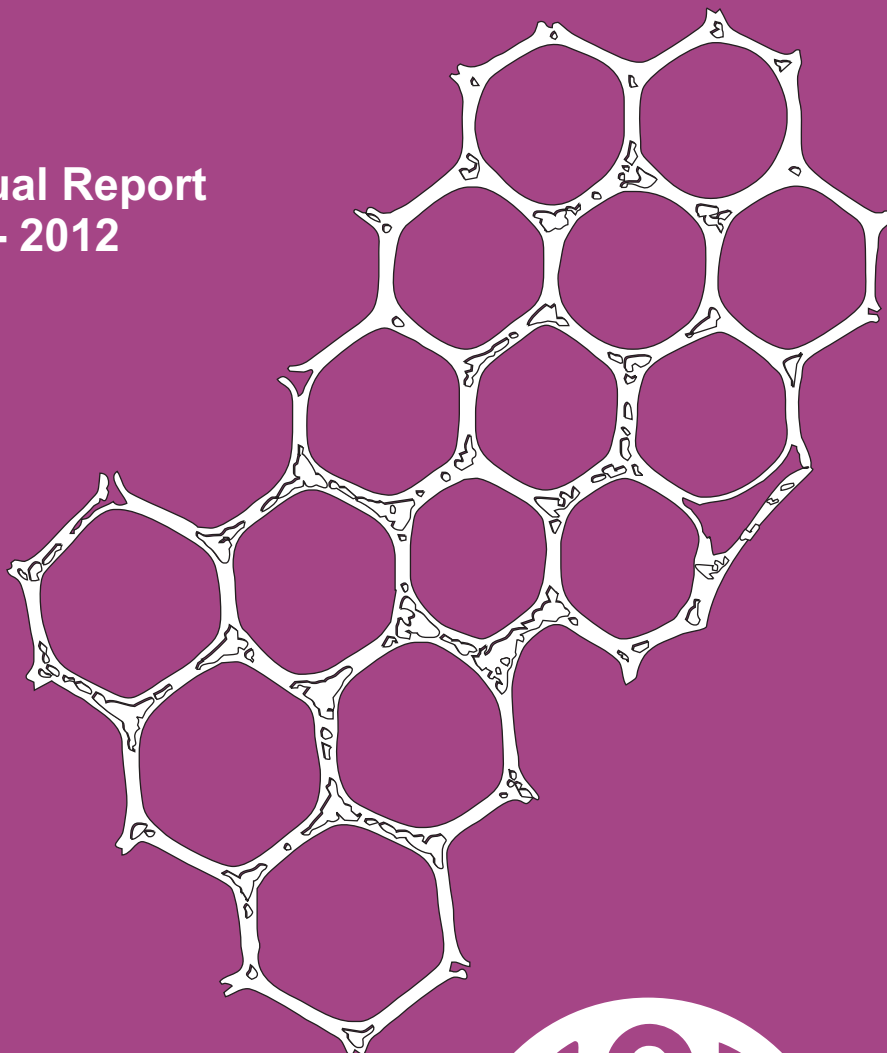


**51st Annual Report  
2011 - 2012**



**HINDUSTAN ORGANIC CHEMICALS LIMITED**

**AUDITORS****Statutory Auditors****M/s Ford Rhodes Parks & Company.,**

Chartered Accountants

Mumbai

**Branch Auditors – Kochi Unit****M/s Sasi Vijayan & Rajan,**

Chartered Accountants

Kochi

**COST AUDITORS****M/s.V.J.Talati & Co.**

Mumbai

**M/s.Panicker & Co.**

Kochi

**BANKERS**

State Bank of India

**REGISTRAR AND SHARE TRANSFER AGENTS****M/s. SHAREPRO SERVICES (INDIA) PVT.LTD.**

Registered Office :

13AB, Samhita Warehousing Complex,

2nd Floor, Sakinaka Telephone Exchange Lane,

Off. Andheri-Kurla Road, Sakinaka,

Mumbai – 400 072.

**HINDUSTAN ORGANIC CHEMICALS LTD.****REGISTERED OFFICE :**

At &amp; Post - Rasayani,

Dist.Raigad, Maharashtra 410 207

**CORPORATE OFFICE**

Harchandrai House,

81, Maharshi Karve Road, Mumbai 400 002

**MANUFACTURING FACILITIES****Rasayani unit**

Dist.Raigad

Maharashtra 410 207

**Kochi Unit**

Ambalamugal, Dist. Ernakulam

Kochi 682 302

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**HINDUSTAN ORGANIC CHEMICALS LIMITED****Regd.Office & Rasayani unit :**Rasayani, Dist.Raigad,  
Maharashtra, Pin - 410 207.

Tel : (02192) 258500-502

Fax : (02192) 258503

E-mail id : rasayani.cs@hocl.gov.in, grievances@hocl.gov.in

Website : hocl.gov.in

**KOCHI UNIT :**

Ambalamugal,

Dist. Ernakulam, Pin - 682 302.

Tel : (0484) 2720911 / 2720912 / 13

Fax : (0484) 2720893

E-mail : hindustanorganic@bsnl.in

**REGIONAL & MARKETING OFFICES****BARODA :**

3/A, Kirti Tower, Tilak Road,

Baroda - 390 001.

Telefax : (0265) 2438 122

**MUMBAI :**

Harchandrai House,

81, Maharshi Karve Road, Marine Lines

Mumbai - 400 002.

Tel : (022) 22014269/71/72

Fax : (022) 22059533

E-mail id : corporate.cs@hocl.gov.in grievances@hocl.gov.in

**DELHI :**

Core-6, Scope Complex,

1st Floor, Lodi Road,

New Delhi - 110 003.

Tel : (011) 24361610 / 24364690

Fax : (011) 24360698

**HYDERABAD :**

1402, Babukhan Estate,

Bashir Bagh,

Hyderabad - 500 001.

Tel : (040)23329850 (Dir.)

Tel.Fax:23240058

Fax : (040) 23296455

**CHENNAI :**

D-1, Nelson Chambers,

115, Nelson Manickam Road,

Aminji Karai, Chennai - 600 029.

Tel : (044) 2374 1853

**Subsidiary Company****HINDUSTAN FLUOROCARBONS LTD.**

1402, Babukhan Estate, Bashir Bagh, Hyderabad - 500 001

Tel : (040) 23241051 / 23237125. Fax : (040) 23296455

E-Mail : hiflonpfe@yahoo.co.in



### BOARD OF DIRECTORS

<b>SHRI R.N. MADANGERI</b>	<b>Chairman &amp; Managing Director</b>
<b>SHRI SURESH KUMAR R.</b>	<b>Director (Finance)</b> (w.e.f.11-05-2012)
<b>SHRI J. N. SURYAWANSHI</b>	<b>Director (Marketing)</b> (w.e.f.30-04-2011 )
<b>SHRI S.B. BHIDE</b>	<b>Director (Technical)</b> (w.e.f.14-06-2012)
<b>Dr. V. RAJAGOPALAN, SS&amp;FA</b>	<b>Director (Govt. Nominee)</b>
<b>Dr. A.J. VARA PRASAD, JS</b>	<b>Director (Govt. Nominee)</b> (w.e.f.14-12-2011)
<b>Dr. N.J. GAIKWAD</b>	<b>Director</b> (w.e.f.22-05-2012)
<b>SHRI M.K. MITTAL</b>	<b>Director (Finance)</b> (up to 28-07-2011)
<b>SMT. NEELKAMAL DARBARI,J.S.</b>	<b>Director (Govt. Nominee)</b> (from 04-8-2011 to 14-12-2011)
<b>SMT. SUSHEELA S. KULKARNI</b>	<b>Company Secretary</b>

#### AUDIT COMMITTEE[A.C.] OF THE BOARD (Re-constituted on 30-5-2011)

<b>Dr. V. RAJAGOPALAN,SS&amp;FA</b> Govt. Director & Chairman A.C.	<b>SHRI M.K. MITTAL</b> DF, Member, A.C. (upto28-07-2011)
<b>SHRI J. N. SURYAWANSHI</b> DM , Member A.C.	<b>SMT. SUSHEELA S. KULKARNI,C.S.</b> Secretary to A.C.

#### AUDIT COMMITTEE [A.C.] OF THE BOARD (Re-constituted on 29/05/2012)

<b>Dr. V. RAJAGOPALAN,SS&amp;FA</b> Director, Chairman A.C.	<b>Dr. N.J. GAIKWAD</b> Director, Member A.C.
<b>Dr. A.J. VARAPRASAD,JS</b> Director, Member A.C.	<b>SMT. NEELKAMAL DARBARI,J.S.</b> Director,Member,A.C.(from04-11-2011 to14-12-2011)
<b>SHRI SURESH KUMAR R.</b> Director (Fin.), Invitee of A.C.	<b>SHRI R.N. MADANGERI.</b> CMD, Invitee of A.C.
<b>SHRI J. N. SURYAWANSHI</b> Director (Mktg.) Invitee of A.C.	<b>SMT. SUSHEELA S. KULKARNI,C.S.</b> Secretary to A.C.

#### SHARES/BONDS TRANSFER, SHAREHOLDERS' BONDS HOLDERS / INVESTORS' GRIEVANCE COMMITTEE [ Re-constituted ]

<b>SHRI R.N. MADANGERI</b> CMD, Chairman of the Committee	<b>SHRI J. N. SURYAWANSHI</b> Director (Mktg.), Member
<b>SHRI SURESH KUMAR R.</b> Director (Fin.), Member	<b>SHRI S. B. BHIDE</b> Director(Tech.), Member
<b>SMT. SUSHEELA S. KULKARNI</b> CS, Member & Secretary	

**NOTICE**

Notice is hereby given that the 51st Annual General Meeting of the Members of the Company will be held on Friday, 28th September, 2012 at 3.00 p.m. at the Registered Office of the Company at RASRANG HALL, Dr. Kasbekar Park, Rasayani, Dist. Raigad – 410 207 to transact the following business :-

**ORDINARY BUSINESS :**

- To receive and to adopt the Audited, Statement of Profit & Loss of the Company for the period from 1st April, 2011 to 31st March, 2012 and the Audited Balance Sheet as at 31st March, 2012 together with the Directors' Report and the Auditors' Report thereon.
- To appoint a Director in place of Dr. V. Rajagopalan, who retires at this AGM and being eligible offers himself for re-appointment.
- To appoint a Director in place of Dr. A.J. Vara Prasad, who retires at this AGM and being eligible offers himself for re-appointment.

**SPECIAL BUSINESS :**

- To consider and to approve the Amendment in the Articles of Association of Company to include an Article 38A for incorporating a Clause on "buyback of shares" as under:

**" Article 38A. - Article for Buy Back**

The Company shall not have power to buy its own shares unless the consequent reduction of capital is effected and sanctioned in pursuance of section 100 to 104 or of section 402.

Notwithstanding anything contained in any other Article of the Article of Association but subject to the provisions of section 77A, 77AA, 77B of the Companies Act 1956 or corresponding provisions, the Rules, Regulations and Guidelines prescribed by the Government of India, the Securities and Exchange Board of India or any other authority, for the time being in force, the Company may purchase its own shares. "

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

"RESOLVED THAT subject to the provisions of Section 31 and other applicable Provisions if any of the Companies Act, 1956 approval of the Company be and is hereby accorded to the Board for the amendments to the Articles of Association of the Company by adding new Article 38A after Article 38, as under.:

**" Article 38A. - Article for Buy Back- Powers of the Company to buy back its own Shares.:**

The Company shall not have power to buy its own shares unless the consequent reduction of capital is effected and sanctioned in pursuance of section 100 to 104 or of section 402.

Notwithstanding anything contained in any other Article of the Article of Association but subject to the provisions of section 77A, 77AA, 77B of the Companies Act 1956 or corresponding provisions, the Rules, Regulations and Guidelines prescribed by the Government of India, the Securities and Exchange Board of India or any other authority, for the time being in force, the Company may purchase its own shares or other specified Securities (herein after referred to as "buy back") out of :-

- Its free Reserves or ;
- The Securities premium account ;
- The proceeds of any shares or other specified Securities.

Provided that no buy back of any kind of shares or other specified securities shall be made out of the proceeds of an earlier issue of the same kind of shares or same kind of other specified securities."

- To Note the erosion by more than 50% of the peak Net Worth of the Company & to report the fact to the Shareholders and to BIFR.

To receive and consider the report on the erosion of the Net Worth of the Company as at 31st March, 2012 to the extent of 94% & is more than 50% of the peak Net Worth during the immediately preceding four financial years, as reported under Section 23 of Sick Industrial Companies (Special Provisions) Act, 1985 (SICA 1985) and, if approved, to pass with or without modification(s) the following Resolution as **Special Resolution**:

" RESOLVED THAT the report submitted by the Board of Directors on the erosion of Net Worth of the company as at 31st March, 2012, to the extent of 94% ,i.e. more than 50% of the peak Net Worth (Rs. 417.00 crores) during the immediately preceding four financial years along with the causes for such erosion and the efforts being made to improve the Net Worth during the current and subsequent financial years, having been duly considered, be and is hereby noted " and

" FURTHER RESOLVED THAT the Board of Directors of the Company be and is hereby authorised to do such acts, deeds and things as may be required under Section 23 of SICA and/or other applicable provisions of SICA 1985 and Companies Act, 1956 ".

**By Order of the Board of  
Hindustan Organic Chemicals Ltd.**

Sd/-

(Mrs.Susheela S.Kulkarni)  
Company Secretary

Place : Rasayani  
Date : 08/08/2012

Registered Office :  
P.O. Rasayani,  
Dist. Raigad, Maharashtra 410 207.

**NOTES :**

- A MEMBER ENTITLED TO ATTEND AND VOTE IS ENTITLED TO APPOINT A PROXY OR PROXIES TO ATTEND AND VOTE INSTEAD OF HIMSELF ON A POLL AND THAT A PROXY NEED NOT BE A MEMBER OF THE COMPANY. PROXIES, IN ORDER TO BE EFFECTIVE, MUST BE LODGED AT THE REGISTERED OFFICE OF THE COMPANY NOT LESS THAN 48 HOURS BEFORE THE MEETING.
- The relevant Explanatory Statement pursuant to Section 173 of the Companies Act, 1956 in respect of business under Item Nos.4&5 set out above is annexed hereto.
- The Registered Office of the Co's R&T Agents M/s Sharepro Services (I) Pvt. Ltd., has been shifted and now changed to **new Address** as under :-  
**13AB, Samhita Warehousing Complex, 2nd Floor, Sakinaka Telephone Exchange Lane, Off. Andheri-Kurla Road, Sakinaka, Mumbai – 400 072. Tel : 67720300 / 351 / 352, 67720400 / 211872 , Fax : 28591568, e-mail : sharepro@shareproservices.com.**
- Members/Proxies should bring their attendance slip, duly filled in, at the meeting.
- The Register of Members and the Share Transfer Books of the Company will remain closed from Thursday, the 20th September, 2012 to Friday, the 28th September, 2012 (both days inclusive).
- Members are requested to note the change in the Regd. Office address of the R&T of the Company and then to intimate immediately any change in their addresses registered with the Company to the R&T Agents at their new office address.



7. Members, who hold shares in the dematerialised form, are requested to bring their depository account number for identification.
8. Members are requested to bring their copy of Annual Report at the meeting and as a measure of economy the same will not be distributed again.
9. In view of the MCA Circular dated 21st April, 2011, the Shareholders, who wish to have the service of document by the Company, can be made through electronic mode by registering their email ID's with [corporate.cs@hocl.gov.in](mailto:corporate.cs@hocl.gov.in), [rasayani.cs@hocl.gov.in](mailto:rasayani.cs@hocl.gov.in) and [sharepro@shareproservices.com](mailto:sharepro@shareproservices.com).

**By Order of the Board of  
Hindustan Organic Chemicals Ltd.**

**Sd/-  
(Mrs. Susheela S.Kulkarni)  
Company Secretary**

Place : Rasayani  
Date : 08/08/2012

Registered Office :

P.O.Rasayani, Dist.Raigad,  
Maharashtra 410 207.

## **EXPLANATORY STATEMENT PURSUANT TO SECTION 173(2) (e) OF THE COMPANIES ACT, 1956**

### **Item No.4.**

As per Companies (Amendment) Act, 1999, w.e.f. 31-10-1998, a new Section 77A as to the "Powers of the Company to purchase its own Securities" had been added, requiring the Companies to amend their Articles of Association to include the required provisions, on buy back of Equity Shares of the Company, to facilitate buy back of its own Shares.

The Directors commend a Special Resolution to amend the Articles of Association of the Company by adding Article 38A, after Article 38 of the Articles of Association of the Company which would enable the Company to buy back its own shares as and when it desires to do so in future.

Company also received an Office Memorandum dated 26th March, 2012 vide letter dated 16th April, 2012 from the Dept. of C&PC, requiring the Company to make suitable enabling provisions in the Articles of Association of the Company in compliance with the relevant provisions, guidelines.

None of the Directors are in any way concerned or interested in this Resolution, except Shri J.N.Suryawanshi, Director (Mktg.) who is interested in the above to the extent of his respective shareholding in the Equity of the Company.

### **Item No.5.**

According to provisions of Section 23 of Sick Industrial Companies (Special Provisions) Act, 1985 (SICA) if the accumulated losses of industrial company as at the end of any financial year have resulted in erosion of 50% or more of its peak Net Worth during the immediately preceding four financial years the Company shall have to report the fact of such erosion to the Board within a period of 60 days from the date of adoption of the audited accounts of the Company. The Audited Accounts of the Company for the year ended 31.03.2012 is being adopted at this General Meeting on 28th September, 2012. The Net Worth of the Company as at 31st March, 2012 was Rs.399.78 crores and the peak Net Worth [of the F.Y.2007-08] during the preceding 4 financial years was Rs. 417.00 crores and thus the accumulated losses for the F.Y.2011-12 of Rs.390.85 crores have resulted into erosion of Net Worth to the extent of 94% of the peak Net

Worth. The causes of such erosion and the efforts being made by the company to improve the same during the current and subsequent financial years are explained in the following paragraphs.

HOCL has been one of the well managed Public Sector Companies having achieved a number of feats in the last 30 years of its commercial operations. The noteworthy ones are (i) the Company had been earning profits consecutively in the initial two decades and had paid dividends to the Government of India consistently, (ii) fulfilled all the social obligations as a Govt. of India Enterprise and till date has been keeping up all its social commitments and (iii) won awards and accolades in all the spheres of its activities.

Consequent on globalisation of economy and the falling duty structure of the company's products as a result thereof, the company had been exposed to unscrupulous imports and dumping of its products in the country over a decade [in the last 10-12 years]. By adjusting the prices of its products to match the landed cost of imports, the Company has been suffering with severe margin squeeze and consequent losses during the said period. The raw material suppliers (Refineries) had not been affected to the same extent.

During this period right from the year 2001-02 to 2011-2012, till now, the Company has faced the situation where, on one hand there has been steep increase in the raw material prices, on the other hand, there had been sharp decline in the prices of the Company's important products. Company has earned Profits during Years, 2006-07, 2007-08, & 2010-11 and rest of the Years during last 12 Years, the Company incurred losses. The total net loss (accumulated losses) incurred by the Company in the last five years ended 31.3.2012 is Rs. 390.85 crores. As a result of such losses in the last several years, the Company's net worth has eroded substantially.

During Year 2010-11 Company performed well and posted a profit of Rs. 26 crore. However, during Year 2011-12 due to recessionary trend worldwide, the Company also suffered in terms of sales realization and margin and incurred losses. However, situation seems to be improving and both Units of the Company are showing improved performance.

It is hoped that the Net Worth would improve during the subsequent financial years due to several cost control measures being adopted by the company, the most important ones, among others, being change of feedstock, operational improvements at both the Units, LNG de-bottlenecking at Kochi Unit, improved production of Anilene & NitroBenzene products of Rasayani Unit supported with improved marketing efforts, debottlenecking of Formaldehyde, Sulphuric Acid and Hydrogen Peroxide Plants, active representation with the Govt. for financial assistance including grant of further Govt. Loan to meet the expenditure towards several projects in the pipeline and other measures.

Shri J.N.Suryawanshi, Director (Mktg.) is interested in the above to the extent of his respective shareholding in the Equity of the Company. No other Directors are interested in the above.

**By Order of the Board of  
Hindustan Organic Chemicals Ltd.**

**Sd/-  
(Mrs. Susheela S.Kulkarni)  
Company Secretary**

Place : Rasayani  
Date : 08/08/2012

Registered Office :  
P.O.Rasayani, Dist.Raigad,  
Maharashtra 410 207.

## CHAIRMAN'S STATEMENT

### Dear Shareholders,

My Colleagues on the Board and I extend warm welcome, and express gratitude, to all of you present here at this 51st Annual General Meeting of your Company. The Audited Annual Accounts together with the Directors' Report and Auditors' Report of the Company for the year 2011-12 and the AGM Notice to the Shareholders have been in your hands for some time and with your permission I take them as read.

### PERFORMANCE :

I must now share with you in brief the status of our company's performance during the year 2011-12.

The production and sales attainments are contained in the Directors' Report before you and hence not repeated.

Your Company continued to enjoy support from all its valuable customers during the year 2011-12 due to excellent quality of its products manufactured at Kochi and Rasayani. During the year under review, your Company could achieve sales valuing **Rs. 548.27 Crores** (net of excise duty).

The Company had however taken the best possible measures both in cost reduction as well as in other areas. The high labour cost and high incidence of cost on closed plants at Rasayani unit are the major concern. Your Company has continued its cost cutting measures to counter this problem and in order to be competitive and improve performance and profitability. Despite this, your Company was under loss of Rs. 78.07 crores during the year.

It is expected that with the continued efforts on improved operations and marketing, the performance and profitability of the Company would further improve.

The marketing strategy was mainly focused on domestic customers to maximize the market share by adopting flexible marketing strategies which helped in countering the threat posed by the importers and the domestic competitors as well.

### STATUS OF OPERATION AND FUTURE PLAN :

Refurbishment of CNA/N2O4 Plant – Ph. II is in progress with implementation of new DCS and will be completed during F.Y.2012-13.

Hydrogen Peroxide Plant capacity will be enhanced to the targeted capacity of 14,000MT/p.a. from installed capacity of 10450MT/p.a. by carrying out in house de-bottlenecking.

### SAFETY, HEALTH AND ENVIRONMENT :

Our company has been in the forefront in the management of Health, Hygiene and Environment. Based on the toxicity of chemicals periodic medical examination of all the employees is carried out by doctors specially trained in occupational health and hygiene at Company's Health Centers at both the units. Company has also adopted HIV AIDs Policy as a Corporate Social Responsibility (CSR) measure.

HOC is a signatory to the 'Responsible Care' movement. We are Committed to the concept of self-realization and improvement in all aspects of safety.

A safety audit of all the plants and allied services was carried out by External Agency and most of the recommendations are being implemented. Emergency Response Centre (ERC), a voluntary commitment undertaken by Rasayani unit to tackle emergencies arising out of road transportation of hazardous chemicals is



functioning quite well and this effort is acknowledged by general public as well as Government authorities.

### INDUSTRIAL RELATIONS:

The over all Industrial Relation situation continues to be peaceful and cordial during the year. There was no strike or lock out affecting production / profitability.

### RESEARCH & DEVELOPMENT:

Company's Research and Development has continued its efforts towards Intellectual Property Rights (IPR) creation by filing patents. So far three nos. of Indian Patents have been granted. For ISRO's specific grade kerosene fuel project, lab scale study for continuous process was successfully completed. Based on the same, pilot plant study is initiated and preliminary runs are being carried out.

Meanwhile a model is developed for lab scale study to correlate various parameters.

### CORPORATE GOVERNANCE :

Your Company lays emphasis in conducting its affairs within the frame work of policies and guidelines set by the Government in a transparent manner. It is the endeavor of the Company to build trust between shareholders, employees and customers based on the basic principles of corporate governance. The detailed Report on the Corporate Governance as well as Management Discussion and Analysis Report are enclosed as a part of the Directors' Report. This Report analyses in brief the potentialities of the Company as well as the focus of the Company's business.

### HINDUSTAN FLUOROCARBONS LIMITED (HFL) - SUBSIDIARY :

During the year, the sales turnover was Rs.4557.30 lacs against Rs.3039.38 lacs in the previous year. During the year under report production of PTFE was 139.19 MTs against 124.58 MTs in the previous year. During the year, 291.77 MTs of CFM-22 was sold in the market and balance quantity was used as feed stock to manufacture various products including Fluoro Specialty Chemical. Accordingly, during the year 265.17 MTs of Tetra Fluoro Ethylene (TFE) was used to manufacture TFE-ETHER. Company has achieved 100% capacity utilization consecutively for this year also and produced 1265 MTs.

