.67 | 25.73 |
| | Staff welfare expenses | 50.49 | 38.87 |
| | Managerial Remuneration | 14.91 | 41.52 |
| | Employee Compensation expense under ESOP | - | 17.31 |
| | Total | 778.88 | 614.13 |
| 26 | Finance Cost | | |
| | Interest Expenses | 608.53 | 248.19 |
| | Other borrowing Costs | 80.67 | 29.14 |
| | Total | 689.20 | 277.33 |
| 27 | Other Expenses | | |
| | Rent | 87.84 | 82.86 |
| | Rates and taxes | 16.41 | 12.74 |
| | Travelling/Conveyance expenses | 88.19 | 80.32 |
| | Repairs and maintenance - Buildings | 5.87 | 6.01 |
| | Repairs and maintenance - Plant & Machinery | 0.01 | 0.25 |
| | Repairs and maintenance - Others | 16.04 | 9.21 |
| | Insurance | 10.43 | 6.13 |
| | Communication Expenses | 13.12 | 11.22 |
| | Sitting and Other Fees | 0.51 | 0.24 |
| | Donations | 1.53 | 1.14 |
| | Wealth Tax | 0.25 | 0.30 |
| | Printing & Stationery | 8.67 | 7.75 |
| | Advertisement and Publicity | 2.90 | 5.53 |
| | Auditors Remuneration | 3.74 | 3.06 |
| | Legal & professional charges | 66.04 | 64.60 |
| | Tender Fees | 1.42 | 1.52 |
| | Bad Debts written off | 9.31 | 57.84 |
| | Loss on Exchange (Net) | 1.50 | 21.89 |
| | Loss on sale of fixed assets (Net) | 0.15 | - |
| | Miscellaneous Expenses | 171.96 | 57.85 |
| | Total | 505.89 | 430.46 |

NOTES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS Contd.

28. The Board of Directors of the Company vide resolution dated March 27, 2012 have approved extension of financial year 2011-12 of the company by a period of three months i.e. June 30, 2012. Accordingly, the annual accounts of the company for the financial year 2011-12 are prepared for a period of fifteen months from April 01, 2011 to June 30, 2012.

In View of the scheme of arrangement between the Company and the HDO Technologies Limited (refer note 29) and extension of financial year to a period of fifteen months, the figures for the current period are not comparable with those of the previous year.

29. The Scheme of Arrangement (“the scheme”) between the Hindustan Dorr-Oliver Limited (The “Company”) and HDO Technologies Limited (a wholly owned subsidiary of the Company) and their respective shareholders to transfer manufacturing undertaking of the Company to the wholly owned subsidiary Company has been sanctioned by the Hon’ble High Court of Bombay vide its order dated July 18, 2012 and is effective from April 1, 2011.

Pursuant to the scheme all the properties, assets and liabilities of the Manufacturing Undertaking of the Company have been transferred to and vested with wholly owned subsidiary HDO Technologies Limited with effect from April 1, 2011. The scheme has, accordingly, been given effect in these financials statements as under:

- i. Net assets of ₹ 1,782.45 Million have been transferred at the values appearing in the books of the Company as at April 1, 2011 and assets and liabilities of manufacturing undertaking have been reduced from the total value of assets and liabilities of the Company. The difference between the value of shares of HDO Technologies Limited and the book value of net assets transferred is debited to the reserves in the order specified in the scheme.
- ii. The transferee Company were to allot 1,000,000 equity share of ₹ 10 each which have been recorded at their fair value determined by the Board.

30. CRITERIA FOR PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS

- i. 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.
- ii. 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.

31. PRINCIPLES OF CONSOLIDATION

1. The consolidated Financial Statements have been prepared on the following basis:
 - i) 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.
 - ii) 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.
 - iii) 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.

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 become subsidiary |
|------|---|--------------------------|------------------------------|---------------------------------|
| 1 | HDO Technologies Limited | India | 100% | July 20, 2006 |
| 2 | HDO (UK) Limited | United Kingdom | 100% | February 28, 2010 |
| 3 | DavyMarkham Limited (Subsidiary of HDO (UK) Limited) | United Kingdom | 100% | February 28, 2010 |
| 4 | DavyMarkham (India) Private limited | India | 100% | May 26, 2010 |
| 5 | HDO Zambia Limited | Zambia | 100% | July 07, 2011 |

NOTES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS Contd.

32. Dues to micro and small enterprises under the Micro, Small and Medium Enterprises Development Act, 2006 (MSMED Act) information relating to Micro and Small Enterprises have been determined based on the information available with the Company. The required details are given below:

(₹ in Million)

| Particulars | As at June 30, 2012 | As at March 31, 2011 |
|--|------------------------|-------------------------|
| (a) Principal amount remaining unpaid | 17.98 | 13.29 |
| (b) Interest due thereon | 1.56 | 1.21 |
| (c) Interest paid by the Company in terms of Section 16 of MSMED Act, along with the amount of the payment made to the suppliers and service providers beyond the appointed day during the year. | - | - |
| (d) 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 MSMED Act. | - | - |
| (e) Interest accrued and remaining unpaid. | 1.56 | 1.21 |
| (f) 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. | - | - |

33. **Contingent liabilities and commitments (to the extent not provided for)**

a. Contingent liabilities

(₹ in Million)

| S. No. | Particulars | As at June 30, 2012 | As at March 31, 2011 |
|--------|--|------------------------|-------------------------|
| I | Claims against the Company not acknowledged as debt | 35.29 | 14.17 |
| II | Guarantees | | |
| | Bank Guarantees/Letters of Credit issued by the bank on behalf of the Company (Net of margin money aggregating to ₹8.92 Million Previous year ₹9.18 Million) | 5,848.89 | 4,784.11 |
| | Corporate Guarantees | 133.85 | 1,502.09 |
| III | Other money for which the Company is contingently liable | | |
| | *Income-tax matters | 23.84 | 20.88 |
| | *Sales-tax / WCT / VAT matters | 81.30 | 80.20 |
| | *Excise/Service Tax matters | 5.86 | 5.86 |
| | *Labour Cess | 0.62 | - |
| | *Customs duty matters | 0.77 | 0.77 |

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

b. Commitments

(₹ in Million)

| Particulars | As at June 30, 2012 | As at March 31, 2011 |
|---|------------------------|-------------------------|
| Estimated amount of contracts remaining to be executed on capital account and not provided for. | 6.43 | 80.05 |

34. The Subsidiary Company, HDO (UK) Limited, and its wholly owned subsidiary, DavyMarkham Limited (UK), 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 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.