Company has successfully implemented the **Clean Development Mechanism [CDM]** Project and earned Rs. 17.47 Crore against first issuance.

### ACKNOWLEDGEMENT:

I place on record my appreciation and gratitude to all the employees and others who had extended their support and co-operation during the year. In particular, I am grateful to various officials of the Govt., especially from the Government of India, the Ministry of Chemicals & Fertilizers, Finance Ministry, Banks particularly our Bankers State Bank of India, Central Bank of India, Board Members, Statutory/Govt. Auditors, Cost Auditors and all the agencies concerned. My gratitude is also to the shareholders, Bond holders and customers who have stood by us in the present phase of our demanding situation.

We on our part would continue our efforts to take your Company into the future by meeting the challenges, grabbing the opportunities in our endeavor in the path towards turnaround. We look forward to your continued support in this ongoing process.

In conclusion, I am optimistic that the Company would attain significant profits in the near future.

(R.N. MADANGERI)  
CHAIRMAN & MANAGING DIRECTOR



## DIRECTORS' REPORT

To the Members of

### HINDUSTAN ORGANIC CHEMICALS LIMITED

Dear Shareholders

Your Directors are pleased to present the 51st Annual Report and the Audited Annual Accounts of the Company for the financial year ended 31st March, 2012.

The financial performance of the Company for the year ended March 31, 2012 is summarized below:

	(Rs.in Lacs)	
	Year ended 31/03/2012	Year ended 31/03/2011
<b>Sales</b>	<b>60636.71</b>	73803.91
Operating Profit/(Loss)	<b>(2,801.42)</b>	7285.91
Less: Interest	<b>2373.78</b>	2138.86
Depreciation	<b>2304.51</b>	2517.74
Profit/(Loss) before tax	<b>(7,479.71)</b>	2629.31
Less: Provision for taxation	-	-
Less: Prior Period adjustments & Exceptional Items	<b>(327.14)</b>	57.72
Profit/(Loss) after tax & Prior period adjustments, Provisions and Exceptional Items.	<b>(7,806.86)</b>	2571.59

#### Results of Operations

During the year under review the Company was under Net loss of Rs. 78.07 crores, while the Net profit during the previous year was Rs. 25.72 crores .

As regards the unit wise performance, the Net Profit of Kochi Unit was Rs.26.02 crores which was much lesser as compared to the previous year's profit of Rs.130.08 crores. The Rasayani Unit recorded a Net Loss of Rs. 104.10 crores as compared with the previous year's loss of Rs. 104.37 crores.

#### Reporting to BIFR under SIC(SF)Act, 1985 .

In view of the fact that as on 31-03-2012 as the Company's Accumulated Losses have resulted into erosion of more than 50% of the Peak net worth (of the immediately preceding 4 years), Company is taking necessary steps under Section 23(c) of SIC (SF)Act, 1985.

#### OPERATIONS :

During the year under report your company's Kochi unit achieved a sales turnover of 64298 MTs valuing 43200 Lacs as against 84082 MTs valuing 58120 Lacs of the previous year.

With the production of 178792 MTs during the year 2011-12 as against the production of 251007 MTs in 2010-11, your company could achieve an overall capacity utilization of 42% during the year. Your company has recorded the sale of 115566 MTs during the year (previous year 145173 MTs) valuing Rs.54827 lacs ( previous year Rs. 66736 lacs).

The high labour cost and high incidence of cost on closed plants at Rasayani Unit are the major concerns . Company decided to operate those plants which are giving contribution. Your company has continued its cost cutting measures to counter these problems and in order to be competitive and improve performance and profitability.

#### PRODUCTION :

##### Kochi Unit:

During the year your company's Kochi unit could achieve 126076 MTs of production as against the previous year's production of 167886 MTs. The capacity utilization for the year was 82 %.

##### Rasayani Unit:

During the year your company's Rasayani unit could achieve 52716 MTs of production as against the previous year's production of 66798 MTs. The capacity utilization for the year was 27 %.

#### MARKETING :

In the highly volatile chemical market, sluggish demand & stiff

competition from import of HOC's main products, during the Year 2011-12, Company has achieved the sales turnover of Rs. 548.27 Crores (net of excise duty) as against Rs. 667.36 crores (net of excise duty) of the previous year(2010-11) . The sale value achieved because of continued support from its valuable customers and due to excellent quality products produced at Kochi and Rasayani Units. The sales volume during year 2011-12 was 1,15,566 MTs against 1,45,173.65 MTs for the year 2010-11.

#### STATUS OF OPERATIONS AND FUTURE PLANS

Refurbishment of CNA/N2O4 Plant – Ph. II is in progress with implementation of new DCS and will be completed during F.Y.2012-13.

Hydrogen Peroxide Plant capacity will be enhanced to the targeted capacity of 14,000MT/p.a. from installed capacity of 10450MT/p.a. by carrying out in house de-bottlenecking.

#### ENERGY CONSERVATION/TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS AND OUTGO

Information in accordance with the provisions required to be disclosed under Section 217(2)(e) of the Companies Act, 1956 read with the Companies (Disclosures of particulars in the Report of Board of Directors) Rules, 1988, regarding conservation of energy, Technology Absorption and Foreign Exchange Earning and outgo, are given at **Annexure II** to this Report.

#### RESEARCH & DEVELOPMENT

R&D efforts this year too have continued in the IPR (Intellectual Property Rights) portfolio as regards filing of new patents is concerned. Three numbers of Indian Patents were granted this year. After successful laboratory scale development of vapour phase continuous process for ISRO specific grade kerosene fuel, pilot plant scale study is being started. Various process parameter are being correlated by a model.

#### HUMAN RESOURCE DEVELOPMENT AND INDUSTRIAL RELATIONS:

Our strength is our Human Resource. The Company continues to recognize that human asset is very much valuable for the continual improvements in the performance of the company, particularly in the context of competition all around. The company greatly values their contribution and dedication and is committed to the development and growth of this vital resource. In order to attain the twin objective of reducing manpower and restructuring of human resources for optimum utilization of available man power. Company continues to implement Government Policy of Reservation for SC/ST and other categories. The position relating to SC/ST/Women personnel in the Company is given in **Annexure – III** to the Directors' Report.

#### II. Training

A developed human resource is an asset for the enterprise. Company gives utmost importance to enhance the skills of our employees through Training & Development Programmes. Training is imparted based on identification of Training Needs in areas such as Safety, Advanced Technology, Modern Management Techniques, Soft Skills, Energy and Environment Management Systems, First Aid, Participative Management and Workers Education, Information Technology etc. During the Financial Year 2011 - 2012 at Kochi Unit, Company has organised various Training Programmes both Inhouse and External covering 537 mandays with the help of External/Internal Experts based on requirement and identification of Training Needs. At Rasayani Unit, In house as well as outside training programs have been arranged for the benefit of the employees. During the year 2011-2012, in all 74 training programs were conducted, 1239 mandays were trained through inhouse training programs, 356 mandays were trained by sponsorship i.e. outside training and 248 mandays were trained through on job training. Thus, total 1843 mandays were trained during the year.

As part of the implementation of ERP in HOCL at Kochi Unit



much emphasis was given in imparting training to the employees. ERP training imparted in various levels, that is Core Committee Training, Steering Committee Training and Functional Heads Training and Core User Training. Training was imparted in general as well as for the Core functionalities, Usage of Employees Self Service etc. End user training on different modules are also imparted so as to keep the system more user friendly. Regular Refresher courses were arranged in Safety & ISO implementations. First Aid Recertification course was also arranged during this year.

Considering the importance of Energy conservation, training on Energy conservation by experienced faculty members from Petroleum Conservation Research Association Mumbai was conducted.

In Chemical Industry, First Aid training to the employees is of prime importance in safety point of view. Accordingly, 75 employees at Rasayani Unit were trained by Life Line Institute of First Aid & Emergency Medicine, Thane, Mumbai.

### III. Industrial Relations

By and large the climate of harmonious and cordial industrial relation was maintained in the Company throughout the year.

### IV. Suggestion Scheme

The Suggestion Scheme is in existence in the Company. All employees in the Company are eligible to participate in this scheme. The Suggestions received from the employees are evaluated by a Suggestion Committee and the selected suggestions are awarded with Cash Prizes ranging from Rs.100/- to Rs. 5000/-

### CORPORATE SOCIAL RESPONSIBILITY

The company is very much conscious about its social responsibility, right from its inception. To fulfill this, company has provided basic civic amenities to the neighboring villages, rendering assistance to the neighborhood in different forms viz. Financial assistance, drinking water supply, medicine, etc.

To promote school education, company is giving scholarship to X and XII Std. Students. Company extends need based assistance to deserving SC/ST students in the nearby villages of their graduate education. Company also extends vocational training facilities to the wards of employees studying in nearby engineering colleges/ and Management institutes for enhancing their practical knowledge. Company also engages diploma (sandwich course) apprentices as a part of their curriculum for imparting practical training.

Company has also constructed and maintained a hall in the name of Bharatratna Dr. Babasaheb Ambedkar with a view to provide a platform for discussion / seminars/ symposiums on principles / teachings of Dr. Babasaheb Ambedkar.

HOCL, Kochi Unit has sponsored Medical Equipments to Govt. Taluk Headquarters Hospital, Tripunithura at a total cost of Rs.8,70,000/-. Kochi Unit has donated Rain Coats to Ambalamedu Police Station for the use of Police Personnel and Uniforms to the poor students of Mar Athanasius High School, Kakkanaad .

### PARTICULARS OF EMPLOYEES – INFORMATION REQUIRED UNDER SECTION 217(2A) OF THE COMPANIES ACT, 1956

No employee of the Company has drawn the remuneration during the year 2011-12 or any part thereof, in excess of the limits specified under the Company's (Particulars of Employees) Rules 1975.

Accordingly particulars of employees' remuneration prescribed u/sec 217 (2A) of the Companies Act, 1956 are not furnished.

### VIGILANCE

The Vigilance Department, headed by Chief Vigilance Officer, appointed by Government of India on deputation, has three main functional Offices, one at Rasayani (Raigad) in Maharashtra, and at Ambalamugal (Kochi) in Kerala and another at Corporate office, Mumbai. Keeping in view of the Principles of Corporate Governance, the main focus of the Vigilance department has been

to help the sincere, dedicated and honest personnel working in the Organization to discharge their duties effectively and efficiently so that the target of optimum turnover and profitability are achieved in a transparent manner. More emphasis is given in improving the functioning of all sections and maintaining transparency.

The Vigilance department takes appropriate and timely action in respect of complaints received. There is a comprehensive complaint handling policy and prescribed punitive action is duly suggested, after conducting fair and impartial investigation/enquiry, where ever required. The Annual Property Returns of the Officers are periodically scrutinized and inspection of departmental activities are undertaken to detect deviations, if any, and suggest corrective measures. Various Vigilance Awareness Programmes, as per guidelines issued by the CVC, are observed and awareness sessions are conducted for the personnel regarding vigilance related matters as well as in respect of CDA Rules, RTI Act, PIDPI (Whistle Blowers Act) etc. from time to time. The vigilance department has been instrumental in updating the existing manuals and policies i.e. the Purchase Policy, the Works Policy, the Marketing Manual, the Vigilance Manual etc., so that the laid down procedures, policies, rules, regulations etc., of the Company and that of the Central Vigilance Commission are duly followed.

### HEALTH, ENVIRONMENT, FIRE & SAFETY

#### Health :

- Based on the toxicity of chemicals periodic medical examination of all the employees is carried out by doctors specially trained in occupational health and hygiene at Company's Health Centers at both the units.
- Various health awareness training programs were carried out by specialist doctors (both external and internal) for the benefit of employees. Large number of employees attended the same.

#### Environment, Fire & Safety:

The Company pays special attention to ensure safety of the factory and workers employed therein.

The Company accords the same priority attention to safety aspects as it does to production and productivity, be it in a personal safety, process safety, environmental safety or product stewardship and allocated adequate resources of men, machine, money, time and energy to maintain the standards. Thus performance during the year is very good. During the year under review, Company has Nil reportable accidents.

The company continued to maintain good safety record without any major accident of Fire. Consistent safety training, safety audit, safety inspection and Hazop studies were performed to keep the safety standard high. The company is taking active participation in Off-site Emergency drills, Local and District Crisis group activities. In order to augment our fire fighting capacity, mutual aid scheme for emergency help between HOCL, BPCL – KR & FACT (CD) is in existence.

HOC is a signatory to "Responsible Care" movement. We are committed to the concept of self-realization and improvement in all aspects of safety.

Emergency Response Centre (ERC), a voluntary commitment undertaken by Rasayani unit to tackle emergencies arising out of road transportation of hazardous chemicals is functioning quite well and this effort is acknowledged by general public as well as government authorities.

Our employees have bagged maximum awards in zonal level safety competitions. HOC is a major contributor to Mutual aid Response Group - Khopoli, Rasayani, Patalganga zone (MARG-KRAPA). HOCL Kochi unit could maintain the quality of treated effluent, stack emission and ambient air quality well with in the limits stipulated by statutory authorities through out the year.

HOC Kochi unit received safety awards from Dept. of Factories & Boilers, Govt. of Kerala for outstanding performance in industrial safety for the year 2011.





The Company has made it mandatory to have fire and safety training for all employees.

#### ISO CERTIFICATION :

HOCL, Rasayani Unit, has been awarded ISO-9001:2008 certificate on 11.01.2011. This certificate has been awarded by M/s Bureau Veritas Certification (India) Pvt. Ltd. and is valid till 9/02/2014.

First Surveillance Audit was carried out under ISO-9001:2008 standard on 10th & 11th January, 2012 by M/s. BVCI.

HOC Kochi unit is an ISO 9001: 2008 (Quality Management System) and ISO 14001: 2004 (Environmental Management System) certified unit.

BVCI conducted recertification audit of ISO 9001: 2008 and recertification is valid up to 18th June 2014.

BVCI recertified HOC Kochi unit for ISO 14001:2004, Environmental Management System and certificate is valid up to 19th November 2014.

#### IMPLEMENTATION OF OFFICIAL LANGUAGE POLICY

In compliance of section 3(3) of the Official Language Act, 1963 and Official Language Rules 1976 framed thereunder, Company has implemented various measures effectively given in the annual programme for 2011-12 . All documents coming under Section 3(3) like Part I Orders, Part II Orders, Circulars, Administrative and other Records, Press-Release etc. were issued bilingually. All Hindi Letters were answered in Hindi only. Our Company participated in all the programmes organized by Mumbai Town Official Language Implementation Committee.

To comply with the provision of Official Language Act 1963 and Rules there under we have implemented various items at both Units as per the Annual Program for the year 2011-12

- The Hindi letters received are being replied in Hindi to comply with the rule 5 of Official Language Rules 1976. All name plates, Sign Boards, Visiting Cards, daily Official Letters and letter heads are prepared in Bilingual form. All documents that are issued under rule 3(3) of Official Language Act 1963 are prepared in bilingual form.
- Cash Incentive scheme for doing original work in Hindi is existing in our Units and during September 2010 to August 2011-12 employees have received the incentive. To improve the Hindi word power of the employees, one bilingual word is being exhibited in the presto board kept in the reception and the list of the same is being circulated in the end of the month.
- To comply with the Official Language Policy of the Government, Workshops on Official language are regularly conducted for the employees who possess working knowledge in Hindi so as to encourage them to use Hindi in their day to day office work. 5 workshops and One Unicode training were conducted during the period under report.
- Kochi Unit received Third Prize for Best Implementation of OL from Kochi Town Official Language Implementation Committee.
- Hindi Fortnight was organized at both Rasayani and Kochi Units and in the Corporate Office in Mumbai from 14th September, 2011 to 28th September, 2011. During this period various competitions were organized. Employees were actively participated in these competitions.
- Efforts are being made to fulfil the target set in the Annual Programme issued by Department of Official Language, Ministry of Home Affairs. CMD has himself participated in the Hindi Salahakar Committee Meeting of the Chemicals & Fertilizers Ministry in the year 2011.
- A five days Hindi Translation Training programme was organized with the help of HTS Mumbai. For the progressive use of Information Technology through medium of Hindi all the computers are being loaded with Unicode.

#### INSURANCE

All properties and insurable interest of the Company including building, plant and machinery and goods are adequately insured. As required under Public liability Insurance Act, 1991 the company has taken necessary insurance cover.

#### FIXED DEPOSITS

With regard to Fixed Deposits, nothing is outstanding towards Fixed Deposits for the Financial Year 2011-12.

#### DEPOSITORY SYSTEM

As the members are aware your company's shares are tradable compulsorily in electronic form and your Company has established connectivity with both the depositories i.e. National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL). In view of the enormous advantages offered by the Depository system, Members are requested to avail the facility of dematerialisation of the Company's shares on either of the depositories as aforesaid.

#### MANAGEMENT DISCUSSION AND ANALYSIS REPORT

In accordance with the listing agreement, the Management Discussion and Analysis Report is annexed hereto in **Annexure V** and forms part of the Directors' Report.

#### CORPORATE GOVERNANCE

The Company has complied with the various requirements of Corporate Governance. The details in this regard form part of this report in **Annexure VI**.

#### RESPONSIBILITY STATEMENT

The Directors confirm:

- that in the preparation of the annual accounts, the applicable accounting standards have been followed and that no material departures have been made from the same;
- that they have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the company at the end of the financial year and of the profit or loss of the company for that period;
- that they have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956, for safeguarding the assets of the company and for preventing and detecting fraud and other irregularities;
- that they have prepared the annual accounts on a going concern basis.

#### HINDUSTAN FLUOROCARBONS LIMITED : (Subsidiary).

#### OPERATION AND OVERALL PRODUCTION AND MARKETING PERFORMANCE:

During the year, the sales turnover was Rs.4557.30 lacs as against Rs.3039.38 lacs in the previous year. During the year under report production of PTFE was 139.19 MTs as against 124.58 MTs in the previous year. During the year, 291.77 MTs of CFM-22 was sold in the market and balance quantity was used as feed stock to manufacture various products including Fluoro Specialty Chemicals. Accordingly, during the year 265.17 MTs of Tetra Fluoro Ethylene (TFE) was used to manufacture TFE-ETHER. Quality of company's all products continued to be well accepted by the customers. Company has achieved 100% capacity utilization consecutively for this year also and produced 1265 MTs. This will enhance revenue earning from CDM for the next year.

#### CLEAN DEVELOPMENT MECHANISM (CDM):

Company has successfully implemented the CDM Project and earned Rs.17.47 Crore against first issuance. It is expected that during the financial year 2012-13 also, company will get CDM Income.

The Statement Pursuant to Sec. 212 of the Companies Act, 1956 is given in **Annexure I**.

#### AUDITORS

In terms of provisions of Section 619(2) of the Companies Act, 1956, the Comptroller & Auditor General of India, under its



letter No. CA V/COY/CENTRAL GOVT,HOCL(2)/102 dated 18/8/2011 has appointed M/s FORD RHODES PARKS & CO, Chartered Accountants, Mumbai as Auditors of the Company to audit the accounts of the Rasayani unit and to audit the consolidated accounts of the company. Further, C&AG under its letter No. CA V/COY/CENTRAL GOVT.HOCL (2)/102 dated 18/8/2011 has appointed M/s SASI VIJAYAN & RAJAN, Cochin as Branch Auditors to audit the accounts of Cochin unit for the year ended 31st March, 2012.

The remarks of the Board of Directors on the Auditors' Report to the members are furnished in **Annexure IV**.

The report of the Comptroller & Auditor General of India under section 619(4) of the Companies Act, 1956, on the Accounts of the Company for 2011-12 is annexed to the Statutory Auditors' Report in the Annual Report.

Pursuant to directions from the Ministry of Company Affairs for appointment of Cost Auditors, Board of Directors of the company appointed M/s V.J.Talati & Co. as the Cost Auditors of Rasayani Unit for 2011-2012 for Sulphuric Acid, Aniline, Formaldehyde, Caustic Soda, Nitro Benzene Products and M/s Panikar & Company as cost Auditors of Kochi Unit for the year 2011-12 for Phenol, Acetone & Polypropylene products .

#### DIRECTORS

The Tenure of all the Independent Directors had expired in the previous year and as no fresh appointment by the Government of new Independent Directors has been received by the Company, as on 31st March, 2012, there are no Non Official Independent Directors [NOIDs] on the Board of HOCL. However, during May, 2012, Company has received an order from the Govt. of India appointing Dr. N.J.Gaikwad from Nagpur, as Non official part time Director on the Board. We are awaiting the appointment of 4/5 Independent Directors from GOI.

The GOI has appointed vide GOI Order No. 51/05/2009-Ch-III dated 30th April, 2011, Shri J.N. Suryawanshi, CGM(Marketing) HOCL as Director Marketing, HOCL w.e.f. 30th April, 2011, the date of Assumption of Charge.

GOI has appointed Director Shri Suresh Kumar R. , General Manager (Finance), HOCL as Director (Finance) on the Board of HOCL vide GOI Order No. 51/18/2011-Ch-III dated 11th May, 2012 w.e.f.11-05-2012.

GOI has appointed Dr. N.J.Gaikwad, Professor &Head,Deptt. Dept. of Pharmaceutical Science, Rashtrasant Tukadoji Maharaj Nagpur University, for second term as part time non official Director on the Board of HOCL (from the date of assumption of the charge i.e. from 22nd May, 2012 ) , vide GOI Order No. P.51/0111/1/2012-32-Ch-III dated 9th April, 2012.

GOI has appointed Shri S.B. Bhide, Chief General Manager, HOCL as Director (Technical) on the Board of HOCL vide GOI Order No. 51/14/2011-Ch-III dated 14th June, 2012 w.e.f.14-06-2012.

During the Year, Shri M.K.Mittal has relinquished the charge as Director (Finance), in HOCL on 28th July, 2011,(AN) to enable him to repatriate to his parent Organisation viz. REC Ltd.

With the above position of the Composition of the Board of Directors, the Company is partially complying with the provisions of Clause 49 of the Listing Agreement with Stock Exchanges, as on 31.03.2012.

**In terms of Article 76(4) of the Articles of the Association of the Company, Government Nominee Directors, viz. Dr. V. Rajagopalan, Special Secretary &Financial Advisor and Dr. A.J.VaraPrasad, Joint Secretary, will retire at this 51st AGM in 2012 and are eligible for reappointment. Company has**

**received letter dtd.13/08/2012 from the Government reappointing Dr. V. Rajagopalan SS&FA and Dr. A. J. Vara Prasad, JS from ensuing 51st A.G.M. of 2012 and till the holding of the next A.G.M. of the Company to be held in 2013 or till futher Orders.**

#### ACKNOWLEDGMENT

Your Directors gratefully acknowledge the valuable guidance, support and directions given by the Government of India. Your Directors also gratefully acknowledge the support and co-operation extended by the State Governments, by the valued and esteemed customers, shareholders, suppliers, bankers, Statutory/Internal and Tax Auditors, Bondholders, and Investors.

Your Directors place on record their appreciation for the whole hearted efforts and contribution from all the employees and also acknowledge the support and co-operation of the entire Workers' Unions and Employees' Unions and their members for the smooth functioning of the Company's operations.

**For and on behalf of the Board of Directors of Hindustan Organic Chemicals Limited,**

**Sd/-**

**R. N. Madangeri**

**Chairman & Managing Director**

Place : Mumbai

Date : 08/08/2012

#### ANNEXURE –I

**STATEMENT PURSUANT TO SECTION 212 OF THE COMPANIES ACT,1956 RELATING TO SUBSIDIARY COMPANY : HINDUSTAN FLUOROCARBONS LTD.**

Rs.in lakhs

Sl.No.	Particulars	
1	In compliance with the requirement of Section 212(1) of the Companies Act,1956, the audited accounts of the subsidiary are to be enclosed.	Attached
2	Statement of Company's interest in the subsidiary company under Section 212(1(e)) read with Section 212(3) of the Companies Act given below : Extent of holding in the subsidiary	1,10,60,000 Equity Shares of Rs.10/- each fully paid up. 56.43%
3	Net aggregate amount of the subsidiary's Profit/(Loss) so far as it concerns members of the holding company & is not dealt with in the company's accounts : i) For 2011-2012 ii) For Previous financial year iii) Cumulative Total - (Loss)	Rs. 142.34 lacs Rs. 126.10 lacs Rs. (2496.77) lacs
4	Net aggregate amount of the profits of the subsidiary after deducting its losses or vice versa dealt with in the company's accounts :- i) For 2011-2012 ii) For Previous financial year iii) Cumulative Total	Nil Nil Nil

#### ANNEXURE II

**ENERGY CONSERVATION/TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS AND OUTGO.**

**Energy Conservation Measures taken :**

##### A. Rasayani and Kochi Units :

1. Conventional horizontal boiler feed water pump was replaced with high efficiency vertical pump in hydrogen plant at Rasayani unit resulting in savings of 4500 kwh per month of electrical energy.