NOTES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS Contd.

35. The balances in Trade Receivables, 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.
36. 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.
37. 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).

37.1 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)

DavyMarkham (India) Private Limited

HDO Zambia Limited

C. Fellow Subsidiaries

| Sl. No. | Name of the Company | Sl. No. | Name of the Company |
|---------|--|---------|--|
| 1 | IVR Hotels and Resorts Limited | 40 | Gajuwaka Developers Private Limited |
| 2 | First STP Private Limited | 41 | IVR Prime Developers (Amalapuram) Private Limited |
| 3 | Salem Tollways Limited | 42 | IVR Prime Developers (Araku) Private Limited |
| 4 | IVR Prime Developers (Annanagar) Private Limited | 43 | IVR Prime Developers (Erode) Private Limited |
| 5 | Jalandhar Amritsar Tollways Limited | 44 | IVR Prime Developers (Guntur) Private Limited |
| 6 | Kumarapalayam Tollways Limited | 45 | IVR Prime Developers (Kakinada) Private Limited |
| 7 | SPB Developers Private Limited | 46 | IVR Prime Developers (Pudukkottai) Private Limited |
| 8 | IVRCL Indore Gujarat Tollways Limited | 47 | IVR Vaanaprastha Private Limited |
| 9 | IVRCL Chengapalli Tollways Limited | 48 | IVR PUDL Resorts & Clubs Private Limited |
| 10 | IVRCL Goa Tollways Limited | 49 | Simhachalam Prime Developers Private Limited |
| 11 | IVRCL Chandrapur Tollways Limited | 50 | Siripuram Developers Private Limited |
| 12 | IVRCL Multi-level Car Parking Private Limited | 51 | IVRCL Megamalls Limited |
| 13 | IVRCL Raipur-Bilaspur Tollways Limited | 52 | Tirumani Developers Private Limited |
| 14 | IVRCL Narnaul Bhiwani Tollways Limited | 53 | Annupampattu Developers Private Limited |
| 15 | IVRCL Gundugolanu-Rajahmundry Tollways Limited | 54 | Samatteri Developers Private Limited |
| 16 | IVRCL Patiala Bathinda Tollways Limited | 55 | Agaram Developers Private Limited |
| 17 | IVRCL Lanka (Private) Limited - Foreign Company | 56 | Ilavampedu Developers Private Limited |
| 18 | IVRCL Building Products Limited | 57 | Mummidi Developers Private Limited |
| 19 | Alkor Petroo Limited | 58 | IVR Prime Developers (Perambadur) Private Limited |
| 20 | IVRCL PSC Pipes Limited | 59 | IVR Prime Developers (Adayar) Private Limited |
| 21 | IVR Enviro Projects Private Limited | 60 | IVR Prime Developers (Ananthapuram) Private Limited |
| 22 | RIHIM Developers Private Limited | 61 | IVR Prime Developers (Retiral Homes) Private Limited |
| 23 | IVRCL TLT Private Limited | 62 | IVR Prime Developers (Egmore) Private Limited |
| 24 | IVRCL Steel Construction & Services Limited | 63 | IVR Prime Developers (Ashram) Private Limited |
| 25 | IVRCL Cadagua Hogenakkal Water Treatment Company Private limited | 64 | Absorption Aircon Engineer Private Limited |

NOTES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS Contd.

| Sl. No. | Name of the Company | Sl. No. | Name of the Company |
|---------|---|---------|--|
| 26 | IVRCL Patalaganga Truck Terminals Private Limited | 65 | IVR Prime Developers (Anakapalle) Private Limited |
| 27 | IVRCL International FZE | 66 | IVR Prime Developers (Bhimavaram) Private Limited |
| 28 | Duvvda Developers Private Limited | 67 | IVR Prime Developers (Bobbili) Private Limited |
| 29 | Eluru Developers Private Limited | 68 | IVR Prime Developers (Rajahmundry) Private Limited |
| 30 | Geo Prime Developers Private Limited | 69 | IVR Prime Developers (Rajampeta) Private Limited |
| 31 | Kasibugga Developers Private Limited | 70 | IVR Prime Developers (Red Hills) Private Limited |
| 32 | Rudravaram Developers Private Limited | 71 | IVR Prime Developers (Tanuku) Private Limited |
| 33 | Theata Developers Private Limited | 72 | IVR Prime Developers (Tuni) Private Limited |
| 34 | Vedurwada Developers Private Limited | 73 | IVR Prime Developers (Mylapore) Private Limited |
| 35 | Vijayawada Developers Private Limited | 74 | IVR Prime Developers (Thandiarpet) Private Limited |
| 36 | Kunnam Developers Private Limited | 75 | IVR Prime Developers (Kodambakkam) Private Limited |
| 37 | Geo IVRCL Engineering Limited | 76 | IVR Prime Developers (Arumbakkam) Private Limited |
| 38 | Bibinagar Developers Private Limited | 77 | IVR Prime Developers (Gummidipoondi) Private Limited |
| 39 | Chodavaram Developers Private Limited | | |

D. Joint Ventures

Name of the Company

Sai Sudhir HDO

E. 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

F. Key Managerial Personnel and their relatives

Name of the Key Personnel

Relationship

Mr. E Sudhir Reddy

Vice Chairman

Mr. E Sunil Reddy

Managing Director (till June 11, 2012)

Mr. S C Sekaran

Executive Director

Mr. R Balrami Reddy

Director

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

Relative of Managing Director

Relative of the Director

NOTES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS Contd.