- Replacement of convection zone steam coils in hydrogen plant at Rasayani unit has enhanced the heat recovery from 2tons per ton to 7.57 ton per ton of gas production.
- Interlinking of various sub stations at Rasayani unit has resulted in switching off few under utilized transformers. This has resulted in savings of about 50,000 kwh of electrical energy per month.

**Future Plans (Rasayani & Kochi Units):**

- Replacement of existing centrifugal air compressor with high efficiency compressor in oxygen plant at Rasayani unit.
- Conversion of boiler and hot oil system for CNG fuel is in progress at Kochi unit and will result in substantial savings on fuel oil cost.
- Installation of screw compressor to replace reciprocating compressor in Instrument air system at Kochi unit is in progress. This will result in saving of electrical energy.
- Installation of solar panel for hot water in canteen at Kochi unit.
- Installation of VFDs on selected motors at Kochi unit to save electrical power.

**Form- A****Disclosure of Particulars with Respect to Conservation of Energy.****A. Power and Fuel Consumption:**

	Current Year 2011-12	Previous Year 2010-11
<b>1. Electricity</b>		
a) Purchased (unit)	5,87,69,351	6,56,51,400
Total amount (Rs.)	28,64,68,665	29,83,59,979
Rate per unit (Rs.)	4.87	4.54
b) Own generation		
i) Through LSHS	8,66,916	19,24,044
j) units per Kg. of LSHS	4.83	4.84
Cost per unit (Rs.)	7.71	5.81
ii) Through steam generation	NIL	NIL
Units per litre of fuel oil	-	-
Cost per unit (Rs.)	-	-
<b>2. Coal</b>	NIL	NIL
<b>3. Furnace Oil/ LSHS</b>		
Quantity (MT)	16,432	21,256
Total Amount (Rs.)	59,50,82,052	56,67,82,92
Average rate (Rs.)	36,215	26,665
<b>4. Others/ Internal Generation</b>	NIL	NIL
(a) Others- Diesel (Litre)	NIL	NIL
(b) Internal Generation	NIL	NIL

**Consumption per unit of Production**

Product	Standard		2011-12		2010-11	
	power consumption (kwh/MT)	Prod. (MT)	Power consumption (kwh/MT)	Prod. (MT)	Power consumption (kwh/MT)	Prod. (MT)
Nitrobenzene	56	12029	23	8123	23	23
Hydrogen	570	253	472	130	727	727
Aniline	280	3681	267	1833	359	359
Sulfuric acid	70	NIL	-	15164	117	117
Formaldehyde	100	28284	92	32038	81	81
Nitrotoluene	170	NIL	-	1733	88	88
Conc. Nitric Acid	840	8153	1226	8778	1231	1231
Propylene	30	19949	31	30001	36	36
Phenol/Acetone	599	48769	571	69892	481	481
Hy. Peroxide - 50%	2711	9749	845	10745	640	640

- Note:**
- Power consumption in formaldehyde and phenol plants is high during the year for the reason of reduction in capacity utilization.
  - Power consumption in Hydrogen Peroxide plant is high hydrogen producing plant was to be put into operation for sometime due to non availability of hydrogen gas from outside sources.

**FORM-B****1. SPECIFIC AREAS IN WHICH R&D WORK CARRIED OUT BY THE COMPANY**

- Development of a vapour phase continuous process to produce specific grade kerosene fuel— ISRO Project.
- Intellectual Property (Patent) Rights.

**2. BENEFIT DERIVED AS A RESULT OF ABOVE R&D**

- Laboratory scale development of vapour phase continuous process for ISRO- specific grade kerosene fuel was completed successfully. Sample from the same accepted by M/s. ISRO for its quality. Study regarding variation of process parameters and their correlation by a model, which is currently being done, will help in more reliable scale-up of this process at pilot plant as well as commercial levels.

- One number of Indian Patent Application filed. Three no. of Indian Patents have been granted so far. This has enhanced our credibility in the intellectual property area.

**3. FUTURE PLANS**

- Optimization of process parameters and development of scale up model for kerosene hydrogenation process.
- Scale up of laboratory scale kerosene hydrogenation processes to pilot plant scale and initial trial runs at this scale.
- Intellectual Property (Patent) Rights. Recognition of In-house R&D unit for the company has been renewed by Ministry of science and Technology— DSIR upto March 2017.

**4. EXPENDITURE ON R&D :**

- |                         |                    |
|-------------------------|--------------------|
| (a) Capital Expenditure | : Rs. NIL          |
| (b) Revenue Expenditure | : Rs. 70.52 Lakhs  |
| (c) Total               | : Rs. 70.52 Lakhs. |

**TECHNOLOGY ABSORPTION, ADAPTATION AND INNOVATION****1. Efforts in brief, made towards technology absorption, adaptation and innovation**

- Preparation of repelletized catalyst from spent aniline catalyst on 5 kg scale was established.
- The reproducibility of the batch process to produce specific grade kerosene fuel for meeting ISRO's requirements was confirmed.
- The different processes available with R&D have been displayed on HOC's website for Licensing.

**2. Benefits derived as a result of above efforts, e.g. product improvement, cost reduction, product development, import substitution etc.**

- Preparation of repelletized catalyst from spent aniline catalyst will be an environment friendly route for disposal of waste material through utilization. Further, its commercial application for the production of aniline may decrease the consumption of new catalyst resulting into substantial saving.
- The batch process for the preparation of specific grade kerosene fuel will help ISRO's fuel development programmes.

**Annexure – III****Consolidated report as on 31-03-2012 (SC/ST/WOMEN) Rasayani & Kochi Unit.**

Group	Total	SC	ST	Women
A	403	56	23	25
B	381	60	12	39
C	416	53	16	36
D	74	13	4	4
Total.....	1274	182	55	102

**Annexure IV.****Reply of the Management on the Auditors' Report to the Members for the Financial Year 2011-12 .**

Sl No	Significant Qualifications made by the Statutory Auditor	Management Reply
f	No Provision has been made in the Financial Statements for the following Amounts:-	
(i)	Penal interest of Rs 672.56 lacs on overdue loan from Government of India (Note No 4B(ii))	The Company has provided the liability for Interest on loan received from the Government of India at the rate stipulated in the Sanction letter of the Government. As per the terms of sanction, Govt. of India (GOI) reserves the right to charge additional (penal) rate of Interest in case of default in payment of Principal/ Interest on due dates. In the absence of any intimation/demand from GOI for payment of additional (penal) interest, no provision was made in the accounts towards the same. This has been disclosed in the Notes to Accounts for the Year 2011-12 under Para 4 B (ii).
(ii)	Loss on account of misappropriation of Company's funds amounting to Rs 64.81 Lacs pending final report from CBI and outcome of the civil suit (Note no 37)	During 2001-02 a case of misappropriation of Company's funds to the tune of Rs 64.81 lacs by one official of the company was detected. The case is under investigation of CBI. In the meantime based on the report of Vigilance Department, a civil suit has been filed for recovery of the amount from the concerned employee who was dismissed from the service of the company. Since in the opinion of the Management the value of assets seized by CBI is sufficient to cover the losses occurred on account of fraud, no provision in the accounts is made and the amount is shown as recoverable.
(iii)	Liabilities of wages revision for the period 01.01.1997 to 31.12.2000- Rs 2308.08 Lacs at Rasayani Unit	No provision has been made for liability towards wage revision of employees of Rasayani Unit for the period from 01/01/1997 to 31/12/2000 amounting to Rs 2308.08 lacs, since the arrears are payable when the company generate adequate surplus with the prior approval of administrative Ministry. Accordingly no provision for the arrears payable as above was made in the accounts. However, during the year 2011-12 the Board of Directors with the concurrence of the administrative Ministry have decided to settle the dues of employees of Rasayani Unit during the next 4 years time period. Accordingly necessary accounting of the arrears payable will be made in the accounts depending on the release of dues in the next 4 years.
(iv)	Liabilities of wages Revision for the period 01.01.2007 to 31.03.2008 Rs 278.96 Lacs to Officers and Rs 246.31 Lacs to Staff at Rasayani Unit.	In respect of revision of wages with effect from 01.01.2007, the Board in its 327th Meeting held on 9-8-2010 decided to release arrears subject to the condition that the Company generates adequate cash surplus. Accordingly, no provision has been made for arrears payable for the period 01.01.2007 to 31.03.2008 amounting to Rs 278.96 lacs in respect of officers & Rs 246.31 Lacs to staff of Rasayani Unit. Necessary accounting will be made as and when the above dues are paid to the employees.
(v)	Claims of JNPT short provided in respect of- a) Minimum guaranteed throughput charges of Rs 1612.50 lacs b) Lease rentals and escalation on leased land of Rs 621.55 lacs (Note no. 34 E) c) Water charges of Rs 0.65 Lacs d) Way leave charges of Rs 297.10 Lacs	As per lease agreement, JNPT had the obligation to provide suitable infrastructure facilities such as approach road, common manifold etc. within the specified time. JNPT failed to provide the said facilities which resulted in Non commissioning of the tank terminal. The matter was under arbitration and pending a favorable decision the company had shown liability towards Minimum guarantee through put charges, way leave charges and the escalation in rental charges as a contingent liability. The arbitrators have since given the award on 21st May 2012 wherein the arguments of the tank terminal users association has been accepted and contingent liability to the extent of Rs 19.10 Crore stands extinguished. However, the arbitration in respect of lease rent escalation pertaining to HOCL tank terminal is in progress.
g.	Capital Work in Progress includes an Amount of Rs 2976.65 Lacs incurred on JNPT Tank Terminal Project. The construction has been suspended for more than 4 years and the lease has been called of by the lessor-JNPT after the expiry of the lease period in June 2010. The status of the project is stagnant, incomplete and of no utility since long. No Provision is made for the impairment in the value of this asset, if any, pending ascertainment of the recoverable amount (Note no 34 E).	The expenditure on the JNPT tank farm was incurred during the years 1995-97. As the market condition deteriorated the management decided to stop the construction of JNPT tank farm activity and concentrate on core business of HOCL. The Board also decided to sell the assets of JNPT Tank farm on As is Where Is Basis. The attempts made by the Company to dispose off the partially completed tank farm did not materialize. Further HOCL Management decided to form a JV with Interested Party to make the tank farm operational and requested JNPT to give necessary approval for the same. However JNPT informed that if HOCL wanted to go ahead with the proposed JV route, they have to look for a PSU partner. The company has been exploring the possibility of completing the tank farm with a PSU partner and had approached BPCL, IOCL etc. but there has not been any positive response from the PSUs. Further RCF another PSU has shown interest in joining hands with HOCL for bigger projects wherein the JNPT Tank terminal also will be included. Consultants appointed are conducting study. The company is exploring various ways of putting to use the JNPT Tank Terminal project.

**For and on behalf of the Board of Directors of  
Hindustan Organic Chemicals Limited,**

Sd/-  
**R. N. Madangeri**  
Chairman & Managing Director

Place : Mumbai  
Date : 08/08/2012

## Annexure – V

### MANAGEMENT DISCUSSION AND ANALYSIS REPORT

The Management of Hindustan Organic Chemicals Ltd (HOCL) presents its Analysis Report covering the Performance and Outlook of the Company. The Report contains business perspective and prospects based on the current environment and strategic options to steer the Company through unforeseen and uncontrollable external factors.

The petroleum feed stock prices in India are significantly higher as compared to major exporting countries. The capability of manufacturing units to earn a reasonable return has been largely affected by global competition and tightening of parameters like rationalized duty structure and strict quality controls. Moreover, the capacity in the Indian Industry is small as compared to the competitors abroad, in effect the Indian Industry is in a disadvantageous position with regard to overhead costs.

In order to prevent dumping and to reform the sector to enable it to meet global competition, active follow up is made with the Govt. for continuation of/levy of anti-dumping duties as per WTO Guidelines.

#### KEY OPPORTUNITIES INCLUDE

- Growth in certain sectors such as phenolic resins, laminates, plastics, rubber chemicals etc. in the overall markets of the country.
- High quality standard and wide spread marketing network to remain preferred supplier to large consumer all over the country.
- Growth in production/promotion of chemical industry

#### KEY THREATS INCLUDE

- Highly volatile Chemical Market
- Availability of cheaper imported chemicals
- Increasing input prices of feed-stock i.e. Benzene, Toluene, LPG, LSHS, CNG, Fuel oil etc.

#### SEGMENTWISE PERFORMANCE

The Company is primarily in the business of manufacture and sale of chemicals.

Product Segment	Year ended 31/03/2012			Year ended 31/3/2011		
	Target MT	Actual MT	Percentage Achieved	Target MT	Actual MT	Percentage Achieved
Chemicals	199240	112371	56.39 %	201100	152290	75.72%

#### PRODUCT WISE PERFORMANCE (Production of Main Products)

Sr. No.	Name of Product	F.Y. 2011-12		F.Y. 2010-11
		Target	Actual	Actual
1.	Nitrobenzene	22300	12028.956	8123
2.	Aniline	12000	3681.068	1833
3.	Formaldehyde	37000	28284.09	32038
4.	Sulphuric Acid	36400	0	15164
5.	Phenol	42000	30034	42933
6.	Acetone	26000	18735	26959
7.	H2O2	5400	4874.500	5372

#### OUTLOOK AND INITIATIVES FOR THE CURRENT YEAR

Both the units of the company have taken initiatives to improve the efficiency of the operating plants by implementing certain schemes like;

The completion of laying of natural gas pipe line up to HOCL battery limit for the supply of natural gas.

Retrofitting of hydrogen plant and steam boilers to consume natural gas as feed stock/fuel.

Both the above schemes have been implemented successfully and are operational and giving satisfactory performance as expected. Refurbishment of concentrated nitric acid plant along with capacity enhancement of di-nitrogen tetra oxide section is taken up and first phase has been completed in the year 2011-12 and second phase will be completed in 2012-13.

De bottlenecking of Formaldehyde, Sulphuric Acid and Hydrogen Peroxide is being taken up.

Viability study of world scale grass root phenol/acetone plant is carried out. The report submitted by the consultant is being studied by the company for its possible implementation.

#### SOME RISKS & CONCERNS

- The man power cost per ton of finished product remains high.
- Old depreciated plants, requires high maintenance cost.
- Huge investments required for revamp/replacement/modernization of the old plants
- In view of the fact that as on 31-03-2012 as the Company's Accumulated Losses have resulted into erosion of more than 50% of the Peak net worth (of the immediately preceding 4 years), Company is taking necessary steps under SIC (SP)Act,1985, as to reporting to BIFR etc.

#### INTERNAL CONTROL SYSTEMS & THE ADEQUACY

Internal controls are supported by Internal Audit and Management Reviews. Company ensures existence of adequate internal control through documented policy and procedures to be followed by the executives at various levels. The Management is keen on these issues and initiated various measures such as upgrading IT infrastructure, evaluating & implementing ERP software, web based application and establishing connectivity amongst manufacturing units and branch offices for effective & proactive services and business benefits.

With the objective of improving the systems and removing bottlenecks, systems review is carried out and policies and procedure manuals are amended. Both Rasayani and Kochi units have been certified under ISO-9001:2000 standards through Bureau Veritas Certification India Pvt. Ltd. (BCI). Environment Management System (EMS) of Kochi unit has been certified under ISO-14001:2004 standards through BVQI. Rasayani unit has been re-certified in January' 2008 and Kochi unit has been re-certified in June'2008 under ISO-9001:2000 standards.

As part of good Corporate Governance the Audit Committee constituted by the Board periodically reviews the internal controls, Audit Programmes, Financial Results, Recommendations of the Auditors and Management's Replies to those Recommendations.

#### REVIEW OF FINANCIAL PERFORMANCE :

The financial statements have been prepared in accordance with the requirements of the Companies Act, 1956 and Generally Accepted Accounting Principles.

The financial performance highlights are as follows:-

The sales turnover was of the order of Rs. 548.27 crores against Rs. 667.36 crores for the previous year showing a decrease of 17.84%. There was an Operating Loss before interest and depreciation of Rs. 28.01 crores against the Operating Profit of Rs 72.92 crores for the previous year. Company incurred an Interest expenditure of Rs. 23.74 crores against Rs. 21.38 crores of the previous year.

The outlook for the future appears to be good with the revival of economic growth. The Accumulated losses are likely to go down substantially during the year in view of proposed implementation of several improvement plans for Rasayani and Kochi Units and with the continued efforts on improved operations & marketing.

#### Information Technology – 2011-12

Company has effective information systems for core business areas. However, company has envisaged a plan to meet changing demands keeping in view the technological changes and the way information & communication technology offering innovative services suiting to every business needs. Company has successfully rolled out SAP at their manufacturing unit at Kochi and all branch offices. Management ensures continual effort in the ever changing technological environment, for improving and meeting with requirement like data security, information available, transparency and accuracy. Company is using open tendering / e-Tendering solution being provided by National Informatics Centre (NIC).

#### CAUTIONARY STATEMENT

Statement in this Management Discussion and Analysis describing the Company's objectives, projections, estimates and expectations may be "forward looking statements" within the meaning of applicable laws and regulations. Actual results might differ substantially or materially from those expressed or implied. Important developments that could affect the Company's operations include a downtrend in the chemical industry - global or domestic or both, significant changes in political and economic environment in India or key markets abroad, tax laws, litigation, manpower cost, exchange rate fluctuations, interest and other costs.

**(Annexure VI to Directors' Report)****REPORT ON CORPORATE GOVERNANCE****(As on 31-03-2012)**

The Directors present the Company's Report on Corporate Governance.

**(1) Corporate Philosophy/ Main Objective on Code of Governance:**

As per the Code of Governance propounded by the Government, Corporate Governance involves a set of relationships between a Company's Management, its Board, its shareholders and other stakeholders. Corporate Governance provides a principled process and structure through which the objectives of the Company, the means of attaining the objectives and systems of monitoring performance are also set. Corporate Governance is a set of accepted principles by management of the inalienable rights of the shareholders as a true owner of the corporation and of their own role as trustees on behalf of the shareholders. It is about commitment to values, ethical business conduct, and transparency and makes a distinction between personal and corporate funds in the management of a Company.

Hindustan Organic Chemicals Limited (HOCL) trusts on the conduct of its business activities and enhance the value of all those who are associated with the Company viz. shareholders, customers, suppliers, creditors, Government of India, Ministry of Chemicals and Fertilizers, Department of Public Enterprises, Various State Governments, other Governmental agencies/ departments and the society at large. Essentially, it involves practicing good Corporate Governance and HOCL believes in transparency, accountability and attaining maximum level of enrichment of the enterprise. HOCL also prize the global recognition by ensuring the integrity, value addition to its domestic as also the international customers in its product commitments.

**2. Board of Directors.**

The Board of Directors oversees all major actions proposed to be taken by the Company. The Board also reviews and approves the strategic and business plans including monitoring corporate performance.

**a) Composition of the Board :**

In accordance with the provisions of the Articles of Association of the Company (as amended from time to time) the number of Directors of the Company shall neither be less than three nor more than fifteen. The Directors shall not require to hold any qualification shares.

As on 31-03-2012 the Board of HOCL consisted of Four members with 2 Executive Directors and 2 Non-Executive Directors, who are acknowledged as leading professionals in their respective fields. Other than the Two Whole Time Directors, the other Two members of the Board are Government Nominee Directors.

As during the previous year, the Tenure of all the Independent Directors had expired and as no fresh appointment by the Government of new Independent Director has been received by the Company, as on 31st March, 2012, there are no Non Official Independent Directors [NOIDs] on the Board of HOCL. However, during May, 2012, Company has received an order from the Govt. of India appointing Dr. N.J.Gaikwad from Nagpur, as Non official part time Director on the Board. We are awaiting the appointment of 4/5 Independent Directors from GOI.

The GOI has appointed vide GOI Order No. 51/05/2009-Ch-III dated 30th April, 2011, Shri J.N. Suryawanshi, CGM(Marketing) HOCL as Director Marketing, HOCL w.e.f. 30th April, 2011, the date of Assumption of Charge.

GOI has appointed Director Shri Suresh Kumar R., as Director (Finance) on the Board of HOCL vide GOI Order No. 51/18/2011-Ch-III dated 11th May, 2012 w.e.f.11-05-2012.

GOI has appointed Dr. N.J.Gaikwad, Professor & Head, Deptt. of Pharmaceutical Science, Rashtrasant Tukadoji Maharaj Nagpur University, for second term as part time non official Director on the Board of HOCL (from the date of assumption of the charge i.e. from 22nd May, 2012), vide GOI Order No. P.51/011/1/2012-32-Ch-III dated 9th April, 2012.

GOI has appointed Shri S.B. Bhide, Chief General Manager, as Director (Technical) on the Board of HOCL vide GOI Order No. 51/14/2011-Ch-III dated 14th June, 2012 w.e.f.14-06-2012.

During the Year, Shri M.K.Mittal has relinquished the charge as Director (Finance), in HOCL on 28th July, 2011, (AN) to enable him to repatriate to his parent Organisation viz. REC Ltd.

With the above position of the Composition of the Board of Directors, the Company is partially complying with the provisions of Clause 49 of the Listing Agreement with Stock Exchanges, as on 31.03.2012.

**The constitution of the Board is given below :****Details of the Board of Directors during the year 2011-12 were as under:- (As on 31-03-2012)**

Sr.No.	Name of the Director	Category Of Director (ED, NED, NEID)	No. of Other DirectorShips	MemberShip in Other Board	Committees ChairmanShip in Board / Committee
1.	Shri R.N. Madangeri	(ED)CMD	2	5	5
2.	Shri M.K. Mittal	(ED)Dir.(Fin.)	2	6	-
3.	Shri J.N.Suryawanshi,	(ED)Dir.(Mktg.)	2	3	-
4.	Dr. V. Rajagopalan, SS&FA	NEDGovt. (Nominee) Director	5	3	3
5.	Mrs. Neelkamal Darbari, J.S.	NEDGovt.(Nominee)Director	1	1	-
6.	Dr. A.J.VaraPrasad, J.S.	NEDGovt.(Nominee)Director	1	1	-

ED-Executive Director

NED-Non-Executive Director

NEID – Non-Executive Independent Director / Non Official Independent Director.

Note : The information in the table relates to Indian Public Limited Companies only.

**Changes in the Board of Directors**

- GOI has appointed Director Shri J.N. Suryawanshi as Director (Marketing) on the Board of HOCL vide GOI Order No. 51/05/2009-Ch-III dated 30th April, 2011.
- GOI has appointed Smt. Neelkamal Darbari, J.S. in the Ministry of Chemicals & Fertilizers vide Order No. 51/11/95-Ch-III(VOL-III) dated 4th August, 2011, as Part time Govt. Director on the Board of HOCL with immediate effect from 04-08-2011.
- GOI has appointed Dr. A.J.VaraPrasad, J.S. Ministry of Chemicals & Fertilizers vide Order No. 51/11/95-Ch-III(VOL-III) dated 14th December, 2011, as Part time Govt. Director on the Board of HOCL with immediate effect from 14-12-2011.
- GOI has appointed Director Shri Suresh Kumar R. GM (Finance) HOCL Kochi, as Director (Finance) on the Board of HOCL vide GOI Order No. 51/18/2011-Ch-III dated 11th May, 2012.



5. GOI has appointed Dr. N.J.Gaikwad, Professor & Head, Deptt. Dept. of Pharmaceutical Science, Rashtrasant Tukadoji Maharaj Nagpur University, for second term as part time non official Director on the Board of HOCL (from the date of assumption of the charge i.e. from 22nd May, 2012), vide GOI Order No. P.51/011/1/2012-32-Ch-III dated 9th April, 2012.
6. GOI has appointed Shri S.B. Bhide, Chief General Manager, as Director (Technical) on the Board of HOCL vide GOI Order No. 51/14/2011-Ch-III dated 14th June, 2012 w.e.f.14-06-2012.
7. Shri M.K.Mittal relinquished the charge as Director (Finance), in HOCL on 28th July, 2011, (AN) to enable him to repatriate to his Parent Organisation viz. REC Ltd.

**b) Brief resume of Directors appointed, their other Directorship, Membership/Chairmanship in other Committees etc.**

**Shri. J.N. Suryawanshi** :- Director (Marketing)  
Qualifications : Science Graduate & Post Graduation in Management

Business/Occupation: Director (Marketing) in HOCL w.e.f. 30/04/2011

Experience : 30 years experience in Marketing Dept. in HOCL.