37.2 Followings are the transactions with the related parties:

(₹ in Million)

| Particulars | Year | Holding Company | Company under common control | Key Management Personnel | Total |
|--|---------|-----------------|------------------------------|--------------------------|--------|
| Income/Expense | | | | | |
| Sales (Net of Indirect Taxes) | 2011-12 | 217.20 | - | - | 217.20 |
| | 2010-11 | 152.77 | - | - | 152.77 |
| Purchases/Services | 2011-12 | 690.78 | 237.87 | - | 928.65 |
| | 2010-11 | 504.38 | 212.49 | - | 716.87 |
| Dividend Paid | 2011-12 | 31.84 | - | - | 31.84 |
| | 2010-11 | 31.84 | - | - | 31.84 |
| Payment made by the Company for | | | | | |
| Expenses | 2011-12 | 1.11 | - | - | 1.11 |
| | 2010-11 | 2.29 | - | - | 2.29 |
| Payment made by the Holding Company for | | | | | |
| Expenses | 2011-12 | 32.90 | - | - | 32.90 |
| | 2010-11 | 0.34 | - | - | 0.34 |
| Rent Paid | 2011-12 | 2.39 | 3.24 | - | 5.63 |
| | 2010-11 | 1.90 | 2.58 | - | 4.48 |
| Finance | | | | | |
| Loans/ Advances Given | 2011-12 | - | 81.57 | 10.26 | 91.83 |
| | 2010-11 | - | - | - | - |
| Loans/ Advances Taken | 2011-12 | - | 81.54 | - | 81.54 |
| | 2010-11 | - | - | - | - |
| Remuneration | 2011-12 | - | - | 14.91 | 14.91 |
| | 2010-11 | - | - | 41.52 | 41.52 |
| Balances with related parties | | | | | |
| Loans/Advances Recoverable | 2011-12 | - | 0.25 | - | 0.25 |
| | 2010-11 | 85.44 | - | - | 85.44 |
| Creditors | 2011-12 | - | 86.80 | - | 86.80 |
| | 2010-11 | 247.35 | 50.61 | - | 297.96 |
| Trade Receivables | 2011-12 | 16.02 | - | - | 16.02 |
| | 2010-11 | - | - | - | - |

NOTES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS Contd.

37.3 Disclosure of Material Transactions with Related Parties

(₹ in Million)

| Particulars | June 30, 2012 | March 31, 2011 |
|---|---------------|----------------|
| Sales (Net of Indirect Taxes) | | |
| IVRCL Limited | 217.20 | 152.77 |
| Purchases/Services | | |
| IVRCL Limited | 690.78 | 504.38 |
| Palladium Infrastructures & Projects Limited | 237.87 | 212.49 |
| Dividend Paid | | |
| IVRCL Limited | 31.84 | 31.84 |
| Payment made by the Company – Expenses | | |
| IVRCL Limited | 1.11 | 2.29 |
| Payment made by the Holding Company – Expenses | | |
| IVRCL Limited | 32.90 | 0.34 |
| Loans/Advances given by the Company | | |
| Sudesh Infra & Trade Private Limited | 81.54 | - |
| Indus Palm Hotels and Resorts Private Limited | 0.03 | - |
| Recovery from Directors | 10.26 | - |
| HDO (UK) Limited | - | 455.28 |
| Loans/Advances received by the Company | | |
| Sudesh Infra & Trade Private Limited | 81.54 | - |
| Rent Paid | | |
| IVRCL Limited | 2.39 | 1.90 |
| A P Enercon Engineers Private Limited | 2.49 | 1.98 |
| Indus Palm Hotels and Resorts Private Limited | 0.75 | 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.

38. Segment Reporting

As per Accounting Standard on Segment Reporting (AS 17), "Segment Reporting", segment information is being reported on consolidation basis including business conducted through its subsidiaries.

Accordingly, the Company has identified two reportable segments viz. Engineering, Procurement & Construction (EPC) and Manufacturing & Others. Segments have been identified and have been reported taking into account nature of product and services.

Primary Information Segment

(₹ in Million)

| Particulars | EPC | Manufacturing and Others | Total |
|--------------------------------|-----------|--------------------------|-----------|
| External Sales | 7,187.53 | 3,438.68 | 10,626.21 |
| Other Allocable Segment Income | - | 55.16 | 55.16 |
| Inter-Segment Sales | - | (464.28) | (464.28) |
| Total Revenue | 7,187.53 | 3,029.57 | 10,217.10 |
| Segment Results | 661.75 | 360.22 | 1,021.97 |
| Other Expenses | 716.12 | 749.75 | 1,465.87 |
| Operating Profit/ (Loss) | (54.37) | (389.53) | (443.90) |
| Interest Expenses | 513.98 | 175.22 | 689.20 |
| Interest Income | 8.00 | - | 8.00 |
| Other Income | 97.51 | 5.00 | 102.51 |
| Income Tax | (159.51) | (75.31) | (234.82) |
| Net Profit | (303.32) | (484.46) | (787.78) |
| Segment Assets | 11,911.39 | 3,265.73 | 15,177.12 |
| Segment Liabilities | 10,026.24 | 2,755.05 | 12,781.29 |
| Depreciation | 41.74 | 139.36 | 181.10 |
| Capital Expenditure | 15.82 | 235.67 | 251.49 |

NOTES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS Contd.