**Smt. Neelkamal Darbari, J.S.** :- Director (Govt. Nominee) in HOCL w.e.f. 4/08/2011

Qualification : M.Phil., MBA.  
Business/Occupation: Joint Secretary in the Dept. of Chemicals & Petrachemicals, Ministry of Chemicals & Fertilizers, Government of India.

**Dr. A.J.VaraPrasad, J.S.** :- Director (Govt. Nominee) in HOCL w.e.f. 14/12/2011

Qualification : B.Sc.(Agr.), M.Sc.(Agr.), Ph.D.

Business/Occupation: Joint Secretary in the Dept. of Chemicals & Petrachemicals, Ministry of Chemicals & Fertilizers, Government of India.

**Dr. N.J.Gaikwad** :- Non Official Part Time (Independent) Director, w.e.f.22-05-2012

Qualification : M.Pharm., PH.D., LL.B., D.B.M.B.J.

Business / Profession : Professor & Head, Deptt. Dept. of Pharmaceutical Science, Rashtrasant Tukadoji Maharaj Nagpur University.

**Shri. Suresh Kumar R.** :- Director (Finance) [w.e.f.11-05-2012]  
Qualifications : B.Com., F.C.A., DISA[ICAI], CICA.

Business/Occupation: Director (Finance) in HOCL w.e.f. 11/05/2012.

Experience :

- May, 2009 to May, 2012 - GM(Finance), HOCL, Ambalamugal.
- April, 2006 to May, 2009 - GM(Finance), Cochin International Airport Ltd.
- February, 2003 to April, 2006 - Roads & Bridges Development Corporation Financial Controller of Kerala Ltd, Kochi.
- November, 1999 to October, 2002- Finance Manager- Kerala Shipping & Inland Navigation Corporation Ltd, Kochi.

**Shri. S.B. Bhide** :- Director (Technical) [w.e.f.14-06-2012]  
Qualification : B.E. (Mechanical)

Business/Occupation: Government Service, Director (Technical) in HOCL

Experience :

- Operation and Maintenance of utilities.
  - Operation and Maintenance of continuous process plant.
  - Execution of projects Formaldehyde, JNPT Tank terminal, Revamping & restart up of caustic soda.
  - Head of Mechanical department for 10 yrs. Head of production & Engineering division.
  - Acted as Factory Manager for HOCL's Rasayani unit.
  - Ungone process training for 4 weeks at Sweden.
  - Member of the Board of Examiners for Maharashtra State Boiler proficiency and competency.
- Overall 30 yrs of Experience in HOCL manufacturing of organic chemical & intermediates.

**c) Meetings of the Board :**

The Board meets statutorily as also as many times as may be warranted, at its Corporate Office, Registered Office and other locations, as convenient to the Directors. The Company Secretary serves as Secretary to the Board and its Committees.

**Board Agenda and Material :**

The Board believes that a carefully planned agenda is important for effective Board Meetings. All major issues included in the Agenda are backed by comprehensive background information to enable the Board to take decisions. The Agenda is flexible enough to accommodate unexpected development (s), which require Board's attention and its decision. Agenda papers are generally circulated well in advance to the members of the Board. The Board Members, in consultation with the Chairman may bring up any relevant matter for the consideration of the Board.

The Board of the Company met 7 times during the financial year 2011-12 on the following dates :

30/05/2011, 18/07/2011, 5/08/2011, 3/11/2011, 05/01/2012, 10/02/2012 & 29/03/2012.

The Company placed before the Board, the Budgets, annual operating plans, performance of the business and various other information, including those specified in Annexure 1 of the Clause 49 of the Listing Agreement, from time to time.

**d) Attendance of Directors at Board Meetings and Annual General Meetings:**

The attendance of the Board Meetings and Annual General Meetings were as under: For the year 2011-12.

Directors	No. Of Board Meetings Attended	Attendance at the last AGM
Shri. R.N.Madangeri	7	Yes
Shri M.K. Mittal	2	Yes
Shri J.N.Suryawanshi	6	Yes
Dr. V. Rajagopalan	4	Yes
Smt. Neelkamal Darbari	1	No
Dr. A.J.VaraPrasad	3	No

**e) Information supplied to the Board:**

Among others, information supplied to the Board includes:

- Annual operating plans and budgets, capital budget, updates,
- Quarterly results for the Company and its operating divisions or business segments,
- Minutes of meetings of Audit Committee and other Committees,
- Important show cause, prosecution and demand notices,
- Any materially relevant default in financial obligations to and by the Company,
- Significant labour issues,
- Compliance of any regulatory, statutory nature or listing requirements and shareholder service such as payment of dividend and share transfer.

**3. Remuneration of the Directors**

Details of remuneration paid / payable to the Directors for the year ended March 31, 2012 are as follows :

**DETAILS OF REMUNERATION PAID TO THE DIRECTORS FOR THE YEAR 2011-12**

Name of Directors	Salary including Perks (₹)	Arrears	Retirement benefits	Sitting Fees & OPE	Total Amt. in (₹)
Shri. R.N.Madangeri, CMD	16,99,283.17	Nil	2,12,510.50	-	19,11,793.67
Shri M.K. Mittal, DF	05,03,326.72	Nil	0,57,710.06	-	05,61,036.78
Shri J.N.Suryawanshi, DM	13,54,046.01	Nil	1,67,330.59	-	15,21,376.60
Dr. V. Rajagopalan, SS&FA	N.A.	Nil	Nil	Nil	Nil
Dr. A.J.Vara Prasad, JS	N.A.	Nil	Nil	Nil	Nil

The Executive Directors have been appointed by the President of India for a period of five years or till attaining the age of superannuation, whichever is earlier. The appointment may be terminated even during this period by either side on three months notice or on payment of three months salary in lieu thereof.

\* The Company has not given any stock options.

\* Non-executive Directors: The Company does not pay any remuneration to its non-executive Directors.

**4. Board Committees :**

The following Committees have been constituted with its own specific charter of Responsibilities. In these Committees, the Committee members play an important role in deliberations of the Meetings and visualize the enrichment of the Company through their respective expertise and Public Policy.

Presently there are 2 Committees constituted by the Board of Directors - Viz. Audit Committee of Directors, Share/Bonds Transfer /Shareholders' Bond holders'/Investors' Grievance Committee, .

**I. Audit Committee of the Directors :** (w.e.f.30-05-2011).

Due to the nonexistence of NOIDs from 8/1/2011, there was partial compliance of Cl. 49 of the Listing Agreement. Subsequently, Audit Committee was reconstituted on 30/5/2011 in compliance of requirement of Audit Committee under the Listing Agreement and under Companies Act, 1956, at the Board meeting held on 30/5/2011.

Thereafter, the Board at its Meeting held on 30/5/2011 has reconstituted the Audit Committee comprises of (1) Dr. V. Rajagopalan, AS&FA, Chairman of the Audit Committee (2) Shri M.K. Mittal, D(F), Member of A.C. (up to 28-07-2011) (3) Shri J.N. Suryawanshi, D(M), Member of A.C., Smt. Neelkamal Darbari, J.S., (w.e.f.4-11-2012) /Dr. A. J .VaraPrasad, J.S., Member of A.C., (From 10-02-2012) and (4) Mrs. Susheela S. Kulkarni, Company Secretary and Secretary of the Audit Committee.

The Committee met 3 times during the year on the following dates : 30/05/2011 ; 10/02/2012 & 29/03/2012;

Directors	No. Of Audit Committee Meetings Attended
Dr. V.Rajagopalan	3
Shri. J.N.Suryawanshi	3
Smt. Neelkamal Darbari	1
Dr. A.J.Vara Prasad	2

- (i) **Terms of Reference:** Apart from all the matters provided in Clause 49 of the Listing Agreement and Section 292(A) of the Companies (Amendment) Act, 2002, the Committee reviewed reports of the Internal Auditors, met Statutory Auditors periodically and discussed their findings, suggestions, internal control systems, compliance with the accounting standard, scope of audit, observations of the Auditors and other related matters. The Committee also reviewed the major accounting policies followed by the Company. The Committee invited senior executives as it considers appropriate at its meetings. CMD, Head of Internal Audit attend the meetings of Audit Committee as special invitees. The representatives of the Statutory Auditors are also invited to attend the meetings. The Company Secretary is Secretary to the Committee.

**ii. Shares/Bonds Transfer / Shareholders' Bond holders' / Investors' Grievance Committee.****Terms of Reference:**

As required under the Companies Act, 1956, as on 31st March 2012, the Company already has a Share Transfer Committee comprising of Shri R.N. Madangeri, CMD as Chairman, Shri J.N.Suryawanshi, Director (Marketing), and Mrs. S. S. Kulkarni, Company Secretary, as its members. The quorum of the committee is Two Directors. Mrs. Susheela S. Kulkarni, Company Secretary is designated as the Compliance Officer and acts as Secretary to the Committee.

Subsequently the said committee has been reconstituted to include Director (Finance) Shri Suresh Kumar R. and Director (Technical) Shri S. B. Bhide as its Member.

**Share/Bonds Transfer System**

The Company's Share/Bonds Transfer / Shareholders Grievance Committee is authorised to transfer securities as and when they are received and to redress the investor's

grievances / complaints. The dematerialised shares are directly transferred to the beneficiaries by the depositories.

The Company seeks to ensure that all transfers are approved for registration within the stipulated period. With a view to expediting the approval process, the Committee meets regularly and approves all matters related to Shares and Bonds vis-à-vis transfers, deletion, transmission, dematerialisation and rematerialisation of Shares and Bonds. There was no pending complaints and requests for demat. This Committee is also vested with the requisite powers and authorities to specifically look into the redressal of shareholders and investors grievances.

The letters received from the Investors were attended/ resolved to the satisfaction of the investors. The transfer of shares was effected within the stipulated time.

The Committee met 24 times during the year. The Details are as under:

11/04/11, 22/04/11, 5/05/11, 25/05/11, 05/06/11, 21/06/11, 6/07/11 20/07/11, 05/08/11, 25/08/11, 7/09/11, 20/09/11, 4/10/11, 24/10/11, 4/11/11, 14/11/11, 30/11/11, 21/12/11, 4/01/12, 18/01/12, 04/02/12, 27/02/12, 12/03/12 & 21/03/12.

**Summarised information on complaints received and resolved during 1st April 2011 to 31st March, 2012**

Sr. No.	Nature of Complaint	Received	Redressed	Pending as on 31/3/2012
<b>DIRECT:</b>				
1.	Non receipt of dividends/ Warrants	-	-	-
2.	Non receipt of share Certificates	-	-	-
3.	Miscellaneous	-	-	-
<b>SEBI :</b>				
4.	Non receipt of dividend warrants	01	01	-
5.	Non receipt of share certificates	-	-	-
6.	Miscellaneous	01	01	-

**No. of Pending Share Transfers**

As on 31st March, 2012 there are Nil Share transfer cases pending.

**iii. Remuneration Committee**

In view of the non existence of Independent Directors on the Board, the Board pursuant to the provisions under the Articles of Association of the Company could not constitute the Remuneration Committee of the Board, during the year, 2011-12.

The Terms of Reference of the previous year's Remuneration Committee among other things included issues relating to the fixing of Remuneration of the Employees, wage related negotiations with the Employees Unions, and fixation of Remuneration of the Employees as per Govt./ DPE Guidelines, Orders etc. to put up the same to the Board for its consideration.

The Non-Executive Directors are not paid any remuneration except sitting fees for attending the meetings of the Board or Committees thereof. However, Government Nominee Directors are not paid any Sitting Fees.

**5. Annual General Meetings**

The last three Annual General Meetings of the Company were held as under

Particulars	FY 2008-2009	FY 2009-2010	FY 2010-2011
Date and Time	30-09-2009 3.00 p.m.	27-08-2010 3.00 p.m.	25-08-2011 3.00 p.m.
Venue	Rasarang Hall Dr.Kasbekar Park	Rasarang Hall Dr.Kasbekar Park	Rasarang Hall Dr.Kasbekar Park
	At PO :Rasayani, Dist.Raigad Pin - 410 207	AtPO :Rasayani, Dist.Raigad Pin - 410 207	At PO :Rasayani, Dist.Raigad Pin - 410 207

No Special resolutions were passed through postal ballot at the last Annual General Meeting (AGM).

No special resolutions are proposed through postal ballot at the forthcoming Annual General Meeting.



**6. Disclosures:**

- There was no materially significant related party transaction with its Directors/or the Management or Subsidiary or relatives that may have potential conflict with the interests of Company at large ;
- There was no case of Non-compliance by the Company of Statutory Provisions of the Companies Act, 1956 (except Section 292A Reg: Provisions on Audit Committee) or SEBI Regulations or provisions of Listing Agreement (except Clause 49II) or any other Statutory Authority. Further, these authorities have never passed any strictures or imposed any penalties on the Company on any matter related to capital markets, during the last three years ;
- It is affirmed that no personnel has been denied access to the audit committee;
- Details of compliance with mandatory requirements and adoption of the non-mandatory requirements of this clause - are provided in this report;

**7. Means of Communication**

- The quarterly, half-yearly reviewed and annual audited financial results are regularly posted by the Company on its website <http://hocl.gov.in> .
- These Quarterly, half-yearly reviewed and annual audited financial results of the Company are also submitted to the Stock Exchanges immediately after they are approved by the Board.
- The results are published in Regional Language (Navashakti) and English National Daily (The Free Press Journal) as per the requirements of the Listing Agreement with the Stock Exchanges.
- Management Discussion and Analysis Report forms part of this Annual Report.
- Whenever a Director is appointed or re-appointed, Stock Exchanges are intimated through Fax/Speed Post/Courier Service.

**8. General Shareholders' Information****Compliance Officer**

Smt. Susheela S. Kulkarni, Company Secretary is the Compliance Officer of the Company under Clause 47 of the Listing Agreement.

**Registered Office** At & Post: Rasayani, Dist. Raigad, Maharashtra 410 207.

**a) Annual General Meeting :**

Date & Time : 28th September, 2012 at 3.00 p.m.  
Venue : At Rasarang Hall, Dr.Kasbekar Park, Rasayani, Dist.Raigad 410207

**b) Financial Calender :**

The Company follows April - March as its Financial Year. The Results for every quarter beginning from April, are normally declared in the following month or within 45 days of the end of the Quarter except for the last quarter for which the results are declared by May or within 60 days as permitted under the Listing Agreement.

**c) Dates of Book Closure (Proposed) :**

(For the Purpose of Annual General Meeting)  
From 20/09/2012 to 28/09/ 2012 ( both days inclusive)

**d) Dividend payment date :** Not Applicable**e) Listing on Stock Exchanges :**

Presently the shares of the Company are listed on The Bombay Stock Exchange Ltd., Mumbai, National Stock Exchange of India Ltd., Mumbai.

\*Though the Company's shares are listed at Calcutta Stock Exchange Ltd., Company has already submitted application along with all the details for delisting of its Equity Shares from this Stock Exchange. However, the Company is still awaiting the confirmation on De-listing from the said Stock Exchange.

**f) Stock Code at BSE :** 500449**g) Registrar & Share Transfer Agents :**

M/s Sharepro Services (India) Pvt. Ltd  
13 AB, Samhita Warehousing Complex  
2nd Floor, Near Sakinaka Telephone e, Exchange,  
Andheri - Kurla Road, Sakinaka,  
Andheri (E), Mumbai - 400 072

**h) Demat ISIN at NSDL /CDSL :** INE048A01011**i) Market Price Data**

- a) High/Low of market price of the equity shares traded on the **National Stock Exchange of India Ltd.**, Mumbai for the year 2011-2012 was as follows:

Month	Monthly Highest	Monthly Lowest
April, 2011	41.40	33.35
May, 2011	37.80	31.50
June, 2011	37.60	30.30
July, 2011	35.10	31.10
August, 2011	31.90	22.40
September, 2011	27.50	21.15
October, 2011	25.35	20.50
November, 2011	24.55	17.55
December, 2011	20.65	15.50
January, 2012	23.55	15.25
February, 2012	24.00	19.70
March, 2012	22.55	17.20

- (1) High/Low of market price of the equity shares traded on the **Bombay Stock Exchange Ltd.**, Mumbai for the year 2011-2012 was as follows:

Month	Monthly Highest	Monthly Lowest
April, 2011	40.50	34.25
May, 2011	37.25	31.80
June, 2011	36.75	30.70
July, 2011	34.15	31.30
August, 2011	31.25	23.00
September, 2011	25.85	21.45
October, 2011	24.65	20.80
November, 2011	23.70	18.25
December, 2011	20.20	15.60
January, 2012	22.75	15.85
February, 2012	23.00	19.55
March, 2012	22.30	17.00

**j) Distribution of Shareholding**

The distribution of holdings as on March 31, 2012 was as follows :

Description	Holders(s)		Holding(s)	
	Folios	%	Shares	%
Upto 500	53574	87.76	8318037	12.38
501 - 1000	3919	6.42	3367939	5.02
1001 - 2000	1825	2.99	2919082	4.35
2001 - 3000	587	0.96	1539620	2.29
3001 - 4000	260	0.42	941753	1.40
4001 - 5000	279	0.46	1338898	1.99
5001 - 10000	344	0.56	2497212	3.72
10001 and Above	260	0.43	46250559	68.85
<b>TOTAL</b>	<b>61048</b>	<b>100.00</b>	<b>67366100</b>	<b>100.00</b>

**J-i) Share Holding Pattern as on 31-03-2012 :**

Particulars	No. of Shares	% of shareholding
Promoters	39481500	58.78
FIs	1800	00.00
NRIs/OCB/Non Domestic Companies/no Mutual Funds,Banks, FIs, Insurance Co	852813	01.27
Private Corporate Bodies	21500	00.03
Individuals/Others	4095590	6.10
	22719897	33.82
<b>Total Paid up Capital</b>	<b>67173100</b>	<b>100.00</b>

**k) Shareholding Pattern as on 31st March, 2012 was as under:**

Category	No. of Share held	Percentage of shareholding
<b>A PRESIDENT OF INDIA &amp; NOMINEES</b>	39481500	58.78
<b>B NON-RESIDENT</b>		
1 Foreign Collaborators	0	0.00
2 Non-Domestic Companies	1100	0.00
3 Overseas Corporate Bodies	0	0.00
4 Foreign Institutional Investors	1800	0.00
5 Individual (Repatriation)	767180	1.14
6 Individual (Non-Repatriation)	84533	0.13
<b>C RESIDENT</b>		
1 Financial Institutions	1000	0.00
2 Nationalised Banks	300	0.00
3 Mutual Funds	10600	0.02
4 Bodies Corporates	4095590	6.10
5 NSDL Shares in Transit	0	0.00
6 Others	22729497	33.84
<b>TOTAL</b>	<b>67173100</b>	<b>100.00</b>

**l) Dematerialisation of Shares and Liquidity**

The shares of the Company are compulsorily traded in dematerialised mode. To facilitate the shareholders to dematerialise the shares, the Company has signed agreements with both the depositories i.e. National Securities Depository Limited and Central Depositories Services (India) Ltd. 96.57% of the share capital of the Company has been dematerialised as on 31st March, 2012 – total Accounts dematerialised is **43046** involving **64869437** shares (which constitutes 96.57% of the share capital)

m) Outstanding GDRs/ADRs/Warrants or any convertible instruments, conversion date & likely impact in equity - NONE/NIL.

**n) Plant Locations**

Sr.No.	Location	Main Product
1.	Rasayani	Nitro Aromatic Complex
2.	Cochin	Phenol Complex

**o) Address for correspondence :-**

(a) Regd.office address of the Company : P.O. Rasayani, Dist.Raigad, Maharashtra PIN -410207

(b) R&T Agents address :

**M/s Sharepro Services (India) Pvt. Ltd**

13 AB, Samhita Warehousing Complex 2nd Floor, behind Sakinaka Telephone Exchange, Andheri – Kurla Road, Sakinaka, Andheri (E), Mumbai - 400 072  
Tel : 022-67720314 / 67720300 / 67720400  
Fax No. 022-28508927 / 022 – 67720416

**M/s Sharepro Services (India) Pvt. Ltd**

Investor Relation Centre, 912, Raheja Centre, Free Press Journal Road Nariman Point, Mumbai 400 021.  
Tel : 022 - 67720700  
Email: [sharepro@shareproservices.com](mailto:sharepro@shareproservices.com)

**9. CFO (w.e.f.11th May, 2012) Certification of the Company :**

Shri Suresh Kumar R. , Director Finance/CFO, (w.e.f.11th May, 2012) certifies that as on 31-3-2012 :

- (a) We have reviewed financial statements and the cash flow statement for the year and that to the best of their knowledge and belief :
- these statements do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading.
  - 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) There are, to the best of their knowledge and belief, no transactions entered into by the Company during the year which are fraudulent, illegal or violative of the Company's Code of conduct.
- (c) We accept responsibility for establishing and maintaining internal

controls and that have evaluated the effectiveness of the internal control systems of the Company and they have disclosed to the auditors and the Audit Committee, deficiencies in the design or operation of internal controls, if any, of which they are aware and the steps they have taken or propose to take to rectify these deficiencies.

- (d) We have indicated to the Auditors and the Audit Committee :
- Significant changes in internal control during the year;
  - Significant changes in accounting policies during the year and that the same have been disclosed in the notes to the financial statements; and
  - Instances of significant fraud of which they have become aware and the involvement therein, if any, of the management or an employee having a significant role in the Company's internal control system.

**10. Secretary's Responsibility Statement**

The Company Secretary confirms that as of 31/03/2012, the Company has :

- Maintained all the Statutory Registers required to be maintained under the Companies Act, 1956 ("the Act") and the Rules made there under.
- Filed all forms and returns and furnished necessary particulars in time to the Registrar of Companies (ROC) and/or Authorities as required under the Act.
- Issued all notices as required to be given for convening the meetings of the Board of Directors and General Meetings of the shareholders within the time limit prescribed by the Law.
- Conducted the meetings of the Board of Directors and Annual General Meeting as per the provisions of the Act.
- Complied with all the requirements relating to the minutes of the proceedings of the meeting of the Directors and the shareholders. Made due disclosures under the requirements of the Act including the requirements in pursuance to the disclosures made by the directors.
- Obtained necessary approvals of the directors, shareholders, Central Government and other authorities as per the statutory requirements.
- Given loans and made investments in accordance with the requirements of the Act, not exceeded the borrowing powers of the Company.
- Registered all the particulars relating to the creation, modification, and satisfaction of the charges with the ROC.
- Effectuated share transfers and dispatched the certificates within the time limit prescribed under the Act and rules made thereunder.
- Complied with all the Provisions under Companies Act 1956, (except Section 292A Reg: Provisions on Audit Committee); complied with all the requirements of the Listing Agreement entered into with the Stock Exchanges.[ except Cl. 49 (I) & 49(II)].

The Company has also complied with the requirements prescribed by Securities and Exchange Board of India (SEBI) and other Statutory Authorities and also the requirements under the Act and related statutes in force.

**12 Compliance Certificate of the Auditors**

The Statutory Auditors are required to audit and certify that the Company has complied / not complied – with the conditions of Corporate Governance as stipulated in Clause 49 of the Listing Agreement with the Stock Exchanges and the same is required to be annexed hereto to the Directors' Report .

The said Certificate from the Statutory Auditors is in **Annexure VII** to Directors' Report.

**13. Re-appointment of Directors**

Two Non-executive Govt. Nominee Directors viz. Dr. V. Rajagopalan, SS & FA and Dr. A.J.VaraPrasad, JS are due for retirement by rotation at the ensuing 51st Annual General Meeting of the Company and are eligible for re-appointment as per the directions of the Govt. of India vide its letter dated 13<sup>th</sup> August, 2012.



## ANNEXURE VII AUDITORS' CERTIFICATE ON CORPORATE GOVERNANCE REPORT.

To the Members of

### Hindustan Organic Chemicals Limited

- We have examined the compliance of conditions of Corporate Governance by Hindustan Organic Chemicals limited for the year ended 31st March, 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 has been limited to review of procedures and implementation thereof adopted by the Company for ensuring compliance with the conditions of the Corporate Governance as stipulated in the said Clause. It is neither an audit nor an expression of opinion on the financial statements of the Company.
- The Company has not complied with clause 49I of the Listing Agreement relating to the composition of the Board of Directors from 08.01.2011.
- The Company has not complied with the provisions of clause 49II of the Listing Agreement and Section 292A of the Companies Act, 1956, relating to the composition of the Audit Committee from 08-01-2011.
- In our opinion and to the best of our information and according to the explanation given to us and based on the representations made by the Directors and the Management, we certify that the Company has complied with the conditions of Corporate Governance as stipulated in Clause 49 of the above mentioned Listing Agreement.
- As required by the Guidance Note issued by the Institute of Chartered Accountants of India, we have to state that based on the report given by the Registrar and Share Transfer Agents of the Company, as on 31st March, 2012 there was no investor grievance remaining unattended / pending for more than 30 days.
- We further state that such compliance is neither an assurance as to the future viability of the Company nor of the efficiency or effectiveness with which the Management has conducted the affairs of the Company.