39. Derivative Instruments

The period/ year end foreign currency exposures are given below

(₹ in Million)

| Particulars | June 30, 2012 | | March 31, 2011 | |
|------------------|---------------|---------|----------------|---|
| | USD | ₹ | USD | ₹ |
| Secured Loan | 20.00 | 1116.60 | - | - |
| Interest Payable | 0.26 | 14.57 | - | - |

Particulars of derivative instruments outstanding

(₹ in Million)

| Particulars | Purpose | June 30, 2012 | March 31, 2011 |
|---------------|---|---------------------|----------------|
| Interest Swap | Hedge against exposure to variable interest outflow on foreign currency loan. Swap to receive variable rate of interest of 3 Months USD LIBOR and pay a fixed rate of equal to 6.5% P.A. on the notional amount. (As per agreement rate was 3 months USD LIBOR +300 bps) | USD 20.00 (Million) | - |

40. Employee Benefit:

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

(₹ in Million)

| Particulars | June 30, 2012 | March 31, 2011 |
|---|---------------|----------------|
| Change in Benefit Obligation | | |
| Liability at the beginning of the year | 44.89 | 40.85 |
| Interest Cost | 4.76 | 3.39 |
| Current Service Cost | 6.98 | 5.03 |
| Benefit Paid | (3.85) | (2.68) |
| Actuarial (gain)/loss on obligations | (6.23) | (1.70) |
| Liability at the end of the year | 46.55 | 44.89 |
| Fair value of Planned Assets | | |
| Fair value of planned assets at the beginning of the year | 28.20 | 23.87 |
| Expected return on planned assets | 1.79 | 1.94 |
| Contributions | 3.48 | 5.86 |
| Benefit paid | (3.85) | (2.68) |
| Actuarial gain/(loss) on planned assets | 3.95 | (0.80) |
| Fair value of planned assets at the end of the year | 33.57 | 28.20 |
| Total Actuarial gain/(loss) to be recognized | (10.18) | 0.91 |
| Actual return on planned assets | | |
| Expected return on planned assets | 1.79 | 1.94 |
| Actuarial gain/(loss) on planned assets | 3.39 | (0.80) |
| Actual return on planned assets | 5.18 | 1.15 |
| Amount recognized in the Balance Sheet | | |
| Liability at the end of the year | (46.55) | 44.89 |
| Fair value of planned assets at the end of the year | 33.57 | 28.19 |
| Experience Adjustment/ Non-Management Fund | - | 5.12 |
| Amount recognized in the Balance Sheet | (12.98) | 11.58 |

NOTES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS Contd.

(₹ in Million)

| Particulars | June 30, 2012 | March 31, 2011 |
|--|---------------|----------------|
| Expenses recognized in the Income Statement | | |
| Current service cost | 6.98 | 5.03 |
| Interest cost | 4.76 | 3.39 |
| Expected return on planned assets | (1.79) | (1.94) |
| Net Actuarial (gain)/loss to be recognized | (10.18) | (0.91) |
| Expense recognized in the Profit and Loss Account | (0.23) | 5.57 |
| Balance Sheet Reconciliation | | |
| Opening Net Liability | 16.69 | 16.98 |
| Expense as above | (0.23) | 5.57 |
| Employers Contribution | (3.48) | (5.86) |
| Experience Adjustment/ Non-Management Fund | - | (5.12) |
| Amount Recognised in the Balance Sheet | 12.98 | 11.57 |
| Assumptions | | |
| Discount Rate | 8.75% | 8.25% |
| Salary Escalation | 5.50% | 8.25% |

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

FOR AND ON BEHALF OF THE BOARD

S. C. SEKARAN
Executive Director

R. BALARAMI REDDY
Director

Hyderabad
August 29, 2012

A. S. PARDHA SARADHI
Company Secretary

SUBSIDIARY COMPANIES : FINANCIAL HIGHLIGHTS 2011-2012

(₹ in Million)

| S.No. | Name of the Subsidiary Company | Share Capital | Reserves | Total Assets | Total Liabilities (excluding Share Capital and Reserve) | 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 | 10.50 | 1,193.32 | 3,675.54 | 2,471.72 | - | 1,726.87 | (231.21) | (75.31) | (155.90) | - |
| 2 | HDO (UK) Limited | 73.51 | (655.80) | 1,066.22 | 1,648.51 | - | 1,771.96 | (301.85) | - | (301.85) | - |
| 3 | Davymarkham (India) Private Limited | 0.10 | (0.02) | 0.10 | 0.02 | - | - | (0.02) | - | (0.02) | - |
| 4 | HDO Zambia Limited | 0.05 | (26.70) | 0.06 | (26.70) | - | - | (26.70) | - | (26.70) | - |

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Steam Generation System- UCIL

Mumbai

Hindustan Dorr Oliver Ltd., Dorr Oliver House, Chakala, Andheri (East), Mumbai-400099

Tel : 91-22-28359400 ● Fax : 91-22-28365659 ● E-MAIL: catherine@hdo.in

NOTICE

NOTICE is hereby given that the Thirty Seventh Annual General Meeting of the Members of **Hindustan Dorr-Oliver Limited** will be held on Saturday, 29th December, 2012 at All India Plastic Manufacturers Association, AIPMA House, A-52, Street No. 1, MIDC, Andheri (East), Mumbai - 400 093. at 3.00 p.m. to transact the following business:

ORDINARY BUSINESS:

1. To receive, consider and adopt the audited Balance Sheet as at June 30, 2012 and the Statement of Profit and Loss Account for the period ended on that date together with the reports of the Board of Directors and Auditors thereon.
2. To appoint a Director in place of Mr. R. Balarami Reddy, who retires by rotation and being eligible, offers himself for reappointment.
3. To appoint a Director in place of Mr. S. D. Kapoor, who retires by rotation and being eligible, offers himself for reappointment.
4. 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, who is hereby authorised for the purpose, in addition to reimbursement of all out-of pocket expenses in connection with the audit of the accounts of the Company”.

SPECIAL BUSINESS:

5. **Remuneration to Mr.E.Sunil Reddy, Managing Director.**

To consider and if thought fit, to pass, with or without modification(s), the following resolution as a Special Resolution.

RESOLVED THAT pursuant to the provisions of Section 198, 269, 309 read with Schedule XIII and any other applicable provisions of the Companies Act, 1956 , including the rules made thereunder and any amendments thereto or any statutory modification or re-enactment thereof for the time being in force (“the Act”) and subject to the approval of the Central Government and all other sanctions, approvals and permissions as may be required and subject to such conditions and modifications as may be imposed or prescribed by any of the authorities while granting such sanctions, approvals and permissions, the Company hereby accords its approval for the payment of the following remuneration to Mr. E.Sunil Reddy, Managing Director, as remuneration notwithstanding that the same exceeds/ may exceed the ceiling limits laid down in Sections 198, 309 and Schedule XIII of the Act, for the period he was the Managing Director upto June 11, 2012.

EMOLUMENTS

1. Salary - 10,00,000/- (Rupees ten lakhs) per month
2. PERQUISITES
 - a) Leave Travel Assistance for self and family upto one month of salary per annum.
 - b) Reimbursement of Medical Expenses for self and family upto one month of salary per annum.
 - c) Monthly/yearly subscription for Club Membership.
 - d) Use of Cellular Phone
 - e) Provident Fund, Superannuation and Gratuity benefits as per the rules of the Company.
 - f) Company maintained Car.
 - g) He shall be entitled to leave and leave encashment benefits as per Company’s rules.

RESOLVED FURTHER THAT all other terms of the appointment as approved by the members earlier on September 09, 2009 shall remain unaltered.

RESOLVED FURTHER THAT the Board of Directors or the Compensation Committee thereof be and are hereby authorised to seek the approval of the Central Government for payment of the remuneration detailed above, since there are no profits for the fifteen months period ended 30th June, 2012.

RESOLVED FURTHER THAT for the purpose of giving effect to this resolution, the Board and/or for the Compensation Committee be and is hereby authorised to do all such acts, deeds, matters and things as it may, in its absolute discretion deem necessary, proper and desirable including making of an application to regulatory authorities, execution of necessary documents and to settle any questions, difficulties and/or doubts that may arise in this regard in order to implement and give effect to the foregoing resolution.”

NOTICE Contd.

6. Remuneration to Mr. S. C. Sekaran, Executive Director

To consider and if thought fit, to pass, with or without modification(s), the following resolution as a Special Resolution.

RESOLVED THAT subject to the approval of Central Government and pursuant to the provisions of Section 198,269,309,310 and 311 and all other applicable provisions, if any, of the Companies Act, 1956 read with Schedule XIII thereto, the Company hereby approves and ratifies the remuneration of Rs. 3,42,600/- p.m and perquisites and other amenities paid to Mr.S.C.Sekaran, Executive Director as the minimum remuneration for the financial year ended June 30, 2012, which was approved by the members at the Annual General Meeting held on September 30 , 2011, in view of inadequacy of profits for the Financial year ended June 30, 2012.

RESOLVED FURTHER THAT pursuant to the provisions of Section 198, 269, 309 read with Schedule XIII and any other applicable provisions of the Companies Act, 1956 , including the rules made there under and any amendments thereto or any statutory modification or re-enactment thereof for the time being in force ("the Act") and subject to the approval of the Central Government, if required and all other sanctions, approvals and permissions as may be required and subject to such conditions and modifications as may be imposed or prescribed by any of the authorities while granting such sanctions, approvals and permissions, the Company hereby accords its approval for the payment of the following remuneration to Mr.S.C.Sekaran, Executive Director, as remuneration notwithstanding that the same exceeds/ may exceed the ceiling limits laid down in Sections 198, 309 and Schedule XIII of the Act, for rest of his tenure and all other terms of the appointment as approved by the members earlier shall remain unaltered;

- i) Salary – Rs.3,42,600/- p.m
(Basic Salary – Rs.1,82,250/- p.m and Allowances - Rs.1,60,350/- p.m)
- ii) Leave Travel Assistance at the rate of one month's basic salary per annum.
- iii) Reimbursement of medical expenses at the rate of one month's basic salary per annum.
- iv) Provident Fund at the rate of 12% of basic salary.
- v) Super-annuation benefits equivalent to one month's basic salary per annum at the discretion of the Compensation Committee of the Board of Directors.
- vi) Gratuity as per rules of the Company
- vii) Free telephone facility at residence and mobile phone but personal long distance calls will be billed to the appointee
- viii) Provision for Car in accordance with the Employee Car Scheme formulated by the Compensation Committee and as amended from time to time.

RESOLVED FURTHER THAT in case the Company has in the aforementioned period during the tenure of Mr.S.C.Sekaran, Executive Director be paid the aforesaid remuneration as "Minimum Remuneration" in the respective period notwithstanding that the same exceeds the ceiling limit laid down in Sections 198, 309 and Schedule XIII to the Act, subject to the approval of the Central Government.

RESOLVED FURTHER THAT the Board of Directors of the Company (hereinafter referred to as the 'Board' which term shall be deemed to include any duly authorised Committee thereof, for the time being exercising the powers conferred on the Board by this Resolution, including the Remuneration Committee) be and is hereby authorised to revise, amend, alter and/or vary the terms and conditions in relation to the above remuneration in such manner as may be permitted in accordance with the provisions of the Act and/or to the extent as may be required, by the Central Government while according their approval.

RESOLVED FURTHER THAT for the purpose of giving effect to this resolution, the Board be and is hereby authorised to do all such acts, deeds, matters and things as it may, in its absolute discretion deem necessary, proper and desirable including making of an application to regulatory authorities, execution of necessary documents and to settle any questions, difficulties and/or doubts that may arise in this regard in order to implement and give effect to the foregoing resolution."

By Order of the Board of Directors

A.S.Pardha Saradhi
Company Secretary

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

Date: August 29, 2012

NOTICE Contd.