For Ford, Rhodes, Parks Co.

Chartered Accountants

Sd/-

S.B.Prabhu

Partner

Mumbai, 29th May, 2012

Membership No.35296

### COMMENTS OF THE COMPTROLLER AND AUDITOR GENERAL OF INDIA UNDER SECTION 619(4) OF THE COMPANIES ACT, 1956 ON THE ACCOUNTS OF HINDUSTAN ORGANIC CHEMICALS LIMITED FOR THE YEAR ENDED 31ST MARCH, 2012.

The preparation of financial statement of Hindustan Organic Chemicals Limited for the year ended 31st March, 2012 in accordance with the financial reporting framework prescribed under the Companies Act, 1956 is the responsibility of the management of the Company. The Statutory Auditor appointed by the Comptroller and Auditor General of India under Section 619(2) of the Companies Act, 1956 is responsible for expressing opinion on these financial statements under section 227 of the Companies Act, 1956 based on independent audit in accordance with the auditing and assurance standards prescribed by their professional body the Institute of Chartered Accountants of India. This is stated to have been done by them vide their Audit Report dated 29th May, 2012.

I on the behalf of the Comptroller and Auditor General of India have conducted a supplementary audit under section 619(3) (b) of the Companies Act, 1956 of the financial statement of Hindustan Organic Chemicals Limited for the year ended 31st March, 2012. This supplementary audit has been carried out independently without access to the working papers of the statutory auditor and is limited primarily to inquiries of the Statutory Auditor and Company personnel and a selective examination of some of the accounting records. **On the basis of my audit nothing significant has come to my knowledge which would give rise to any comment upon or supplement to Statutory Auditors' report under section 619 (4) of the Companies Act, 1956.**

For and on the behalf of the  
Comptroller and Auditor General of India

S/d

Dhiren Mathur

Place: Mumbai  
Date : 31/07/2012

Principal Director of Commercial Audit and  
Ex-Officio Member, Audit Board-1, Mumbai.

## AUDITORS' REPORT

To The Members of Hindustan Organic Chemicals Ltd.

- We have audited the attached Balance Sheet of Hindustan Organic Chemicals Limited as at 31st March, 2012, together with the Statement of Profit and Loss of the Company for the year ended on that date annexed thereto and the Cash Flow statement of the Company for the year ended on that date, in which is incorporated the Balance Sheet, Statement of Profit and Loss and the Cash Flow Statement of the branch audited by other independent auditors, whose report we have considered in preparing this report. 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.
- We conducted our audit in accordance with auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
- As required by the Companies (Auditor's Report) Order, 2003 issued by the Central Government in terms of Section 227(4A) of the Companies Act, 1956, as amended to date; we annex hereto a statement on the matters specified in paragraphs 4 and 5 of the said Order.
- Further to our comments in the annexure referred to in paragraph (3) above, we report that:
  - 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;
  - 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 the books;
  - The Balance Sheet and the Statement of Profit and Loss dealt with by this report are in agreement with the books of account;
  - In our opinion, the Balance Sheet, Statement of Profit and Loss and Cash Flow Statement dealt with by this report are in compliance with the accounting standard referred to in Section 211 (3C) of the Companies Act, 1956.
  - The conditions specified in Section 274(1)(g) of the Companies Act, 1956 in respect of qualifications of directors is not applicable to the Company being a government company.
  - No provision has been made in the financial statements for the following amounts (refer respective notes in the notes to the financial statements):
    - Penal interest of ₹ 672.56 lacs on overdue loan from Government of India (note no 4B(ii)).
    - Loss on account of misappropriation of Company's fund amounting to ₹ 64.81 lacs, pending final report from CBI and outcome of the civil suit (note no.37).
    - Liabilities of wages revision for the period 1.01.1997 to 31.12.2000. ₹ 2308.08 lacs at Rasayani unit (note no. 33A).
    - Liabilities of wages revision for the period 1.01.2007 to 31.3.2008 ₹ 278.96 lacs. to Officers and ₹ 246.31 lacs to Staff at Rasayani unit (note no.33B and 33C).
    - Claims of JNPT short provided in respect of:
      - Minimum guaranteed throughput charges of ₹ 1612.50 lacs,
      - Lease rentals and escalation on leased land of ₹ 621.55 lacs, (note no. 34E)
      - Water charges of ₹ 0.65 lacs, and
      - Way leave charges of ₹ 297.10 lacs,

- g) Capital work in progress includes an amount of ₹ 2976.65 lacs incurred on JNPT tank terminal project. The construction has been suspended for more than four years and the lease has been called off by the lessor - JNPT after the expiry of the lease period in June 2010. The status of the project is stagnant, incomplete and of no utility since long. No provision is made for the impairment in the value of this asset, if any, pending ascertainment of the recoverable amount (note no. 34E).
- h) The balances of sundry debtors, sundry creditors, loans and advances, other current assets and other debit / credit balances are pending confirmation and reconciliations (note no.42).
- i) We further report that had the effects of the items mentioned in paragraph (f) above been considered, the loss for the year would have been higher by ₹ 6102.52 lacs, resulting into a loss of ₹ 13909.37 lacs and the accumulated loss as at the year-end would have been higher by the same amount i.e ₹ 6102.52 lacs. Further, the long-term liabilities / provisions as at the year-end would have been higher by ₹ 6102.52 lacs.

We also report that the effect of the items mentioned in paragraphs (g) and (h) above on the loss for the year and on the Balance Sheet is not ascertainable.

- j) Wage arrears in respect of the Kochi unit of the Company which had not been provided in earlier years amounting to ₹ 93.69 lacs has been paid / provided during the year and charged as current years wage expense in the statement of profit and loss. In our opinion, the same should have reflected as a prior period expense item as the Company should have made provision for the same in earlier years.
- k) Subject to our comments in paragraphs (f) to (j) above, in our opinion and to the best of our information and according to the explanations given to us, the financial statements read together with the notes thereon, 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:
- in the case of the Balance Sheet, of the state of affairs of the Company as at 31st March, 2012;
  - in the case of the Statement of Profit and Loss, of the loss for the year ended on that date, and
  - in the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

**For Ford, Rhodes, Parks & Co.**  
Chartered Accountants  
Firm's Registration No. 102860W

Sd/-  
**S.B. Prabhu**  
Partner

Place : Mumbai  
Date : 29th May, 2012

Membership No. 35296

### Annexure to the Auditors' Report (Referred to in paragraph 3 thereof)

As required by the Companies (Auditor's Report) Order, 2003 issued by the Central Government in terms of Section 227(4A) of the Companies Act, 1956 (the Act), as amended to date, and on the basis of such checks as we considered appropriate and according to the information and explanations given to us during the course of the audit, we further report that: -

- (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of its fixed assets.
- (b) As explained and informed to us, the management has conducted physical verification of major items of

fixed assets during the year and we are informed that no material discrepancies were noticed on such verification.

- (c) During the year, the Company has not disposed of a substantial part of fixed assets so as to affect the going concern status of the Company.
- (a) The inventory has been physically verified by the management at reasonable intervals during the year.
- (b) In our opinion, the procedures of physical verification of inventory followed by the management are reasonable and adequate in relation to the size of the Company and the nature of its business, except for inventory in storage tanks at Kochi unit which does not have the system of taking dip measurements. Instead, reliance is placed on the electronic reading reported by the Distribution Control System.
- (c) The Company has maintained proper records of inventory. As explained to us, the discrepancies between the physical inventory and the book records noticed on physical verification were not material and have been properly dealt with in the books of accounts.
- (a) Based on information, the company has not granted any loans, secured or unsecured, to companies, firms, or other parties listed in the register maintained under section 301 of the Companies Act, 1956 and as such clauses (iii)(b),(c) and (d) are not applicable.
- (b) Based on information, the company has not taken any loans, secured or unsecured, from companies, firms, or other parties listed in the register maintained under section 301 of the Companies Act, 1956 and as such clauses (iii)(f) and (g) are not applicable.
- In our opinion and according to the information and explanations given to us, there are adequate internal control systems commensurate with the size of the Company and the nature of its business for the purchase of inventory and fixed assets and for the sale of goods and services. During the course of our audit, we have neither been informed nor have we observed any continuing failure to correct major weaknesses in internal control systems.
- According to the information and explanation given to us there were no transactions that need to be entered into the register maintained under section 301 of the Companies Act, 1956. Sub Clause (b) of clause (v) is hence not applicable.
- In our opinion and according to the information and explanations given to us, Company has not accepted deposits from the public. Hence the provisions of section 58A and 58AA of the Companies Act, 1956 with regard to acceptance of deposits from public and the rules framed there under, to the extent applicable, except Rule 3A of the Companies (Acceptance of deposits) Rules, 1975 regarding investment in liquid assets, are not applicable. We have been informed by the management that no order has been received by the company, from Company Law Board, National Company Law Tribunal, or Reserve Bank of India or any court or any other tribunal under section 58A and 58AA.
- The Company has an internal audit system, which, in our opinion, is commensurate with its size and nature of its business.
- We have broadly reviewed the books of account maintained by the Company in pursuance to the rules made by the Central Government for the maintenance of the cost records under section 209 (1) (d) of the Companies Act, 1956 for certain products of the company and are of the opinion that prima facie the prescribed accounts and records have been made and maintained. We have not, however made a detailed examination of records with a view to determine whether they are accurate or complete.
- a) According to the information and explanations given to us and on the basis of the examination of the books



of account carried out by us, the Company has been generally regular in depositing 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 other statutory dues with the appropriate authorities. There were no undisputed arrears of statutory dues outstanding as at 31st March, 2012 for a period of more than six months from the date they became payable.

- b) According to the information and explanations given to us by management and the records of the Company examined by us, there were no disputed dues in respect of Income Tax, Sales-tax, Wealth Tax, Service Tax, Custom Duty, Excise Duty and Cess which have not been deposited as on 31st March, 2012 except as stated below:

**A. Rasayani Unit :**

Sr No	Name of Statute	Nature of Dues	Period to which the dispute relates	Amount of disputes (Rupees in lacs)	Forum where dispute is pending
1.	Customs Act	Custom duty	NA	10.80	Customs, Excise and Service Tax Appellate Tribunal
			Total	10.80	
2.	Central Excise Act	Molten Sulphur Classification	1994-95	15.53	Customs, Excise and Service Tax Appellate Tribunal
3.	Central Excise Act	Molten Sulphur Classification	1999-2000	7.62	Commissionerate
4.	Central Excise Act	Shortage of inputs		13.64	Commissionerate
5.	Central Excise Act	Shortage of inputs		18.66	High Court
6.	Central Excise Act	Shortage of inputs		5.84	High Court
7.	Central Excise Act	ARO Case		19.28	Customs, Excise and Service Tax Appellate Tribunal
8.	Central Excise Act	Clearance of SSA to fertilizer manufacturing units		112.78	Commissionerate
9.	Central Excise Act	Reversal of CENVAT Credit availed on inputs lost in flood.	2006-2007	18.66	Commissionerate
<b>Total</b>				<b>212.01</b>	
10.	Income Tax Act 1961	Penalty under section 271(1)(c)	AY 1999-2000	91.08	Commissioner of Income Tax Appeals, Mumbai
11.	Income Tax Act 1961	Penalty under section 271(1)(c)	AY 2003-04	607.27	Commissioner of Income Tax Appeals, Mumbai
12.	Income Tax Act 1961	Penalty under section 271(1)(c)	AY 2004-05	63.23	Commissioner of Income Tax Appeals, Mumbai
13.	Income Tax Act 1961	Penalty under section 271(1)(c)	AY 1999-00	57.55	Income Tax Appellate Tribunal, Mumbai
14.	Income Tax Act 1961	Disallowance of Expenses	AY 2009-10	63.49	Commissioner of Income Tax Appeals, Mumbai
15.	Income Tax Act 1961	Disallowance of Expenses	AY 2008-09	9.60	Commissioner of Income Tax Appeals, Mumbai
<b>Total</b>				<b>892.22</b>	

**B. Kochi Unit :**

1.	Employees Family Pension Scheme	Damage for default payment	11/95 to 12/97	18.05	High Court of Kerala.
2.	ESI Corporation	ESI contribution of employees	1.04.92 to 31.10.92	2.17	Employees Insurance Court (Industrial)
3.	Central Excise Act, 1944	Disallowance of CENVAT Credit availed on the ground that duty is paid by debiting DEPB license	2004-05	12.17	Appeal with CESTAT, Bangalore. Remanded to J.C.Ex Ernakulam
4.	Finance Act 1994	Non payment of Service Tax on commercial coaching/training (1.92+6.01)	4/06 to 3/08	8.34	Commissioner of Central Excise Appeals, Ernakulam
5.	Finance Act 1994	Non payment of Service Tax on commercial coaching/training and renting of immovable property to Sterling Gas	04/08 to 03/09	2.00	Asst.Commissioner of Central Excise, Muvattupuzha



Sr No	Name of Statute	Nature of Dues	Period to which the dispute relates	Amount of disputes (Rupees in lacs)	Forum where dispute is pending
6.	Finance Act 1994	Availing of CEVAT credit on outdoor catering services (16.59+32.89)	04/06 to 11/08	53.05	Commissioner of Central Excise Appeals, Erankulam
7.	Finance Act 1994	Availing of CEVAT credit on outdoor catering services	12/08 to 09/09	26.10	Commissioner of Central Excise Appeals, Erankulam
8.	Finance Act 1994	Availing of CEVAT credit on service tax on transportation of final products to customers premises	01/05 to 08/06	4.84	Commissioner of Central Excise Appeals, Erankulam
9.	Finance Act 1994	Availing of CEVAT credit on service tax on transportation of final products to Rasayani Depot	04/03 to 12/06	33.90	Commissioner of Central Excise Appeals, Erankulam
10.	Finance Act 1994	Security services and repair works at HOC township	02/06 to 12/06	0.97	Commissioner of Central Excise Appeals, Erankulam
11.	Central Excise Act 1944	Duty on sale of waste/scrap	5/09 to 1/02 and 5/02 to 3/03	1.37	CESTAT, Bangalore appeal filed by the department
12.	Customs Act 1962	Demand to remit duty for excess quantity of imported Benzene	Nov.08	0.90	Commissioner of Central Excise Appeals, Erankulam
13.	Finance Act 1994	Availing of CENVAT credit on Hiring of Bus, Car and on Capital Goods	01/09 to 12/09	3.31	Commissioner of Central Excise Appeals, Erankulam
14.	Finance Act 1994	Service Tax on commercial coaching, renting of immovable property	04/09 to 03/10	1.89	Deputy Commissioner of Central Excise
15.	Finance Act 1994	Availing of CENVAT credit on outdoor catering, insurance, etc	10/09 to 09/10	16.69	Commissioner of Central Excise Appeals, Erankulam
16.	Finance Act 1994	Availing of CENVAT credit on Hiring of Bus, Car, etc	01/10 to 11/10	2.37	Deputy Commissioner of Central Excise
17.	Central Excise Act 1944	Excess amount collected from Rasayni Sales	03/10	0.26	Deputy Commissioner of Central Excise
18.	Income Tax Act 1961	Demand for short collection/ Non payment of TDS for Assessment Year 2008-09 and 2009-10	AY 2008-09 and 2009-10	3.55	Commissioner of Income Tax Appeals, Erankulam
19.	Income Tax Act 1961	Demand for short collection/ Non payment of TDS for Assessment Year 2008-09	AY 2008-09	0.52	Commissioner of Income Tax Appeals, Erankulam



Sr No	Name of Statute	Nature of Dues	Period to which the dispute relates	Amount of disputes (Rupees in lacs)	Forum where dispute is pending
20.	Income Tax Act 1961	Demand for short collection/ Non payment of TDS for Assessment Year 2011-12	AY 2011-12	10.39	Commissioner of Income Tax Appeals, Ernakulam
21.	Income Tax Act 1961	Demand for short collection/ Non payment of TDS for Assessment Year 2010-11	AY 2010-11	0.40	Commissioner of Income Tax Appeals, Ernakulam
22.	KVAT Act 2003	Disallowance of input tax credit on sales to SEZ units	AY 2009-10	33.56	D.C. (Appeals), dept. of Commercial Taxes, Ernakulam
23.	KVAT Act 2003	Disallowance of input tax credit on computer purchased for ERP implementation	AY 2010-11	4.11	D.C. (Appeals), dept. of Commercial Taxes, Ernakulam
<b>Total</b>				<b>240.91</b>	

10. The accumulated losses of the Company at the year-end exceed fifty percentage of its net worth. During the year, the Company has incurred cash losses. It has not incurred cash losses as per its financial statements during the immediately preceding financial year. However, after giving effect to the qualifications in the auditors' report, there are cash losses during that year.
11. The Company has not defaulted in repayment of dues to the bond holders during the current year.
12. According to the information and explanations given to us, adequate documents and records are maintained for loans granted to subsidiary company and others on the basis of security given by them.
13. Clause (xiii) of the Order is not applicable as the Company is not a chit fund company or nidhi / mutual benefit fund / society.
14. The Company is not dealing in or trading in shares, securities, debentures and other investments.
15. According to the information and explanations given to us, the Company has given guarantee of ₹1253 lacs for loan taken by subsidiary - Hindustan Fluorocarbons Ltd from State Bank of Hyderabad. Based on the explanations given to us, in our opinion, the terms and conditions of this guarantee are not prejudicial to the interest of the Company.
16. In our opinion and according to the information and explanations given to us, the term loans raised by the Company during the year were applied for the purposes for which the loans were obtained.
17. 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.
18. The Company has not made any preferential allotment of shares to parties and companies covered in the register maintained under Section 301 of the Act during the year.
19. The Company has raised ₹ 10,000 lacs through issue of bonds during the previous year, which is guaranteed by GOI by way of registered bond trust deed.
20. The Company has not raised any money by public issue during the year.
21. Based upon the audit procedures performed for the purpose of reporting the true and fair view of the financial statements and as per the information and explanations furnished by the management, we report that no fraud has been noticed or reported by the Company during the year.

**For Ford, Rhodes, Parks & Co.**  
Chartered Accountants  
Firm's Registration No. 102860W

Sd/-

**S.B.Prabhu**  
Partner

Membership No. 35296

Place : Mumbai  
Date : 29th May, 2012



## BALANCE SHEET AS AT 31ST MARCH, 2012

(₹ in lacs)

	NOTES	As at 31.03.2012	As at 31.03.2011
<b>I. EQUITY AND LIABILITIES</b>			
(1) Shareholders' funds			
(a) Share capital	1	33726.96	33726.96
(b) Reserves and surplus	2	(32833.28)	(24911.64)
		<b>893.68</b>	<b>8815.32</b>
(2) Deferred government grants	3	506.01	211.52
(3) Non-current liabilities			
(a) Long-term borrowings	4	1157.41	11900.67
(b) Other Long term liabilities	5	630.46	486.92
(c) Long-term provisions	6	6454.62	5109.58
		<b>8242.49</b>	<b>17497.17</b>
(4) Current liabilities			
(a) Short-term borrowings	7	6715.38	3059.04
(b) Trade payables	8	5639.14	6120.24
(c) Other current liabilities	9	22567.40	11517.57
(d) Short-term provisions	10	2108.30	2107.33
		<b>37030.22</b>	<b>22804.18</b>
<b>TOTAL</b>		<b>46672.40</b>	<b>49328.19</b>
<b>II. ASSETS</b>			
(1) Non-current assets			
(a) Fixed assets	11		
(i) Tangible assets		15636.53	17385.73
(ii) Intangible assets		328.62	285.01
(iii) Capital work-in-progress	12	3602.24	3298.88
(b) Non-current investments	13	1115.07	1113.40
(c) Long-term loans and advances	14	2989.61	2986.29
		<b>23672.07</b>	<b>25069.31</b>
(2) Current assets			
(a) Inventories	15	10729.26	11016.75
(b) Trade receivables	16	4146.94	5141.03
(c) Cash and cash equivalents	17	3452.47	3098.59
(d) Short-term loans and advances	18	4210.07	4454.16
(e) Other current assets	19	461.59	548.35
		<b>23000.33</b>	<b>24258.88</b>
<b>TOTAL</b>		<b>46672.40</b>	<b>49328.19</b>
Significant Accounting Policies	30		
Notes to the Financial Statements	1 to 50		

As per our report of even date attached

For and on behalf of the Board of Directors

For **Ford, Rhodes, Parks & Co.**

Chartered Accountants

Firm's Registration No.102860W

Sd/-

**S. B. Prabhu**

Partner

Membership No. 35296

Sd/-

**R.N.Madangeri**

Chairman &amp; Managing Director

Sd/-

**R. Suresh Kumar**

Director (Finance)

Sd/-

**J.N.Suryawanshi**

Director (Marketing)

Sd/-

**Mrs. Susheela S. Kulkarni**

Company Secretary

Place: Mumbai

Date: 29/05/2012

Place: Mumbai

Date: 29/05/2012





## STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED 31ST MARCH, 2012

(₹ in lacs)

	NOTES	Year ended 31.03.2012	Year ended 31.03.2011
<b>Revenue</b>			
Revenue from Operations			
Sale of Products	20	60636.71	73803.91
Other Operating Revenue		32.80	96.48
		<u>60669.51</u>	<u>73900.39</u>
Less Excise Duty		5841.97	7067.88
		<u>54827.54</u>	<u>66832.51</u>
Other Income	21	865.91	913.29
<b>Total Revenue</b>		<u>55693.45</u>	<u>67745.80</u>
<b>Expenses</b>			
Cost of Materials Consumed	22	33910.11	37955.24
Purchases - Stock-in-Trade	23	155.73	-
Changes in Inventories of finished goods and work in progress	24	(252.14)	(3041.77)
Variation in Excise Duty on Finished Goods Inventory		70.35	167.97
Employee Benefits Expenses	25	11809.78	12002.86
Finance Costs	26	2373.78	2138.86
Depreciation and Amortization Expenses		2304.51	2517.74
Provision for Impairment Loss on Fixed Assets		31.47	56.73
Other Expenses	27	12980.67	13318.86
<b>Total Expenses</b>		<u>63384.26</u>	<u>65116.49</u>
Profit / (Loss) before prior period adjustment, exceptional items and Tax		(7690.81)	2629.31
Less: Prior Year Adjustment	28	(105.55)	57.72
Profit / (Loss) before exceptional items and Tax		<u>(7585.26)</u>	<u>2571.59</u>
Less: Exceptional items	29	221.59	-
Profit / (Loss) before Tax		<u>(7806.85)</u>	<u>2571.59</u>
Tax Expenses :			
Current Tax		-	-
Deferred Tax		-	-
<b>Profit / (Loss) for the year</b>		<u>(7806.85)</u>	<u>2571.59</u>
Earnings per Equity Share : (in ₹)			
Basic and Diluted		(11.62)	3.83
Significant Accounting Policies	30		
Notes to the Financial Statements	1 to 50		

As per our report of even date attached

For and on behalf of the Board of Directors

For **Ford, Rhodes, Parks & Co.**

Chartered Accountants

Firm's Registration No.102860W

Sd/-

**S. B. Prabhu**

Partner

Membership No. 35296

Sd/-

**R.N.Madangeri**

Chairman &amp; Managing Director

Sd/-

**R. Suresh Kumar**

Director (Finance)

Sd/-

**J.N.Suryawanshi**

Director (Marketing)

Sd/-

**Mrs. Susheela S. Kulkarni**

Company Secretary

Place: Mumbai

Date: 29/05/2012

Place: Mumbai

Date: 29/05/2012



## Cash Flow Statement For The Year 2011-2012

(₹ in lacs)

A	CASH FLOW FROM OPERATING ACTIVITIES:	2011-12	2010-11
	Net Profit / (Loss) before tax and extraordinary items as per Profit and Loss Account	(7690.81)	2629.31
	Adjusted for :		
	Depreciation and amortization Expenses	2304.51	2517.74
	Impairment Loss	31.47	56.73
	Loss on sale / Discard of Assets - (Net)	2.02	7.84
	Fixed assets written-off	20.94	-
	Diminution of inventory	18.55	-
	Finance Cost	2373.78	2138.86
	Provisions	67.01	56.47
	Interest income from subsidiary	(109.53)	(135.99)
	Interest income	(263.23)	(248.60)
	Misc. Exp. paid (Bond Issue Exp.)	(114.79)	(112.53)
		4330.73	4280.52
	Operating Profit / (Loss) before Extraordinary items and Prior year adjustments	(3360.08)	6909.83
	Add : Net Extraordinary items and Prior year adjustments	(113.97)	(57.71)
	<b>OPERATING PROFIT / (LOSS) BEFORE WORKING CAPITAL CHANGES</b>	<b>(3474.05)</b>	<b>6852.12</b>
	Adjusted for :		
	Trade and other receivables	977.62	(368.60)
	Inventories	305.23	(3402.04)
	Trade and other payables	600.01	3555.44
	Loans and advances	240.78	(158.92)
		2123.64	(374.12)
	<b>CASH GENERATED FROM OPERATING ACTIVITIES</b>	<b>(1350.41)</b>	<b>6478.00</b>
	Taxes Paid	-	-
	<b>NET CASH (USED IN) FROM OPERATING ACTIVITIES : (A) :</b>	<b>(1350.41)</b>	<b>6478.00</b>
B	<b>CASH FLOW FROM INVESTING ACTIVITIES:</b>		
	Purchase of fixed assets	(932.21)	(1268.38)
	Sale of fixed assets	0.38	4.25
	Purchase of investments	(1.67)	(7.40)
	Sale of investments	-	-
	Interest income	459.52	458.66
	Dividend income	-	-
	<b>NET CASH USED IN INVESTING ACTIVITIES : (B) :</b>	<b>(473.98)</b>	<b>(812.87)</b>
C	<b>CASH FLOW FROM FINANCING ACTIVITIES:</b>		
	Repayment of Long Term Borrowings (Net)	(190.96)	475.65
	Short Term Borrowings (Net)	3703.15	(4617.36)
	Interest Paid	(1628.41)	(1531.21)
	Grant from ISRO	294.49	211.53
	<b>NET CASH FROM / (USED IN) FINANCING ACTIVITIES : (C) :</b>	<b>2178.27</b>	<b>(5461.39)</b>
	<b>NET INCREASE IN CASH AND CASH EQUIVALENTS : (A+B+C) :</b>	<b>353.88</b>	<b>203.74</b>
	<b>OPENING BALANCE OF CASH AND CASH EQUIVALENTS</b>	<b>3098.58</b>	<b>2894.84</b>
	<b>CLOSING BALANCE OF CASH AND CASH EQUIVALENTS</b>	<b>3452.46</b>	<b>3098.58</b>

Notes :  
 1. Figures in (-) brackets represent outflows.  
 2. "Purchase of Fixed Assets" includes expenses capitalised.  
 3. Previous year's figures have been regrouped and readjusted wherever necessary and practicable.

By order of the Board of Directors

Place: Mumbai	Sd/- R.N.Madangeri Chairman & Managing Director	Sd/- R. Suresh Kumar Director (Finance)	Sd/- J.N.Suryawanshi Director (Marketing)	Sd/- Mrs. Susheela S. Kulkarni Company Secretary
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## AUDITOR'S CERTIFICATE

To The Board of Directors Hindustan Organic Chemicals Limited  
 Rasayani-410 207

We have examined the attached Cash Flow Statement of Hindustan Organic Chemicals Limited for the year ended 31st March, 2012, which has been identified by us on 29th May, 2012. The statement is the responsibility of the management, our responsibility is to express an opinion based on our examination. The Statement of cash flow has been prepared by the Company in accordance with the requirements of clause 32 of the listing agreement with various Stock Exchange where the shares of the company are listed. The statement has been based on and in agreement with the corresponding Balance Sheet and Profit and Loss Account of the Company covered by our report to the members of the Company.

For Ford,Rhodes, Parks & Co.  
 Chartered Accountants  
 Firm's Registration No: 102860W

Place: Mumbai,  
 Date: 29/05/2012.

Sd/-  
 S.B. Prabhu  
 Partner  
 Membership No.: 35296

## NOTES TO THE FINANCIAL STATEMENTS

₹ in lacs

NOTE No.	AS AT 31.03.2012	AS AT 31.03.2011
<b>1 SHARE CAPITAL:</b>		
<b>AUTHORISED</b>		
270000000 (Previous year 270000000) 8% Non-cumulative Redeemable Preference Shares of ₹ 10/- each	27000.00	27000.00
100000000 (Previous year 100000000) Equity Shares of ₹ 10/- each	10000.00	10000.00
	<u>37000.00</u>	<u>37000.00</u>



## NOTES TO THE FINANCIAL STATEMENTS

₹ in lacs

NOTE No.	AS AT 31.03.2012	AS AT 31.03.2011
<b>ISSUED, SUBSCRIBED AND FULLY PAID-UP</b>		
<b>Preference Share Capital</b>		
270000000 (Previous year 270000000) 8% Non-cumulative Redeemable Preference Shares of ₹ 10/- each	27000.00	27000.00
<b>Equity Share Capital</b>		
67173100 (Previous year 67173100) Equity Shares of ₹ 10/- each	6717.31	6717.31
Add: Paid-up amount on shares forfeited	9.65	9.65
	<b>6726.96</b>	<b>6726.96</b>
<b>TOTAL</b>	<b>33726.96</b>	<b>33726.96</b>
1A	During the previous year, the Company has forfeited 1,93,000 shares of ₹ 10 each (₹ 5 paid up) for non payment of allotment and call monies and the amount paid towards application money in respect of these forfeited shares has been transferred to "Share's Forfeiture Account".	
1B	The Government of India had released ₹ 270 crores (for financial restructuring ₹ 250 crores and Caustic Soda Plant recommissioning ₹ 20 crores) against allotment of 8% Non-Cumulative Redeemable Preference Shares, thereby broadening the capital base as per the revival scheme. The 8% Preference Shares were allotted to Government of India by the Board on 28th January, 2008, redeemable @ 20% commencing from 4th year with last redemption in the 8th year. The first instalment of 20% i.e. ₹ 54 crores was due for redemption in financial year 2011-12. The Company has requested the Government of India to extend the commencement of redemption starting in financial year 2014-15 @ 25% each year.	
1C	The particulars of shareholders holding more than 5% equity shares.	
	The Government of India	
	Number of shares held	39481500
	Percentage of holding	58.78%
1D	<b>Terms/rights attached to equity shares</b>	
	The Company has only one class of equity shares having a par value of ₹ 10 per share. Each holder of equity share 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.	
1E	The preference shareholders have no voting rights.	
2	<b>RESERVES AND SURPLUS:</b>	
<b>Capital Reserve</b>		
Nominal value of Freehold land ₹ 1 (Previous year ₹ 1)	-	-
<b>Share Premium Account</b>		
Less: Bond Issue Expenses	6365.98 114.79	6478.51 112.53
	<b>6251.19</b>	<b>6365.98</b>
<b>Surplus / (Deficit) in Statement of Profit and Loss</b>		
Balance as per last Balance Sheet	(31277.62)	(33849.21)
Profit / (Loss) for the year as per the Statement of Profit and Loss	(7806.85)	2571.59
	<b>(39084.47)</b>	<b>(31277.62)</b>
<b>TOTAL</b>	<b>(32833.28)</b>	<b>(24911.64)</b>
3	<b>DEFERRED GOVERNMENT GRANTS :</b>	
Balance as per last Balance Sheet	211.52	38.69
Add: Received during the year	438.02	419.07
	<b>649.54</b>	<b>457.76</b>
Less: Transferred (to) / from deposit	(143.53)	(246.24)
<b>TOTAL</b>	<b>506.01</b>	<b>211.52</b>
3A	An amount of ₹ 1136.47 lacs (Previous year ₹ 698.45 lacs) has been received from ISRO (Government of India) towards Capital Grant for refurbishment of CNA Plant to date. Out of this, an amount of ₹ 506.01 lacs (Previous year ₹ 211.52 lacs) has been spent upto 31st March, 2012 and accordingly same has been shown as Deferred Government Grant and balance amount of ₹ 630.46 lacs (Previous year ₹ 486.93 lacs) has been shown as deposit under the head - 'Other Long-term Liabilities', pending utilisation. As per AS - 12 - 'Accounting for Government Grants', after capitalization of the refurbishment of CNA Plant work, income will be recognised from this grant over the useful life of the asset, to the extent of depreciation charged.	
4	<b>LONG TERM BORROWINGS :</b>	
<b>Unsecured Loans</b>		
Nil (Previous year 1000) Non-convertible 8.80% Taxable Bonds of ₹ 1000000 each redeemable at the end of two years - due on 28.08.2012.	-	10000.00
Loans from Government of India	928.00	1640.50
Other Loans	229.41	260.17
<b>TOTAL</b>	<b>1157.41</b>	<b>11900.67</b>
4A	The Bonds are guaranteed by Government of India for repayment of principal and interest thereupon. The Government of India guarantee for ₹ 10000 lacs is for total Bond issue created by way of Registered Bond Trust Deed and the guarantee is effective for a period of two years from 28.08.2010 i.e. date of allotment. These Bonds have been shown in the current year under Other Current Liabilities as 'current maturity of Long-term Borrowings'.	
4B	i) There is a continuing default in repayment of loan from Government of India since the year 2002-03 and the overdue amount towards principal is ₹ 4103.50 lacs (Previous year ₹ 3354.40 lacs) and for interest accrued is ₹ 3733.45 lacs (Previous year ₹ 2986.84 lacs). These amounts are shown under Other Current Liabilities. Further an amount of ₹ 712.50 lacs maturing in next 12 months is shown under Other Current Liabilities as 'Current maturity of Long-term Borrowings'.	
	ii) The Company has not made provision for penal interest payable amounting to ₹ 672.56 lacs (Previous year ₹ 519.10 lacs) on overdue Government Loan upto 31st March, 2012 since the same is leviable at the discretion of Government of India. The Company has not received any demand from the Government of India for the same.	
4C	The other loans shown above are loans taken from HDFC Ltd. and Canara Bank towards housing finance for employees. The loans from HDFC ₹ 12.30 lacs (previous year ₹ 18.85 lacs) is secured by an equitable charge on the housing properties. The loans from Canara Bank ₹ 217.11 lacs (previous year ₹ 241.32 lacs) are secured by way of mortgage assignment of rights available to the Company on the housing properties.	

**NOTES TO THE FINANCIAL STATEMENTS**

₹ in lacs

NOTE No.	AS AT 31.03.2012	AS AT 31.03.2011
<b>5 OTHER LONG TERM LIABILITIES</b>		
Deposit from ISRO (Refer note - 3A)	630.46	486.92
<b>TOTAL</b>	<b>630.46</b>	<b>486.92</b>
<b>6 LONG TERM PROVISIONS :</b>		
For Employee's Benefits (Refer note - 31)	6417.82	5070.61
For Others		
M&R- Fixed Assets	7.98	7.98
Difference in Fixed Assets	10.77	12.94
Statutory Claims	18.05	18.05
<b>TOTAL</b>	<b>6454.62</b>	<b>5109.58</b>
<b>7 SHORT TERM BORROWINGS :</b>		
<b>Secured Loans</b>		
Loan from Central Bank of India	2117.30	2164.12
Cash Credit from State Bank of India	4598.08	894.92
<b>TOTAL</b>	<b>6715.38</b>	<b>3059.04</b>
<b>7A</b> Loan from Central Bank of India is secured against pledge of the term deposit receipts of ₹ 2699.96 lacs (previous year ₹ 2574.96 lacs).		
<b>7B</b> Cash Credit from State Bank of India is secured by :		
a. Hypothecation of the Company's entire stock of raw materials, finished goods, stock-in-process, consumable stores and spares and book debts in favour of the bank to the extent of ₹ 15500 lacs (Previous year ₹ 15500 lacs)		
b. Equitable mortgage conveying 1st Pari Passu charge over all immovable assets at factory and township situated at Ambalamugal, Dist : Ernakulam and 2nd Pari Passu charge over the immovable properties situated at village Deolali, Posari, Wasambe, Parade, Savale, Turade, Dapivali and Ambivali Talukas of Parvel and Khalapur, District Raigad in the State of Maharashtra and plant and machinery, equipments, fixtures and fittings, movable machinery, spares, articles and things in the State of Maharashtra (excluding current assets).		
<b>8 TRADE PAYABLES :</b>		
<b>Sundry Creditors</b>		
Dues to Micro, Small & Medium Enterprises (Refer note - 32)	14.47	18.07
Dues to Others	5624.67	6102.17
<b>TOTAL</b>	<b>5639.14</b>	<b>6120.24</b>
<b>9 OTHER CURRENT LIABILITIES :</b>		
<b>Current Maturity of Long Term Borrowings</b>		
1) 1000 (Previous year Nil) Non-convertible 8.80% Taxable Bonds of ₹ 1000000/- each redeemable at the end of two years - due on 28.08.2012	10000.00	-
2) Loan from Government of India (Refer note - 4B(i))	4816.00	4103.50
3) Other Loans	30.76	29.36
Interest accrued but not due	751.69	750.45
Interest accrued and due (Refer note - 4B)	3733.45	2986.84
Advances from Customers	892.50	1182.27
Deposits from Vendors / Customers	401.47	557.29
Statutory dues	726.86	1047.87
Employee related liabilities	860.82	744.93
Payroll Recoveries Payable	111.01	86.21
Other Liabilities	39.72	28.85
Bills Receivables Discounted	203.12	-
<b>TOTAL</b>	<b>22567.40</b>	<b>11517.57</b>
<b>9A</b> The other loan shown above are loans taken from HDFC Ltd. and Canara Bank towards housing finance for employees. The loan from HDFC ₹ 6.55 lacs (previous year ₹ 7.03 lacs) is secured by an equitable charge on the housing properties against the loan and interest outstanding. The loans from Canara Bank ₹ 24.21 lacs (previous year ₹ 22.33 lacs) are secured by way of mortgage assignment of right available to the Company on the housing properties against the loan and interest outstanding.		
<b>10 SHORT TERM PROVISIONS :</b>		
For Employee Benefits (Refer note - 31)	1237.86	1019.41
For Employee Remuneration (Refer note - 33)	645.21	765.68
For Interest to others	225.23	225.23
For Fringe Benefit Tax	-	97.01
<b>TOTAL</b>	<b>2108.30</b>	<b>2107.33</b>



## NOTES TO THE FINANCIAL STATEMENTS

## NOTE 11 - FIXED ASSETS

(₹ in lacs)

Item Description	GROSSBLOCK				DEPRECIATION/AMORTISATION						NETBLOCK		
	As at 01.04.2011	Additions	Sales	Adjustments	As at 31.03.2012	Up to 01.04.2011	Sales	Adjustments	Provided during the year	Impairment of Assets	Up to 31.03.2012	As on 31.03.12	As on 01.04.11
<b>TANGIBLE ASSETS</b>													
1. Land and Land Development	669.56	0.00	0.00	0.00	669.56	0.00	0.00	0.00	0.00	0.00	0.00	669.56	669.56
2. Leasehold Land	336.92	0.00	0.00	0.00	336.92	27.11	0.00	0.00	5.63	0.00	32.74	304.18	309.81
3. Buildings	3508.24	4.19	0.00	(2.09)	3510.34	1554.89	0.00	0.00	59.34	0.00	1614.23	1896.11	1953.34
4. Plant and Equipment	55772.43	385.43	1.47	0.00	56156.39	43530.66	1.40	0.00	2027.22	0.00	45556.48	10599.91	12241.78
5. Furniture and Fixtures	2208.48	5.25	38.00	(49.24)	2126.49	1908.45	35.76	(34.43)	41.37	1.92	1881.55	244.94	300.04
6. Vehicles	176.97	14.05	5.56	0.00	185.46	76.99	5.28	0.00	9.43	0.00	81.14	104.32	99.98
7. Office Equipment	557.65	111.29	15.43	49.24	702.75	127.56	14.47	34.43	89.26	0.41	237.19	465.56	430.09
8. Library Books	76.88	0.53	0.00	0.00	77.41	73.49	0.00	0.00	0.57	0.00	74.06	3.35	3.39
9. Railway Sidings	35.53	0.00	0.00	0.00	35.53	33.77	0.00	0.00	0.00	0.00	33.77	1.76	1.76
10. Plants held for disposal	7858.01	0.00	0.00	0.00	7858.01	6482.03	0.00	0.00	0.00	29.14	6511.17	1346.84	1375.98
Total	71200.67	520.74	60.46	(2.09)	71658.86	53814.95	56.91	0.00	2232.82	31.47	56022.33	15636.53	17385.73
Previous year	70562.64	775.87	87.84	(50.00)	71200.67	51363.01	72.29	(49.99)	2517.49	56.73	53814.95	17385.72	19199.60
<b>INTANGIBLE ASSETS</b>													
Computer Software	300.71	115.29	0	0	416.00	15.69	0	0	71.69	0	87.38	328.62	285.01
Total	300.71	115.29	0	0	416.00	15.69	0	0	71.69	0	87.38	328.62	285.01
Previous Year	16.48	284.23	0	0	300.71	15.44	0	0	0.25	0	15.69	285.02	1.04

11A For Fixed Assets, Capital Work In Progress, Assets held for disposal and provision for impairment of Assets refer note no - 34.

Intangible assets consists of Computer softwares and SAP licence cost which is to be amortised over a period of five years by charging 20% every year as prescribed under AS-26.



## NOTES TO THE FINANCIAL STATEMENTS

₹ in lacs

NOTE No.	AS AT 31.03.2012	AS AT 31.03.2011
<b>12 CAPITAL WORK-IN-PROGRESS :</b>		
1. J.N.P.T. Tank Terminals Project (Refer note - 34E)	2976.65	2976.65
2. Combined Heat & Power Project (Refer note - 34G)	25.41	46.35
3. Refurbishment of CNA Plant (Refer note - 34F)	506.01	211.52
4. Utility (Others)	94.17	-
5. ERP Project Kochi	-	10.11
6. Others	-	54.25
<b>TOTAL</b>	<b>3602.24</b>	<b>3298.88</b>
<b>13 NON CURRENT INVESTMENTS :</b>		
<b>TRADE INVESTMENTS ( AT COST)</b>		
<b>Investments in Equity instruments in Subsidiary - Company - Quoted:</b>		
11060000 (Previous year 11060000) Equity Shares of ₹ 10 each fully paid in Hindustan Fluorocarbons Ltd., (Refer note - 35)	1106.00	1106.00
<b>Investments in Equity instruments in Joint Venture Subsidiary - Unquoted:</b>		
30000 (Previous year 30000) Equity Shares of ₹ 10 each fully paid in HOC-Chematur Ltd., (Refer note - 35)	3.00	3.00
Less: Provision for diminution of investment	3.00	-
Term Deposit for Margin Money	9.07	7.40
<b>TOTAL</b>	<b>1115.07</b>	<b>1113.40</b>
<b>14 LONG TERM LOANS AND ADVANCES :</b>		
<b>(Unsecured, considered good unless otherwise stated)</b>		
<b>Security Deposits</b>	317.25	287.68
<b>Advance to Related Parties (Subsidiary Companies)</b>		
1. M/s. Hindustan Fluorocarbons Ltd., (Secured) (Refer note - 36)	2609.72	2609.72
2. HOC_Chematur Ltd. (Refer note - 36) (Considered doubtful)	1066.26	1065.89
Less: Provision for doubtful advance	1066.26	-
Staff Loans ( Secured)	62.64	88.89
<b>TOTAL</b>	<b>2989.61</b>	<b>2986.29</b>
<b>15 INVENTORIES :</b>		
1. <b>Raw Materials</b>	1350.27	1901.10
<b>Materials-in-transit</b>	31.21	30.11
2. <b>Work in Progress :</b>	862.14	794.52
3. <b>Finished Products</b>		
i) For Captive Consumption	1761.85	2159.74
ii) Main Products for sale	4274.73	3683.84
iii) By-Products	62.38	70.86
4. <b>Stores and Spares</b>	2811.47	2819.11
Less: Provision for obsolescence	424.79	442.53
<b>TOTAL</b>	<b>10729.26</b>	<b>11016.75</b>
15A Excise duty and Educational Cess provided on goods manufactured but not removed ₹ 558.28 lacs (Previous year ₹ 486.95 lacs).		
15B Inventories include items not moved for more than five years ₹ 462.28 lacs (previous year ₹ 527.74 lacs) and obsolete inventory of ₹ 61.50 lacs (Previous year ₹ 30.66 lacs). An adhoc provision of ₹ 424.79 lacs (Previous year ₹ 442.53 lacs) has been made for obsolescence.		
<b>16 TRADE RECEIVABLES :</b>		
Debts overdue for a period exceeding six months	3193.15	2976.10
Other Debts	3806.00	5000.67
	6999.15	7976.77
Less: Provision for Doubtful Debts	2852.21	2835.74
<b>TOTAL</b>	<b>4146.94</b>	<b>5141.03</b>
<b>NOTE:</b>		
Considered good, in respect of which Company holds Bank Guarantees/Letters of Credit	2111.92	2546.96
Unsecured considered good	2035.02	2594.07
Unsecured considered Doubtful	2852.21	2835.74
	6999.15	7976.77
Less: Provision for Doubtful Debts	2852.21	2835.74
<b>TOTAL</b>	<b>4146.94</b>	<b>5141.03</b>

**NOTES TO THE FINANCIAL STATEMENTS**

₹ in lacs

NOTE No.	AS AT 31.03.2012	AS AT 31.03.2011
<b>17 CASH AND BANK BALANCES :</b>		
<b>1. CASH AND CASH EQUIVALENTS :</b>		
Balance with Banks	14.51	5.95
In Current Account	58.71	160.87
In Saving Bank Account	128.07	114.78
	<u>201.29</u>	<u>281.60</u>
Cheques/Drafts on hand	544.90	240.28
Cash in hand	1.00	1.75
	<u>747.19</u>	<u>523.63</u>
<b>2. OTHER BANK BALANCES</b>		
In Term Deposit Account		
With original maturity period not exceeding 12 months	2168.32	2038.00
With original maturity period exceeding 12 months	536.96	536.96
	<u>2705.28</u>	<u>2574.96</u>
Out of ₹ 2700 lacs (Previous year ₹ 2555 lacs) there is a lien of ₹ 2117 lacs (Previous year ₹ 2164 lacs) towards loan obtained from Central Bank of India.		
<b>TOTAL</b>	<u><u>3452.47</u></u>	<u><u>3098.59</u></u>
<b>18 SHORT TERM LOANS AND ADVANCES:</b> (Unsecured, Considered Good unless otherwise stated)		
<b>Advances to related parties (Subsidiary Company)</b>		
M/s.Hindustan Fluorocarbon Ltd. (Secured)	890.77	1020.77
Interest accrued but not received	428.84	388.66
	<u>1319.61</u>	<u>1409.43</u>
Loans to Public Sector Undertaking (Considered doubtful)		
Loans	171.08	171.08
Less: Provision for doubtful of recovery	171.08	171.08
	<u>-</u>	<u>-</u>
Balances / Deposits with Excise, Customs and Statutory Authorities	517.74	633.46
Deposits (Considered Doubtful)	1.80	1.80
Less : Provision for Doubtful Deposits	1.80	1.80
	<u>-</u>	<u>-</u>
<b>Other Loans and Advances</b>		
Advance to Suppliers (including ₹ 30.06 lacs (Previous year ₹ 32.42 lacs) considered doubtful)	250.93	304.74
Loans and Advances to Employees	43.00	50.92
Claims Receivable from Employees	1.04	40.29
Duties and Taxes Receivable	1876.71	1959.81
Misc. advance Recoverable	74.23	9.11
Others Deposits	0.05	0.05
Prepaid Expenses	156.82	78.77
	<u>2402.78</u>	<u>2443.69</u>
Less : Provision for doubtful advances	(30.06)	(32.42)
	<u>2372.72</u>	<u>2411.27</u>
<b>TOTAL</b>	<u><u>4210.07</u></u>	<u><u>4454.16</u></u>
<b>18A a)</b> Duties and Taxes Receivable includes an amount of ₹ 596.06 Lacs (Previous year ₹ 546.61 Lacs) being VAT refund due from year 2005-06 to 2011-12 recovered from the input tax refunds by Commercial Taxes dept. This has been challenged by the company by filing appeals with Dy. Commissioner (Appeals).		
<b>19 OTHER CURRENT ASSETS :</b>		
Accrued Interest on Employee Advances	331.58	389.69
Accrued Interest on Bank deposit	64.09	81.45
Accrued Interest on Deposits	23.08	34.59
Accrued Income from Township	42.84	42.62
<b>TOTAL</b>	<u><u>461.59</u></u>	<u><u>548.35</u></u>