NOTES:

1. 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.
2. The Register of Members and the Share Transfer Books of the Company will remain closed from December 24, 2012 to December 29, 2012 (both days inclusive).
3. 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. R. Balarami Reddy | Mr. S. D. Kapoor |
|---|---|--|
| Date of Birth | 01.07.1954 | 01.08.1946 |
| Date of Appointment | 08.09.2005 | 30.10.2009 |
| Qualification | C.A, C.S, I.C.W.A | B.E., MBA |
| Expertise in specific functional areas | Extensive experience in Finance, Accounts, Taxation and Corporate Affairs | Extensive experience in minerals and metals industry |
| List of the Companies in which Directorship held | -IVRCL Ltd. -IVRCL Assets and Holdings Ltd* -IVR Enviro Projects Private Ltd - First STP Private Limited -IVRCL PSC Pipes Private Ltd -IVR Hotels & Resorts Ltd -IVRCL Building Products Ltd -IVRCL-Cadagua Hogenakkal -Water Treatment Co. P Ltd -AP Enercon Engineers Pvt. Ltd - HDO (UK Ltd) | -IL & FS Infrastructure Development Corporation Ltd. -Era E-Zone (India) Ltd. - Era Infra Engineering Ltd. -Visa Bao Limited -Visa Steel Limited -Visa Resources India Ltd |
| Chairman/Member of the Mandatory Committees of the Board of the Companies on which he is a Director | -IVRCL Limited Member of the Shareholders & Investor Grievance Committee -IVRCL Assets and Holdings Ltd* Member Audit Committee and Investor Grievance Committee | -Visa Steel Limited Chairman of Audit Committee Member of Shareholders & Investor Grievance Committee Member of Finance Committee -Visa Resources India Ltd Chairman of Finance Committee Chairman of Audit Committee -IL & FS Infrastructure Development Corporation Ltd Member of Audit Committee -Era E-Zone (India) Ltd. Member of Audit Committee |
| Number of shares held in the Company | NIL | NIL |

* IVRCL Assets and Holdings Ltd is now merged with its Holding Company IVRCL Ltd. vide scheme of arrangement approved by the Hon'ble High Court of Andhra Pradesh.

6. The Dividend declared for the Financial Year 2004-05 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.

7. 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, Madhapur, Hyderabad – 500 081. Ph.: 040-44655178.

8. Members desirous of obtaining any information pertaining to the Accounts may forward such queries in writing to the General Manager - Finance and Accounts 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.
9. Members or their Authorised Representative / Proxies are requested to bring their copies of the Annual Report to the meeting.

Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956

Item 5

Mr. E. Sunil Reddy was appointed as Managing Director of the Company for a period of five years with effect from January 29, 2007 without any remuneration. The Compensation Committee and the Board of Directors of the Company at their respective meetings held on May 28, 2009 subject to approval of the Members have approved payment of specified remuneration and subsequently the same was approved by the members at the Annual General Meeting held on September 7, 2009. Mr. E. Sunil Reddy was reappointed as Managing Director at the specified remuneration as approved by the Members at their meeting held on September 30, 2011. Accordingly he was paid the remuneration for the period ending 30-06-2012. However, it may please to noted that Mr. E. Sunil Reddy has Resigned as Managing Director effective from June 11, 2012.

The aforesaid resolutions and the accompanying explanatory statements approved by the Members, interalia, stated that if the Company has no profits or its profits are inadequate in any financial year, during the currency of their tenure, the Company shall pay, minimum remuneration to the Managing Director, as per relevant applicable provisions of law including provisions as contained in Schedule XIII to the Companies Act, 1956, ("the Act") including any amendments thereto or any modifications or statutory re-enactment thereof and/or any rules or regulations framed there under.

In view of the unprecedented economic instability prevalent in the global environment the Indian economy has also been seriously affected. There has been a sense of negative demand growth felt across various sectors which has resulted in the slowdown of the economy and adversely affected the infrastructure industry, in which your company operates.

The present financial performance of the Company reflects the difficult economic and business environment. As a consequence of certain unexpected developments which were beyond the control of management, mainly delays in decision making by the Company's major clients and delays in settlement of claims, the expected cash flows have not materialized for the Company. As a consequence, the Company has witnessed lower, turnover, lower operating margins and high interest costs which has led to your Company incurring net loss.

There being adequate profits in the previous financial years, the restrictions specified in Section II of Part II of Schedule XIII of the Companies Act, 1956 for payment of remuneration to Mr.E.Sunil Reddy are not applicable. However, for the fifteen months period ended 30th June, 2012 the Company incurred loss, attracting the said restrictions.

As a result of the loss in the said year, restrictions contained in Schedule XIII for payment of remuneration to the Managing Director become applicable. The remuneration paid by the Company to Shri E Sunil Reddy exceeded the minimum remuneration as per the approval of the members; as such it is necessary to obtain approval of the Central Government for regularizing the remuneration paid for the fifteen months period ended 30th June, 2012.

The Compensation Committee considering the rich experience and contribution of Mr.E.Sunil Reddy approved the remuneration specified in the respective resolutions as minimum remuneration for the rest of their tenure, subject to required approvals and compliances under the Act.

As the remuneration paid/payable to the above directors for the Fifteen months period ended 30th June, 2012 and subsequent Financial years exceeded/ likely to exceed the remuneration limits laid down in Sections 198, 309 read with Schedule XIII of the Act, approval of the members by way of Special resolution is sought for the said proposals, subject to the approval of the Central Government.

The Board recommends the above resolution for adoption by the members.

Except Mr. E. Sunil Reddy and Mr. E. Sudhir Reddy, as brother of Mr. E. Sunil Reddy none of the directors is interested in the aforesaid resolution.

Item 6

Mr. S C Sekaran was re-appointed as Executive Director of the Company for a period of five years with effect from 01-06-2006 at a specified remuneration as approved by the Members at their meeting held on September 30, 2011. The Compensation Committee and Board of Directors of the Company at their respective meeting held on May 28, 2009 subject to approval of the Members have approved payment at specified remuneration as approved by the members in their meeting held on September 7, 2009.

The aforesaid resolutions and the accompanying explanatory statements approved by the Members, inter alia, stated that if the Company has no profits or its profits are inadequate in any financial year, during the currency of their tenure, the Company shall pay, minimum remuneration to the Executive Director, as per relevant applicable provisions of law including provisions as contained in Schedule XIII to the Companies Act, 1956, ("the Act") including any amendments thereto or any modifications or statutory re-enactment thereof and/or any rules or regulations framed there under.

In view of the unprecedented economic instability prevalent in the global environment the Indian economy has also been seriously affected. There has been a sense of negative demand growth felt across various sectors which has resulted in the slowdown of the economy and adversely affected the infrastructure industry, in which your company operates.

The present financial performance of the Company reflects the difficult economic and business environment. As a consequence of certain unexpected developments which were beyond the control of management, mainly delays in decision making by the Company's major clients and delays in settlement of claims, the expected cash flows have not materialized for the Company. As a consequence, the Company has witnessed lower turnover, lower operating margins and high interest costs which has led to your Company incurring net loss.

There being adequate profits in the previous financial years, the restrictions specified in Section II of Part II of Schedule XIII of the Companies Act, 1956 for payment of remuneration to Mr. S C Sekaran is not applicable. However, for the fifteen months period ended 30th June, 2012 the Company incurred loss, attracting the said restrictions.

As a result of the loss in the said year, restrictions contained in Schedule XIII for payment of remuneration to the Managing Director become applicable. The remuneration paid by the Company to Shri S C Sekaran exceeded the minimum remuneration as per the approval of the members; as such it is necessary to obtain approval of the Central Government for regularizing the remuneration paid for the fifteen months period ended 30th June, 2012.

The Compensation Committee considering the rich experience and contribution of Mr. S C Sekaran approved the remuneration specified in the respective resolutions as minimum remuneration for the rest of their tenure, subject to required approvals and compliances under the Act.

As the remuneration paid/payable to the above directors for the Fifteen months period ended June 30, 2012 and subsequent Financial years exceeded/ likely to exceed the remuneration limits laid down in Sections 198, 309 read with Schedule XIII of the Act, approval of the members by way of Special resolution is sought for the said proposals, subject to the approval of the Central Government.

The Board recommends the above resolution for adoption by the members.

Except Mr. S C Sekaran, none of the directors is interested in the aforesaid resolution.

By order of the Board of Directors

A.S.Pardha Saradhi
Company Secretary

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

Date: 29-08-2012

Statement in terms of sub-clause (iv) of the proviso to Sub-paragraph (C) of Paragraph (1) of Section II of Part II of Schedule XIII to the Act.

I. GENERAL INFORMATION.

- (1) Nature of Industry : Engineering and Construction
- (2) Date of Commencement of Commercial Production : Not Applicable
- (3) In case of new Companies, expected date of Commencement of activities as per project approved by Financial institutions appearing in the Prospectus. : Not Applicable
- (4) Financial Performance

Financial performance of the Company for the last five years.

(₹ in Millions)

| Sr.No. | Particulars | Year | | | | |
|--------|--|---------|---------|---------|---------|---------|
| | | 2007-08 | 2008-09 | 2009-10 | 2010-11 | 2011-12 |
| 1 | Paid-up Capital | 72.01 | 72.01 | 144.01 | 144.01 | 144.01 |
| 2 | Reserves and Surplus | 1428.35 | 1681.48 | 2100.46 | 2551.53 | 1741.13 |
| 3 | Turnover | 318.42 | 5245.57 | 8701.91 | 9609.95 | 7293.05 |
| 4 | Net Profit as per Sec.198 (read with Section 349) of the Companies Act, 1956 | 341.97 | 471.26 | 890.41 | 721.41 | - |
| 5 | Amount of Dividend Paid (Including Dividend distribution tax) | 25.27 | 42.12 | 67.17 | 66.95 | - |
| 6 | Rate of Dividend Declared | 30 | 50 | 40 | 40 | - |

- (5) Export Performance and net foreign exchange : During the period ended 2011-12, the accrued value of exported goods collaborations or services on F.O.B. basis and work bills realized on contracts is ₹ 14.87 Millions.
- (6) Foreign investments or collaborations, if any : The total equity shares held by Foreign Institutional Investors (FIIs) and Global Depository shares (GDS) holders is 3378091 Equity Shares of ₹2/- each which constitutes 4.69% of the Paid up Equity Share Capital of the Company.

II. INFORMATION ABOUT THE APPOINTEES.

(1) Background Details

(a) Mr.E.Sunil Reddy

Mr. E Sunil Reddy has obtained a Bachelors Degree in Commerce and a Bachelors Degree in Law, both from the Osmania University, Hyderabad. He has over 20 years of experiences in the legal field and was a practicing lawyer in the High Court of Andhra Pradesh and the Supreme Court of India. He has been on the Board of the company since 29.01.2007.

(b) Mr.S.C.Sekaran

Mr. Sekaran is aged 57 years and has a Master Degree in Statistics. He has rich experience of more than two decades in the Industry. He was appointed Director of the Board on 08.09.2005. He was appointed Executive Director from 01.06.2006 for a period of five years. His appointment has been renewed for a further period of five years from 01.06.2011.

NOTICE Contd.

(2) Past Remuneration:

(a) Mr.E.Sunil Reddy

EMOLUMENTS

1. Salary - 10,00,000/- (Rupees ten lakhs) per month

2. PERQUISITES

- a) Leave Travel Assistance for self and family upto one month of salary per annum.
- b) Reimbursement of Medical Expenses for self and family upto one month of salary per annum.
- c) Monthly/yearly subscription for Club Membership.
- f) Use of Cellular Phone
- g) Provident Fund, Superannuation and Gratuity benefits as per the rules of the Company.
- h) Company maintained Car.
- i) He shall be entitled to leave and leave encashment benefits as per Company's rules.

(b) Mr.S.C.Sekaran

(i) Salary – Rs.3,42,600/- p.m

(Basic Salary – Rs.1,82,250/- p.m and Allowances - Rs.1,60,350/- p.m)

(ii) Leave Travel Assistance at the rate of one month's basic salary per annum.