NOTES TO THE FINANCIAL STATEMENTS		₹ in lacs	
NOTE No.		Year ended 31.03.2012	Year ended 31.03.2011
<b>20</b>	<b>REVENUE FROM OPERATIONS</b>		
1.	<b>Sale of Products (Manufactured)</b>		
	Nitroproducts	4195.94	3086.65
	Hydrogen	4.65	2.83
	Aniline Oil	3036.80	1353.80
	Acids	322.99	953.82
	Formaldehyde	3268.99	2820.74
	Spent Acid	147.77	74.00
	Dinitrogen Tetro Oxide	472.41	319.96
	Caustic Soda	-	0.14
	Nitro Trolune Back End	3.12	2.06
	Nickel Oxide	-	0.95
	Eutectic Oil	-	0.28
	Iron Poly	1.43	-
	Phenol	26319.29	39734.06
	Acetone	12015.88	13611.58
	Hydrogen Peroxide	2401.33	2579.11
	Cumene	574.16	-
	Heavy Ends of Cumene	1158.23	1491.28
	Cumox Oil	701.58	704.77
	Add : Excise Duty	5841.97	7067.88
		<u>60466.54</u>	<u>73803.91</u>
2.	<b>Sale of Products - Traded</b>		
	Toluene	170.17	-
	<b>Gross Sales</b>	<u>60636.71</u>	<u>73803.91</u>
	Other Operating Revenues	32.80	96.48
		<u>60669.51</u>	<u>73900.39</u>
	Less : Excise Duty	5841.97	7067.88
	<b>TOTAL</b>	<u>54827.54</u>	<u>66832.51</u>
<b>21</b>	<b>OTHER INCOME</b>		
	<b>INTEREST:</b>		
	On Call and Term Deposits (Gross) (Tax deducted at source ₹ 18.45 lac (Previous year Nil))	241.35	228.02
	On Advances and Deposits with MIDC, MSEB and others (Tax deducted at source ₹ 0.22 lacs (Previous year ₹ 0.09 lac))	21.88	20.58
	On loan to the Subsidiary Co., M/s. HFL (Tax deducted at source ₹ 6.34 lacs (Previous year ₹ Nil))	109.53	135.99
	Delayed Payment & Finance Charges from Sundry Debtors	110.50	443.22
		<u>483.26</u>	<u>58.63</u>
	<b>OTHER NON-OPERATING INCOME:</b>		
	Estate Rent (Tax deducted at source ₹ 0.59 lac (Previous year ₹ Nil))	101.67	100.23
	Transport, Water, Electricity, etc. recoveries	101.40	119.27
	Miscellaneous Income (Tax deducted at source ₹ 0.03 lacs (Previous year ₹ 1.52 lac))	178.43	247.11
	Profit on Sale of Assets	1.15	470.07
		<u>382.65</u>	<u>3.46</u>
	<b>TOTAL</b>	<u>865.91</u>	<u>913.29</u>
<b>22</b>	<b>COST OF MATERIALS CONSUMED</b>		
A.	<b>RAW MATERIALS</b>		
	Sulphur	-	426.68
	Benzene	20159.90	21978.69
	Methanol	2335.02	1977.14
	Nitric acid	75.80	129.37
	Toluene	-	576.11
	CNG	387.96	-
	Naphtha	-	193.24
	Ammonia	718.89	453.49
	Liquified Petroleum Gas	8784.86	11025.93
	Hydrogen	802.20	771.39
	Caustic Soda Lye (100%)	89.53	117.04
	Sulphuric Acid	426.20	35.81
	Nitrogen	79.66	79.54
	Other Raw Materials	50.09	190.81
	<b>TOTAL</b>	<u>33910.11</u>	<u>37955.24</u>



NOTES TO THE FINANCIAL STATEMENTS		₹ in lacs	
NOTE No.	Year ended 31.03.2012	Year ended 31.03.2011	
<b>23 Purchases - Stock-in-Trade</b>			
Toluene	155.73		-
<b>TOTAL</b>	<b>155.73</b>		<b>-</b>
<b>24 CHANGES IN INVENTORIES OF FINISHED GOODS, WORK IN PROGRESS AND STOCK IN TRADE</b>			
<b>OPENING STOCK</b>			
Stock-in-Process	794.52	732.08	
Stock for Captive Consumption	2159.74	858.36	
Finished Products (Main)	3729.74	2051.61	
By-Products	24.96	25.14	
	<b>6708.96</b>		<b>3667.19</b>
<b>CLOSING STOCK</b>			
Stock-in-Process	862.14	794.52	
Stock for Captive Consumption	1761.85	2159.74	
Finished Products (Main)	4274.73	3729.74	
By-Products	62.38	24.96	
	<b>6961.10</b>		<b>6708.96</b>
Decrease / (Increase)	<b>(252.14)</b>		<b>(3041.77)</b>
<b>24A Closing Inventory - Finished Goods</b>			
Nitroproducts	706.66	1207.52	
Hydrogen	-	-	
Aniline Oil	226.19	308.03	
Acids	150.85	66.47	
Formaldehyde	215.32	188.21	
Other Chemicals	1.68	1.68	
Phenol	2243.45	1946.78	
Acetone	975.33	332.13	
Hydrogen Peroxide	79.97	69.34	
Cumene	1351.33	1769.33	
Lean Propylene	85.80	-	
By-Products	62.38	24.96	
<b>TOTAL</b>	<b>6098.96</b>		<b>5914.45</b>
<b>Opening Inventory - Finished Goods</b>			
Nitroproducts	1207.52	489.34	
Hydrogen	-	0.12	
Aniline Oil	308.03	275.16	
Acids	66.47	50.20	
Formaldehyde	188.21	141.62	
Other Chemicals	1.68	2.00	
Phenol	1946.78	847.83	
Acetone	332.13	557.89	
Hydrogen Peroxide	69.34	22.21	
Cumene	1769.33	506.37	
Lean Propylene	-	17.21	
By-Products	24.96	25.14	
<b>TOTAL</b>	<b>5914.45</b>		<b>2935.09</b>
<b>25 EMPLOYEE BENEFITS EXPENSES</b>			
Salary, Wages, Bonus, Incentives and Allowances	7614.05	8520.50	
Company's contribution to Provident Fund	747.42	814.11	
Family Pension Fund and other Funds			
Gratuity payments including premium for Group	1517.14	1111.61	
Gratuity-cum-Life Insurance Scheme			
Provision for leave encashment	625.62	640.14	
<b>Staff Welfare Expenses</b>			
Medical Amenities	352.36	244.77	
Educational Amenities	74.01	91.98	
Canteen and Nutrition Amenities	525.09	452.72	
Other Welfare Expenses	354.09	127.03	916.50
<b>TOTAL</b>	<b>11809.78</b>		<b>12002.86</b>



## NOTES TO THE FINANCIAL STATEMENTS

₹ in lacs

NOTE No.	Year ended 31.03.2012		Year ended 31.03.2011	
<b>26 FINANCE COSTS</b>				
<b>Interest Expenses</b>				
On Fixed Loans	1669.19		1573.94	
On Other Loans	680.11	2349.30	514.41	2088.35
Other Borrowing Cost		22.98		51.00
Gain/(Loss) on Foreign Currency transaction		1.50		(0.49)
<b>TOTAL</b>		<b>2373.78</b>		<b>2138.86</b>
<b>27 OTHER EXPENSES:</b>				
Consumption of Stores and Spares (Including catalyst consumed)		1186.23		1257.98
Power and Fuel		8796.50		8634.99
Water		262.41		305.08
Repairs to Buildings		120.51		114.15
Repairs to Machinery		264.40		228.44
Repairs to Other Assets		341.62		259.59
Rent		77.41		81.03
Insurance		68.40		75.11
Rates and Taxes		94.12		136.76
Consultancy Charges		57.07		57.68
<b>Payment to Auditors:</b>				
As Auditors		3.31		3.31
For Taxation Matters		1.34		1.34
For Other Services		1.85		2.28
For Reimbursement of Expenses		0.20		0.55
Power for Township		103.83		142.50
Water for Township		120.34		111.15
Security Expenses		198.47		146.40
Advertisement Expenses - Tenders, Recruitment etc		58.24		48.12
Hire of Vehicles Expenses		104.10		120.63
Fixed Assets Written off		20.94		-
Diminution in value of Inventory		18.55		-
Research and Development		0.63		0.22
Loss on Sale /Disposal of Assets		3.17		11.30
Miscellaneous Expenses		483.90		569.66
Cash Discount		509.20		737.59
Publicity Expenses		11.33		18.13
Other Selling Expenses		8.85		10.41
Provision for Doubtful debts	32.53		0.42	
Provision for Doubtful recovery of advance to HOC Chematur	0.38		0.27	
Provision for Stock Obsolescence	30.84		18.54	
Provision for Interest to others	-		225.23	
<b>TOTAL</b>		<b>63.75</b>		<b>244.46</b>
<b>28 PRIOR YEAR ADJUSTMENTS:</b>				
<b>INCOME</b>				
Reversal of Debit Notes for DPC	59.70		(33.83)	
Bank Charges	0.21		-	
Transit House Recovery	-		2.21	
Insurance Premium Refund	-		1.24	
Old Credit Balance Written Back	3.52		-	
Others	0.08		-	
Reversal of Income (HFL Interest) (Refer note-36)	(46.18)		-	
<b>EXPENDITURE</b>				
Raw Material	0.36		0.73	
Reversal of Debit Notes for DPC	-		14.02	
M & R Plant & Machinery	-		5.17	
Salaries arrears, Incentives & Other benefits	4.49		(0.63)	
General Expenses	(38.78)		0.70	
Other Interest	10.83		52.01	
<b>Net Prior Period Expenditure</b>	<b>(40.43)</b>		<b>102.38</b>	
<b>EXCESS PROVISION WRITTEN BACK</b>				
Bad Debt provision written back	12.01		34.62	
M & R Plant & Machinery	-		2.99	
Stores & Spares	48.58		7.05	
Reversal of Provision	4.53		-	
	65.12		44.66	
<b>NET PRIOR YEAR ADJUSTMENTS:</b>		<b>(105.55)</b>		<b>57.72</b>
<b>TOTAL</b>		<b>(105.55)</b>		<b>57.72</b>
<b>29 EXCEPTIONAL ITEM:</b>				
V R S Payment		221.59		-
<b>TOTAL</b>		<b>221.59</b>		<b>-</b>
<b>29A</b>	The Company has introduced VRS Scheme under Gujarat pattern on 20.02.2012 and was open for 1 month upto 19.03.2012. 28 applications were received from employees who opted for VRS and all were accepted by the management. 20 employees were relieved on 31st March 2012 and VRS liability amounting to ₹ 221.59 lacs has been provided for during the year and shown under exceptional item in statement of profit and loss. The commitments towards VRS liability for 8 employees retiring after 31st March 2012 amounting to ₹ 129.15 lacs is shown under other commitments.			

**NOTES TO THE FINANCIAL STATEMENTS****NOTE - 30****SIGNIFICANT ACCOUNTING POLICIES****1. BASIS OF PREPARATION OF FINANCIAL STATEMENTS****Accounting Convention:**

The Accounts have been prepared on accrual basis, unless stated otherwise, under the historical cost convention, in accordance with applicable Accounting principles in India, mandatory Accounting Standards issued by the Institute of Chartered Accountants of India and the relevant provisions of the Companies Act, 1956.

**2. FIXED ASSETS**

- a) Fixed Assets are stated at historical cost less depreciation.
- b) The constructed/fabricated capital assets are capitalized and when the same are installed in the plants.
- c) Machinery spares which are procured for use in connection with particular machinery/equipment and stand by equipments which are identified to a particular item of fixed asset and having irregular use are capitalized and written off over the remaining useful life of the machinery/ equipment.
- d) In respect of Plant & Machinery, significant expenditure on Repairs, Renewals and Replacement having a separate identity and is capable of being used after the existing assets are disposed off or which are certified by the concerned Technical Department to have resulted in technical improvement, increased capacity or increased useful life of the assets, is capitalised. The estimated residual value of the replaced parts, determined on technical assessment is charged to statement of Profit and Loss under "Repairs & Maintenance".
- e) Impairment of Assets :  
An asset is treated as impaired when the carrying cost of assets exceeds its recoverable value. An impairment loss is charged to the statement of Profit and Loss in the year in which an asset is identified as impaired. The impairment loss recognised in prior accounting periods is reversed if there has been a change in the estimate of recoverable amount.

**3. DEPRECIATION**

The classification of plant and machinery into continuous and non-continuous process is done as per technical certificate and depreciation thereon is provided accordingly.

- a) In case of continuous process plants and computer systems
  - i. Acquired before 1.4.1993 :  
The specified period has been recomputed by applying to the original cost, revised rates as prescribed in Schedule XIV as per notification GSR No. 756(E) dated 16.12.1993 and depreciation charge has been calculated on straight-line method by allocating the unamortized value as per books of account over the remaining part of the recomputed specified period. For this purpose the date of acquisition is taken as the last day of each year in which it is acquired/capitalized.
  - ii. Acquired after 1.4.1993 :  
Depreciation is provided at the rates prescribed in Schedule XIV of the Companies Act, 1956.
- b) In case of other Fixed Assets :
  - i. Acquired before 2.4.1987 depreciation is continued to be provided on "Straight Line Method" at the rates approved by the Board on technical assessment of useful life of assets or the rates prescribed under the then provisions of Income Tax Act, 1961 whichever is higher.
  - ii. Acquired from 2.4.1987 onwards and in existence as on 1.4.1993, depreciation is provided on straight line method at old rates prescribed in the then Schedule XIV of the Companies Act, 1956.
  - iii. Acquired after 1.4.1993 Depreciation is provided on straight line method as per the rates given in the revised Schedule XIV to the Companies Act, 1956. Or on the basis of estimated life of the assets, whichever is higher.
- c) Lease premium paid on leasehold land is amortised over the life of lease.

**4. EXPENDITURE DURING CONSTRUCTION PERIOD**

All revenue expenses including interest incurred on the funds used/ incurred for acquiring, erecting and commissioning Fixed Assets are transferred to "Expenditure during Construction", which is allocated to capital cost of respective assets on their completion, except in case of assets held for disposal. All indirect revenue expenditures are apportioned as determined by the Management.

**5. INVENTORIES**

- a) Inventories are valued at lower of cost and net realizable value except in case of:
  - i. Raw materials which are valued at cost, since finished goods which are produced using the same are expected to be sold at above cost.
  - ii. Stores and spares, which are valued at cost, determined

- iii. as per weighted average cost method,
- iii. By-products which are valued at estimated net realizable value, and
- iv. Intermediate products which are valued at cost of production or net realizable value whichever is lower where cost is determined as per average cost of production.
- b) For the purpose of valuation of stock-in-process and stock of finished goods pending inspection, the same is converted into equivalent units of finished products held for captive consumption depending upon stage of completion.
- c) The cost of Catalyst is amortised over their estimated useful lives. Balance unamortised portion has been shown under the head "Stores and Spares".

**6. SUNDRY DEBTORS**

Provision for Doubtful debts/Loans/Advances: Full provision is made in the books, in respect of Sundry Debtors outstanding for more than 3 years (except in respect of receivables from Government departments/Companies) except where the company has filed a civil suit for recovery of dues and the suit is yet to be decided, other than wherever found necessary in the circumstances of the case.

In respect of other Debtors, Loans & Advances the provisions are made to the extent considered not recoverable by the management.

**7. REVENUE RECOGNITION**

- a) The "Sales" are stated on the basis of invoices net of sales tax and trade discounts.
- b) Revenue from sale of Scrap and obsolete stores is accounted for at the time of disposal.
- c) Delayed payment charges due from customers other than Government Companies/Departments are accrued as income where Management is certain about its recoverability.
- d) claims for delayed payment charges in case of Government Companies/Departments are referred to the Arbitrators as prescribed by the Government of India and revenue is recognized upon receipts of award from the Arbitrators.
- e) Interest income is recognized when no significant uncertainty as to its realization exists.
- f) Benefit of Duty Credit are accounted for on the basis of actual utilization or transfer of credit.

**8. FOREIGN CURRENCY TRANSACTIONS**

Transactions in Foreign currency are recorded in the reporting currency by applying currency rate as at the date of transaction. Receivables and Payables involving foreign currency are translated at the rates of exchange prevalent on the Balance Sheet date. Exchange differences (gains or losses) are treated as Revenue and charged to the Statement of Profit & Loss.

**9. BOND ISSUE EXPENSES**

Bond Issue Expenses are being charged off against Securities Premium Account as per the provisions of the Companies Act, 1956.

**10. RETIREMENT BENEFITS**

- a) Company's contribution to provident fund is accounted for on accrual basis.
- b) Liability on Account of Gratuity and leave encashment to the employees at the end of the year is provided for on the basis of Actuarial Valuation every year.

**11. BONUS**

Bonus is provided under the Payment of Bonus Act, 1965, on the basis of profitability of each Unit.

**12. INVESTMENTS**

- a) Long term investments are stated at cost less decline, if any, other than temporary in value on individual investment basis.
- b) Investments intended to be held for not more than one year from the date of acquisition are classified as current investments and are carried at lower of cost or fair value determined on individual investment basis.

**13. PRIOR YEAR / PREPAID EXPENSES**

Prepaid/Prior Year expenses not exceeding Rs. 10,000/- in respect of each item, is accounted for under appropriate heads, at the time of payment.

**14. CONTINGENT LIABILITIES**

Claims against the Company not acknowledged as debts relating to normal business transactions and show cause notices and demands raised by tax authorities disputed by the Company are treated as Contingent Liabilities and disclosure is made in accordance with AS -29.

**31 EMPLOYEES BENEFIT PLAN:****31A Provision for leave encashment**

The Company has made provision of ₹ 625.62 lacs (Previous Year ₹ 640.14 lacs) for leave encashment as per revised AS-15 issued by Institute of Chartered Accountants of India based on Actuarial Valuation.

- 31B Employees receive benefits from the provident fund managed by the Company. The employee and employer each make monthly contributions to the Provident Fund/Pension Fund plan equal to 12% of the employees' salary/wages. Provident Fund is managed by a separate Exempted Trust.

**NOTES TO THE FINANCIAL STATEMENTS****31C Gratuity**

The Employees' Gratuity Fund Scheme, which is a defined benefit plan, is managed by the Trust through an Annuity Scheme maintained with Life Insurance Corporation of India (LIC). The present value of obligation is determined based on actuarial valuation, of liability done by using Projected Unit Credit Method, which recognises each period of service as giving rise to additional unit of employee benefit entitlement and measures each unit separately to build up the final obligation.

The ceiling of gratuity has been enhanced from ₹ 3.50 lacs to ₹ 10 lacs with effect from 1st January, 2007. The gratuity liability as on 31st March, 2012 includes the provision towards arrears for the retired employees on above account amounting to ₹ 207.30 lacs (previous year ₹ 207.30 lacs).

(i) Reconciliation of opening and closing balances of the present value of the defined benefit obligations.

	(₹ in Lacs)	
Particulars	2011-12	2010-11
Present value of obligation as at the beginning of the year	4159.44	2796.75
Interest Cost	332.75	223.74
Current Service Cost	137.72	125.91
Benefits paid	(445.22)	(276.21)
Actuarial (gain)/loss on obligations	597.51	755.60
Present value of obligations at the end of year	4782.20	3625.79
(ii) Reconciliation of opening and closing balances of fair value of the plan assets:-		
Fair value of plan assets at beginning of year	1048.57	1111.93
Expected return on plan assets	84.85	95.29
Contributions	167.29	117.56
Benefits Paid	(445.22)	(276.21)
Actuarial gain/(loss) on plan assets	NIL	NIL
Fair value of plan assets at the end of year	855.49	1048.57
(iii) Reconciliation of present value of obligations and fair value of plan assets: (₹ in Lacs)		
Fair value of Plan Asset at the end of the year	855.49	3625.79
Present value of obligations at the end of year	4782.20	1048.57
(Liability)/Asset recognized in the Balance Sheet	3926.71	2577.22
(iv) Expenses recognized during the year: (₹ in Lacs)		
Current Service Cost	137.72	125.91
Interest cost	332.75	223.74
Expected return on plan assets	(84.85)	(95.29)
Actuarial gain/(loss)	(597.51)	(755.60)
Enhanced gratuity differential amount paid to left employees by the Company which is not paid by LIC of India	-	102.10
Expenses Recognised in Statement of Profit & Loss	983.13	1112.06
(v) Assumptions used to determine the defined benefit obligations		
Mortality Table (LIC) (1994-96 Ultimate) Discount rate (p.a)	8%	8%
Expected rate of increase in salary (p.a.)	4%	4%
Withdrawal rate	1% to 3% depending on age	

Last year actuarial valuation is based on 1% expected rate of increase in salary. In view of this, the previous year calculations are not comparable.

**32 Amount due to Micro, Small and Medium enterprises:**

Particulars	2011-12	2010-11
a i) Principal amount remaining unpaid as at the end of each accounting year	14.48	18.07
ii) Interest due thereon	Nil	Nil
b) The amount of interest paid in terms of section 16 of the Micro, Small and Medium Enterprises Development Act, 2006 along with the amount of the payment made to the supplier beyond appointed day.	Nil	Nil
c) The amount of interest due and payable for the period of delay in making payment (which have been paid but beyond the appointed day during the year) but without adding the interest specified under the Micro, Small and Medium Enterprises Development Act, 2006.	Nil	Nil
d) The amount of interest accrued and remaining unpaid at the end of each accounting year	Nil	Nil
e) The amount of 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, for the purpose of disallowance as a deductible expenditure under section 23 of the Micro, Small and Medium Enterprises Development Act, 2006.	Nil	Nil

**33 PROVISION FOR EMPLOYEE REMUNERATION****RASAYANI****PROVISION FOR ARREARS OF WAGES**

**33A** No provision has been made for the liability towards wage revision of employees (other than Kochi Unit) for the period January 1, 1997 to December 31, 2000 amounting to ₹ 2308.08 lacs, (previous year ₹ 2308.08 lacs) and it is shown under contingent liability.

**33B** Wage Settlement / Salary Revision w.e.f. 1/1/2007 - Officer

The arrears payable for the period from 1st January, 2007 to 31st March, 2008 amounting to ₹ 278.96 lacs (Previous year ₹ 278.96 lacs) which is subject to the Company generating adequate cash resources has not been provided for and the same has been shown under contingent liability.

**33C** Wage Settlement / Salary Revision w.e.f. 1/1/2007 - Staff: The arrears payable for the period from 1st January, 2007 to 31st March, 2008 amounting to ₹ 246.31 lacs (Previous year ₹ 246.31 lacs) which is subject to the Company generating adequate cash resources has not been provided for and the same has been shown under contingent liability.

**33D STAFF:**

The arrears payable for the period from 1st April, 2008 up to 31st March, 2012 in respect of 280 employees amounting to ₹ 346.12 lacs has been provided for and shown under Short Term Provisions.

**KOCHI**

Provision for employee remuneration includes an amount of ₹ 69.90 lacs (Previous year Nil) towards the balance amount of arrears in respect of pay and allowance w.e.f. 01.01.2007 of Board level and below Board level executives and ₹ 50.00 lacs (Previous year Nil) towards performance related incentive in the form of gold coin to be distributed to employees.

**34 Fixed Assets**

**34A a)** Land in possession of the Company at Rasayani admeasuring 455.69 hectares (previous year 455.69 hectares) has been given free of cost for use, by the Government of Maharashtra, against which a nominal value of ₹ 1 is included in "Land and Land development" by creating "Capital Reserve". Land at Panvel amounting to ₹ 0.80 lac (previous year ₹ 0.80 lac) included in "Land and Land development" has been given by the Government of Maharashtra for the business/residential purpose of the company.

**34B i)** AN-I, FD-I, NB-I, HYD-I, DNB, BDP, MCB, NCB Old, COGEN Boiler, ACETYL, COMP, AIR-I, PUSH, DM WATER-I & II, MPP Plant, Steam Boiler-III having WDV (net of impairment) at ₹ 1346.85 lacs (Previous year ₹ 1376.00 lacs) are held for disposal. These assets have been carried at lower of net book value and Net Realisable Value ascertained on the basis of technical assessment made by the management / outside expert.

**34C** The Company appointed consultant/valuers during the year, for assessing the impairment of Fixed Assets as per the provisions of AS-28 Impairment of Assets for Rasayani Unit. As per the report of the consultant the loss on account of impairment has been worked out by comparing the fair market value as on date with the W.D.V as on 31st March, 2012 and an additional amount of ₹ 31.47 lacs (Previous year ₹ 56.73 lacs) has been provided for during the year.

**34D** The Acetanilide, Sulphuric Acid, Nitro Toluene, Caustic Soda, Nitro Chloro Benzene (CD) and Cyclo Hexyl Amine (CHA) plants gross block ₹ 14998.25 lacs (Previous year ₹ 14995.18 lacs) are in working condition but are not in operation due to uneconomical conditions.