(iii) Reimbursement of medical expenses at the rate of one month's basic salary per annum.

(iv) Provident Fund at the rate of 12% of basic salary.

(v) Super-annuation benefits equivalent to one month's basic salary per annum at the discretion of the Compensation Committee of the Board of Directors.

(vi) Gratuity as per rules of the Company

(vii) Free telephone facility at residence and mobile phone but personal long distance calls will be billed to the appointee

(viii) Provision for Car in accordance with the Employee Car Scheme formulated by the Compensation Committee and as amended from time to time.

(3) Recognition/Awards

(a) Mr. E. Sunil Reddy : Nil

(b) Mr. S.C. Sekaran : Nil

(4) Job Profile and suitability

Mr.E.Sunil Reddy and Mr.S.C.Sekaran have been instrumental in the company's growth over the past few years.

(5) Remuneration paid/ proposed

(a) Mr.E.Sunil Reddy

Details of the total remuneration comprising interalia, Salary and Perquisites and Allowances together with Retirals and other benefits/perquisites which is paid/proposed during the remaining tenure for Mr.E.Sunil Reddy have been fully set out in the resolution at item no.5.

(b) Mr.S.C.Sekaran

Details of the total remuneration comprising interalia, Salary and Perquisites and Allowances together with Retirals and other benefits/perquisites which is paid/proposed during the remaining tenure for Mr.S.C.Sekaran have been fully set out in the resolution at item no.6.

- (6) Comparative Remuneration Profile with respect to Industry, Size of the Company, Profile of the Position and person Considering that Mr.E.Sunil Reddy and Mr.S.C.Sekaran have strived hard to place the Company in a prominent position and in turning the Company to one of the global engineering and construction player their role and contribution to the Company cannot be overemphasized. They have immensely contributed to the Company which has ensured the long term survival and prosperity of our Company and thus the remuneration committee of our Board and the Board of Directors felt that the remuneration proposed to them is reasonable and therefore the payment of aforesaid remuneration stated at resolution nos.5 and 6 is commensurate to prevailing levels in the industry and thereby is fit and more than justified.
- (7) Pecuniary relationship directly or indirectly with the Company, or relationship with the managerial personnel, if any.
- (a) Mr.E.Sunil Reddy is the promoter of the Company jointly with Mr.E.Sudhir Reddy and is the brother of Mr.E.Sudhir Reddy, Vice Chairman of the Company. Mr.E.Sunil Reddy does not have any pecuniary relationship, directly or indirectly with the Company besides the remuneration set out in the resolution at Item No.6.
- (b) Mr.S.C.Sekaran – He is not related to any managerial personnel in the Company. He does not have any pecuniary relationship, directly or indirectly with the Company or with any managerial personnel besides the remuneration set out in the resolution at item no.7.

III. OTHER INFORMATION,

- (1) Reasons of loss or inadequate of profits.

Currently the company is witnessing sluggish growth temporarily due to economic and policy concerns. At the same time, the economy has been witnessing high inflation cycle resulting into high interest costs and commodity prices. All these factors have taken a heavy toll on new order allocations.

- (2) Steps taken or proposed to be taken.

The Company has taken view of all the factors seriously and to overcome the challenges the Company has proactively undertaken the following steps directed at improving its operational efficiencies:

Claims realisation, Capex Control, Cost optimisation, Reduction in Working Capital and Monetisation of assets.

- (3) Expected increase in productivity and profits in measurable terms.

Although the turnover growth has remained flat in FY 2012, the situation is expected to improve in FY 2013 onwards with expectations of improvement in macroeconomic conditions. Further it is expected that the steps taken by the Company for improving the operational parameters wherever feasible would show signs of improvement.

IV. DISCLOSURES.

- (1) The Shareholders of the Company have been informed of the remuneration package of the above two managerial persons in respective resolution at Item Nos. 5 and 6. Details of the total remuneration comprising interalia, Salary and Perquisites and Allowances together with the Retirals and, other benefits/perquisites which is paid/proposed for the Managing Director and Executive Director have been fully set out in the resolutions.
- (2) As mentioned earlier, since the payment of aforementioned remuneration set out under resolution nos. 5 & 6 as Minimum Remuneration to Managing Director and Executive Director, respectively exceeds the ceiling limit for minimum remuneration laid down in Sections 198, 309 read with Schedule XIII to the Act and to comply with the requirement of Central Government, if any, shareholders approval is sought by way of special resolution for payment of the aforesaid minimum remuneration for the respective financial years as specified in the respective resolutions at 5 & 6 in accordance with Schedule XIII of the Act.
- (3) The payment of the aforesaid remuneration stated at resolution nos. 5 & 6 respectively is also subject to approval of the Central Government.
- (4) In accordance with Section 302 of the Act, this Explanatory statement together with the accompanying notice may be treated as an abstract of the terms and conditions of remuneration of Mr.E.Sunil Reddy and Mr.S.C.Sekaran respectively, including in the event of any variation in the aforesaid terms of remuneration to the extent necessary to be carried out, as per approval proposed to be received in respect of the applications to Central Government, which as per the Act, is required to be sent to the members of the Company.

None of the other directors except Mr.E.Sudhir Reddy who is the brother of Mr.E.Sunil Reddy is directly or indirectly concerned or interested in these resolutions.

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

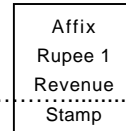
hereby appoint of or

failing him..... of as

my/ our proxy to vote for me/ us on my behalf at the THIRTY SEVENTH ANNUAL GENERAL MEETING of the Company to be held on Saturday, December 29, 2012 and at any adjournment thereof.

Signed this day of, 2012

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 Seventh Annual General Meeting – Saturday, December 29, 2012

I hereby record my presence at the THIRTY SEVENTH ANNUAL GENERAL MEETING of the Company held at All India Plastic Manufacturers Association, AIPMA House, A-52, Street No. 1, MIDC, Andheri (East), Mumbai - 400 093. at 3.00 P.M. on Saturday, December 29, 2012.

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