**34E** Capital Work-in-Progress and Expenditure during Construction includes ₹ 2976.65 lacs (previous year ₹ 2976.65 lacs) towards cost of JNPT Tank Terminal project wherein Management had decided to suspend further construction. Even though the lease period has expired in June 2010 the company has written to JNPT authorities for extension of the lease period and is hopeful of getting extension.

Hence the assets are carried at cost in view of the decision of the management.

As per Lease Agreement with JNPT, the Lease Rentals provide for escalation @ 10 % on Lease Land payable to JNPT. The Company has provided for Lease Rentals with old rates without considering the escalation @ 10% per annum as the matter is under arbitration. The amount accumulated till date comes to ₹ 621.55 lacs (Previous year ₹ 453.99 lacs), which has been disclosed as contingent liability.

**NOTES TO THE FINANCIAL STATEMENTS**

**34F** An amount of ₹ 506.01 lacs (Previous year ₹ 211.52 lacs) has been spent on Refurbishment of CNA Plant which is funded by ISRO and is shown under Capital Work In Progress.

**34G** The Company had incurred expenditure of ₹ 46.35 lacs in earlier years towards feasibility study for Combined Heat and Power Project and Captive Co-gen Power Plant to be erected at Rasayani, which was shown under Capital Work in Progress. An amount of ₹ 20.94 lacs towards Combined Heat and Power Project has been charged to the Statement of Profit and Loss in current year as the project is not being taken up.

The balance amount of ₹ 25.41 lacs towards feasibility study of captive power plant is carried forward as the project is on hold now due to high gas prices and will be taken up at a later date.

**35** The Company had an investment of ₹ 1106 lacs (previous year ₹ 1106 lacs) in the subsidiary company M/s. Hindustan Fluorocarbons Ltd (HFL) which was under BIFR since 1994. HFL has been reporting profit in the last 3 years. The Subsidiary Company HFL has also been sanctioned CERs by UNFCCC under the CDM Project which has generated substantial revenue for the Company. In view of the improved financial position of HFL, its shares are traded much above the nominal value. In view of this, the investment in HFL is stated at cost.

The Company had invested ₹ 3.00 lacs in the Equity of M/s. HOC-Chematur Ltd. by way of joint venture as a promoter. The company holds 60% of the Paid-up Equity Capital of HOC-Chematur Ltd., hence HOC-Chematur is a subsidiary company of HOCL. HOC-Chematur Ltd., had initiated the process of implementing the project, however, abandoned subsequently due to inadequate support from financial institutions.

In view of such uncertainties involved in implementing the project, the Company had fully provided for the losses against the investment. There is no change in the status of M/s HOC-Chematur Ltd., and the provision against the investment is continued.

**37** During the year 2001-2002, a case of misappropriation of Company's funds to the tune of ₹ 64.81 lacs (net and to the extent identified) by an official of the Company, involving fraudulent / fake payments / withdrawals under various heads of accounts including sales tax, debtors etc. had been detected. The case is at present under investigation of CBI. In the meantime, based on the report of the Vigilance Dept., a civil suit has been filed for recovery of the amount involved from the concerned employee who was dismissed from the services of the Company. Since in the opinion of the Management the value of assets seized by CBI is sufficient to cover the losses occurred on account of fraud, no provision in the accounts is made and the amount is shown as recoverable.

**38 EARNING PER SHARE**

Earnings per share has been calculated as follows:

Net Profit/(Loss) after Tax (₹ in lacs)	<b>2011-12</b>	2010-11
	<b>(7806.85)</b>	2571.59
Weighted average number of equity shares	<b>67173100</b>	67173100
Nominal Value per equity share (₹)	<b>10</b>	10
Diluted & Basic Earning per equity share (₹)	<b>(11.62)</b>	3.83

**39 SEGMENT REPORTING.**

Since the company is manufacturing only Chemicals, there are no separate reportable primary and secondary segments and all the chemicals manufactured by the company are considered to have been representing as single reportable segment. The requirements of Accounting Standard 17 with regard to disclosure of segmental results are therefore considered not applicable to the company.

**40 RELATED PARTY DISCLOSURE AS PER AS-18**

a) The company is a State controlled enterprise therefore the disclosures as per Accounting Standard 18 are not considered applicable.

b) Key Management Personnel

Sl. No. Name	2011-12	2010-11
	Remuneration	Remuneration
i) Sri R. N. Madangeri, Chairman and Managing Director	₹ 19.12 lacs	₹ 17.35 lacs
ii) Sri A. S. Didolkar, Chairman & Managing Director (upto 31st Aug,2010)	-	₹ 7.96 lacs
iii) Sri J. N. Suryawanshi, Director (Marketing)	₹ 15.21 lacs	-
iv) Sri M. K. Mittal Director (Finance) (upto 31st July 2011)	₹ 5.61 lacs	₹ 16.87 lacs

**41 ACCOUNTING FOR TAXES ON INCOME AS PER AS-22**

The Company had reviewed its net deferred tax assets as at 31st March, 2004 and decided not to carry forward such assets due to uncertainty of realizing these assets against future taxable income due to uncertainty of its realization on account of accumulated losses. This decision is followed this year also in view of Accounting Standard Interpretation issued by the Institute of Chartered Accountants of India.

**42 BALANCE CONFIRMATION**

Balances of debtors, creditors, loans, advances, other current assets and borrowings are subject to confirmation/reconciliation and subsequent adjustments.

- 36 a)** During the year 2007-08, the Modified Draft Rehabilitation Scheme (MDRS) for revival of subsidiary - Hindustan Fluorocarbon Ltd. (HFL) was approved by BIFR for implementation. As part of implementation of MDRS, HOCL had waived interest of ₹ 2260.26 lacs accumulated on loan given to HFL and converted the unsecured loan amounting to ₹ 2609.72 lacs as Zero Coupon Loan (ZCL), which is secured by creating first charge on HFL immovable property (land valued to the extent of ₹ 4000 lacs) in favour of HOCL. Further, the Company had given loans aggregating to ₹ 890.77 lacs (Previous year ₹ 1020.77 lacs) which included additional loans of ₹ 134.34 lacs given to settle its dues to the financial institutions. On this 10% interest was charged by HOCL during the earlier years as per agreement entered into between HOCL and HFL. Since as per the MDRS, no interest is leviable on the additional loan, the Company has, during the year, reversed the interest on this loan accrued in earlier years amounting to ₹ 46.18 lacs, which is shown under Prior Year Adjustments. The above loans are also secured under the above mortgage of land by HFL.
- b)** Advances to joint venture Company M/s HOC-Chematur Ltd. includes advance paid to M/s Chematur Engg. A.B amounting to ₹ 664.71 lacs and expenses allocated in earlier years, aggregating to total ₹ 1066.26 lacs (previous year ₹ 1065.89 lacs). In view of uncertainties involved in recovery/completion of the joint venture company project, a provision for doubtful advance of equivalent amount was made during the earlier years. Since there is no improvement in the status of the joint venture project the provision for doubtful advances is maintained.



## NOTES TO THE FINANCIAL STATEMENTS

₹ in lacs

## 43 Contingent Liabilities

	<u>31.03.2012</u>	<u>31.03.2011</u>
a) Claims against the Company not Acknowledged as debts:		
i) Differential tax on account of concessional forms in respect of concessional sales	457.58	808.51
ii) Income Tax Claims	892.22	761.58
iii) Sales Tax Claim	5.70	5.70
iv) Excise Claims	212.01	212.01
v) Customs claim	10.80	10.80
vi) JNPT claims	2531.80	2007.99
vii) Rental claim Harchandrai House	2921.65	2457.75
viii) Wage revision employees (See note 33)	2833.35	2931.95
ix) Other Claims	740.40	701.37
b) Letters of Credit opened, cheques and bills of exchange discounted with the bankers and remaining outstanding	198.32	98.19
c) Guarantees given on behalf of the Subsidiary Company, Hindustan Fluoro-carbons Limited to Financial Institutions and Commercial Banks for securing loans and cash credit facilities.	1253.00	1253.00
d) Security Bond given to Commercial Taxes Dept., Govt. of Kerala	4290.74	2498.30

## 44 Capital Commitments

i) Estimated amount of contracts remaining to be executed on capital account and not provided for (Net of advances)	20.38	338.61
ii) Other Commitments (refer note - 29)	129.15	Nil

## 45 Value of Imports (on CIF basis)

Component & Spare Parts	239.64	266.31
Raw Materials & Trading Goods	Nil	Nil
Capital Goods	14.19	Nil

## 46 Consumption of Indigenous/Imported Materials

	₹ in lacs	2011-12 Consumption %	₹ in lacs	2010-11 Consumption %
A) Raw Materials				
Imported	Nil	Nil	918.85	2.42
Indigenous	33910.11	100	37036.38	97.58
<b>TOTAL</b>	<u>33910.11</u>	<u>100</u>	<u>37955.23</u>	<u>100</u>
B) Component & Spare Parts				
Imported	155.72	15.11	306.49	24.36
Indigenous	1030.50	84.89	951.49	75.64
<b>TOTAL</b>	<u>1186.22</u>	<u>100</u>	<u>1257.98</u>	<u>100</u>

47 Expenditure incurred in foreign currency

Nil Nil

48 The Company has not paid any dividends in foreign currencies during the year to Non-Resident Shareholders.

Nil Nil

## 49 Earnings in foreign currency

FOB value of goods exported

25.08 36.43

**TOTAL**25.08 36.43

50 Till the year ended 31 March 2011, the Company was using pre-revised schedule VI to the Companies Act, 1956, for preparation and presentation of its financial statements. During the year ended 31 March 2012, the revised Schedule VI notified under the Companies Act, 1956, has become applicable to the Company. The Company has reclassified previous year figures to conform to this year's classification. The application 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.

As per our report of even date attached

For and on behalf of the Board of Directors

For **Ford, Rhodes, Parks & Co.**

Chartered Accountants

Firm's Registration No.102860W

Sd/-

**S. B. Prabhu**

Partner

Membership No. 35296

Sd/-

**R.N.Madangeri**

Chairman &amp; Managing Director

Sd/-

**R. Suresh Kumar**

Director (Finance)

Sd/-

**J.N.Suryawanshi**

Director (Marketing)

Sd/-

**Mrs. Susheela S. Kulkarni**

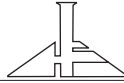
Company Secretary

Place: Mumbai

Date: 29/05/2012

Place: Mumbai

Date: 29/05/2012



## Balance Sheet as at 31st March 2012

(Rs. in lacs)

	Notes	As at 31 March 2012	As at 31 March 2011
<b>EQUITY AND LIABILITIES SHAREHOLDERS' FUND</b>			
Share capital	2	1,961.46	1,961.46
Reserves and surplus	3	(4,424.56)	(4,676.81)
<b>NON - CURRENT LIABILITIES</b>			
Long-term borrowings	4	1870.60	2413.90
Other Long term liabilities	5	451.47	874.73
Long-term provisions	6	245.45	398.40
<b>CURRENT LIABILITIES</b>			
Short-term borrowings	7	28.26	885.80
Trade payables	8	380.58	539.38
Other current liabilities	9	2693.75	1985.92
Short-term provisions	10	113.64	32.28
<b>TOTAL</b>		<b>3320.65</b>	<b>4415.07</b>
<b>ASSETS</b>			
<b>NON- CURRENT ASSETS</b>			
Fixed Assets			
Tangible assets	11A	1643.34	1610.15
Intangible assets	11B	61.49	122.98
Capital work-in-progress		119.87	0.00
Long term loans and advances	12	68.79	51.83
Other non current assets	13	0.00	0.00
<b>CURRENT ASSETS</b>			
Inventories	14	614.76	2081.06
Trade receivables	15	628.46	284.17
Cash and bank balances	16	34.77	6.05
Short-term loans and advances	17	149.16	221.57
Other current assets	18	0.00	37.26
<b>TOTAL</b>		<b>3320.65</b>	<b>4415.07</b>
Significant accounting policies and notes on Financial Statements	1		

As per our report of even date

For and on behalf of the Board of Director of HFC Ltd.,

For S. Daga & Co.,  
Chartered Accountants  
(FRN 000669S)

Sd/-  
(Shantilal Daga)  
Partner  
M No. 011617

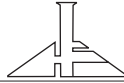
Sd/-  
(R N. Madangeri)  
Chairman

Sd/-  
(T S. Gaikwad)  
Managing Director

Sd/-  
(E. Surya Rao)  
Dy. General Manager(finance)

Sd/-  
(Rajani .k)  
Company Secretary

Place: Mumbai  
Date: 13.07.2012



## Statement of Profit and loss for the year ended 31.03.2012

	Notes	2011 - 12	2010 - 11
(Rs. In Lacs)			
Revenue from operations	19	6282.93	3505.71
Other income	20	133.16	88.45
<b>Total Revenue</b>		<b>6416.09</b>	<b>3594.16</b>
Expenditure:			
Cost of raw materials consumed	21	1947.35	1473.18
Changes in inventories of finished goods work-in-progress and Stock-in-Trade	22	1520.19	(180.01)
Employee benefits expense	23	1191.61	808.56
Finance costs	24	128.69	278.74
Depreciation and amortization expense	11E	155.19	155.65
Other expenses	25	1259.39	837.73
<b>Total expenses</b>		<b>6202.42</b>	<b>3373.85</b>
Deduct Prior period items (net)		(38.58)	(3.16)
Profit before exceptional items and tax		252.25	223.48
Exceptional items	26	0.00	0.00
Profit before tax		252.25	223.48
Tax Expense		-	-
Profit/(Loss) for the year from continuing operations		<u>252.25</u>	<u>223.48</u>
Earnings per equity share:			
Basic	27	1.29	1.14
Diluted		1.29	1.14
Significant accounting policies and notes on Financial Statements	1		

As per our report of even date

For and on behalf of the Board of Director of HFC Ltd.,

For S. Daga & Co.,  
Chartered Accountants  
(FRN 000669S)

Sd/-  
(Shantilal Daga)  
Partner  
M No. 011617

Sd/-  
(R N. Madangeri)  
Chairman

Sd/-  
(T S. Gaikwad)  
Managing Director

Sd/-  
(E. Surya Rao)  
Dy. General Manager(finance)

Sd/-  
(Rajani .k)  
Company Secretary

Place: Mumbai  
Date: 13.07.2012





## CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH 2012

	2011 - 2012	2010 - 2011
(Rs. in Lacs)		
<b>CASH FLOW FROM OPERATING ACTIVITIES:</b>		
Net Profit before taxation and Extraordinary items	213.67	220.31
Adjustments for :		
Depreciation	93.70	94.16
Finance Cost	0.00	
Loss on deleted / discarded assets	0.00	0.00
VRS Payment written off during the year	37.26	74.52
Referbishment expenditure written off	61.49	61.49
Loss on Impairment of assets	0.00	0.00
<b>Operating Profit before working capital changes</b>	<b>406.12</b>	<b>450.48</b>
Adjustments for		
(Increase)/Decrease in Inventories	1466.29	(236.43)
(Increase)/Decrease in Trade receivables	(344.29)	(87.95)
(Increase)/Decrease in Other Current Assets	0.00	0.00
(Increase)/Decrease in Loans & Advances	53.16	(24.87)
Increase/(Decrease) in working capital borrowings	(378.25)	(14.12)
Increase/(Decrease) in Current Liabilities & Provisions	(397.00)	1083.96
<b>Cash generated from operations</b>	<b>806.03</b>	<b>1171.07</b>
Direct taxes paid	0.00	0.00
Cash flow before extraordinary items	806.03	1171.07
Prior Period (Income) / expenses	38.58	3.16
Exceptional Items	0.00	0.00
Add: Depreciation	0.00	3.16
<b>Net Cash flow from Operating activities</b>	<b>844.61</b>	<b>1174.23</b>
<b>CASH FLOW FROM INVESTING ACTIVITIES :</b>		
Purchase of fixed assets	(246.77)	(1292.14)
Amount incurred for VRS PAYMENT	0.00	0.00
Amount incurred for Refurbishment Expenditure	0.00	0.00
VRS & Refurbishment Expenditure	(246.77)	(1292.14)
<b>CASH FLOW FROM FINANCING ACTIVITIES:</b>		
Increase in Secured Loans	(424.18)	(29.16)
Increase in Unsecured Loans	(144.93)	144.93
Net cash used in financing activities	(569.11)	115.77
Net increase in cash and cash equivalents	28.73	(2.14)
Cash and cash equivalents at the beginning of period	6.04	8.17
Cash and cash equivalents at the ending of period	34.77	6.04

Previous year figures have been regrouped / reclassified wherever necessary to conform to current year's classification.

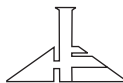
For S. DAGA & CO.,  
Chartered Accountants  
(FRN 000669S)

Sd/-  
(Shantilal Daga)  
Partner  
M.No. 011617

Place : MUMBAI  
DATE : 13.07.2012

Sd/-  
T S GAIKWAD  
Managing Director

Sd/-  
E SURYA RAO  
Dy. General Manager (Finance)



## Notes to financial statements for the year ended 31<sup>st</sup> March 2012

### NOTE NO. 1

#### BASIS OF PREPARATION OF FINANCIAL STATEMENTS:

The financial statements have been prepared under the historical cost convention on accrual basis to comply in all material aspects and in accordance with generally accepted accounting principles in India and the relevant provisions of the Companies Act, 1956. The accounting policies have been consistently applied by the Company unless otherwise stated.

#### SIGNIFICANT ACCOUNTING POLICIES:

##### 1(A). USE OF ESTIMATES:

The preparation of financial statements requires estimates and assumptions to be made that affect the reporting amount of assets and liabilities on the date of the financial statements and the reported amount of revenues and expenses during the reporting period. Difference between actual results and estimates are recognised in the period in which the results are known/ materialised.

##### 1(B). RECOGNITION OF REVENUE AND EXPENDITURE:

- (i) Revenues/Incomes and Costs/Expenditures are generally accounted on accrual, as they are earned or incurred.
- (ii) Sales are recognized when significant risks and rewards of ownership have been transferred to the buyer. In case of development projects / Research income, revenue is recognized on achieving the set milestones or targets.
- (iii) Export incentives under various schemes are recognized as Income on certainty of realization
- (iv) Sale of realizable scrap is accounted on receipt basis.
- (v) Insurance claims are accounted on accrual basis on admission of claims.
- (vi) Interest income is recognised on a time proportion basis taking into account the amount outstanding and the applicable rate of interest.
- (vii) Revenue (income) is recognised when no significant uncertainties as to its determinations or realisations exists. Turnover includes carbon credits (Carbon Emission Reductions) which are recognised as delivery thereof or sale of right therein as the case may be, in terms of contracts with respective buyers.

##### 1(C) . FIXED ASSETS:

- (i) Fixed assets (including capital work-in-progress) are accounted at cost less accumulated depreciation net of modvat credit.
- (ii) Constructed and fabricated capital assets are capitalized as and when the plant is put into commercial production.
- (iii) Expenditure during construction period including interest on loans borrowed is included in the Capital cost.
- (iv) Significant items of separate identity capable of enhancing life and capacity of the machinery are capitalized at cost inclusive of installation cost.

##### 1(D). DEPRECIATION

- (i) Depreciation is provided on Straight-Line Method in accordance with Schedule XIV of the Companies Act, 1956, as amended, treating plant and machinery as continuous process plant.
- (ii) Depreciation on assets costing less than Rs.5000/- is provided at 100%.

##### 1(E) . VOLUNTARY RETIREMENT SCHEME (VRS)

- (i) The Company has introduced Voluntary Retirement Scheme in accordance with BIFR Modified Draft Rehabilitation Scheme. The Company followed the policy guidelines issued by BIFR by amortizing the VRS payment over a period of 3 years.

##### 1(F). REFURBISHMENT EXPENDITURE

The company has followed the policy of amortizing refurbishment expenditure met on Plant and Machinery over a period of five years from the year of expenditure in accordance with the BIFR Modified Draft Rehabilitation Scheme.

##### 1(G). INVENTORIES:

- (i) The closing stock of raw materials, packing material stores and spares are valued at cost by adopting weighted average method or net realizable value whichever is less. Stock-in-process (intermediate products) and finished goods are valued at cost or net realizable value whichever is lower. Cost of Stock-in-process includes costs of conversion and other costs incurred in bringing the inventories to their present location and condition.
- (ii) Excise duty payable on finished goods manufactured but not removed is included in the Valuation of such stocks.
- (iii) By-products are valued at NIL value.
- (iv) Closing stock of CERs are treated as finished goods and are valued at market price as reported in International Stock exchange market, New York at the year end date (after deducting marginal expenses) upto 31.03.2011.

##### 1 (H). EMPLOYEE BENEFITS:

- a. Short term employee benefits:  
Undiscounted value of short term employee benefits such as salaries,

wages, short term compensated absences, bonus, exgratia and performance incentives are recognised as expense in the period in which the employees render the related service.

##### b. Post Employment Benefits

Defined Contribution plans:

Contribution to defined contribution plans being Employee Provident Fund, Employee State Insurance, Employee Insurance Scheme etc. are recognised in the Statement of profit and loss during the period in which the employees render the related services.

Defined Benefit Plans:

Liabilities in respect of defined benefit plans being Gratuity and Leave encashment are determined based on an actuarial valuation using the projected unit credit method. Actuarial gains or losses are recognised immediately in the Statement of Profit and Loss account.

##### 1(I). PROVISION FOR DOUBTFUL DEBTS:

Provision for doubtful debts/loans/advances : Provision for the doubtful debts is made in the books in respect of debtors outstanding for more than 3 years except Govt. Debts. In respect of cases under Civil suits/tribunals for recovery of dues which are yet to be decided, provisions are made to the extent considered necessary by the Management.

##### 1(J). FOREIGN CURRENCY TRANSACTIONS:

- (i) Foreign currency transactions are accounted for at the exchange rates prevailing on the date of transaction.
- (ii) Fixed assets are translated at the exchange rates on the date of transaction. The exchange difference in each financial year, up to the period of settlement is taken to Statement of profit and loss.
- (iii) The monetary items in foreign currencies are translated at the closing exchange rate on the date of balance sheet and difference in translation and realized gains/losses thereon adjusted in the Statement of profit and loss.

##### 1(K). BORROWING COST:

Borrowing costs relating to acquisition of fixed assets which takes substantial period of the time to get ready for its intended use are included to the extent they relate to the period till such assets are ready to be put to use. All other borrowing costs are charged to revenue. Borrowing costs consist of interest and other costs that the company incurs in connection with borrowing of funds.

##### 1(L). TAXES ON INCOME:

- (i) The Current charge for income taxes is calculated in accordance with the relevant tax regulations applicable to the Company on the estimated total income for the year.
- (ii) Deferred tax assets and liabilities are recognised on timing differences between taxable income and accounting income, originating in one period and expected to reverse in subsequent periods.  
Deferred tax asset is recognised and carried forward only to the extent that there is a virtual certainty that the asset will be realised in future.
- (iii) Deferred tax assets and liabilities are measured using the tax rates and tax laws that have been enacted or substantively enacted as on the Balance Sheet date.

##### 1(M). SEGMENT REPORTING :

The company's operation mainly comprises manufacturing of PTFE (Suspension & Emulsion ). These activities constitutes the primary segment i.e. manufacturing in chemicals.

##### 1(N). EARNING PER SHARE:

Basic Earnings Per Share is calculated by dividing the net profit or loss for the period attributable to equity share holders by the weighted average number of equity shares outstanding during the period.

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

##### 1(O). IMPAIRMENT OF ASSETS:

The carrying amounts of assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such an indication exists, then the carrying value is reduced to the higher of the net selling price or the value in use. The value in use is the present value of estimated future net income expected from use of the asset.

##### 1(P). PROVISIONS / CONTINGENT LIABILITIES:

Provisions are recognised, when the Company has a present legal or constructive obligation, as a result of past events, for which it is probable that an out flow of economic benefits will be required to settle the obligation and a reliable estimate can be made for the amount of the obligation. The disclosure is made for all present or possible obligations that may but probably will not require outflow as contingent liability in the financial statements.



**NOTES ON FINANCIAL STATEMENT FOR THE YEAR ENDED 31ST MARCH, 2012**

**NOTE 2 : SHARE CAPITAL**

(Rs. In lakhs)

	As at 31 March 2012	As at 31 March 2011
<b>Authorised</b>		
21000000 (Pr. Year 21000000) Equity Shares of Rs. 10/- each	2,100.00	2,100.00
<b>Issued</b>		
19630000 (Pr. Year 19630000) Equity Shares of Rs. 10/- each	1,963.00	1,963.00
<b>Subscribed &amp; Paid up</b>		
19599100 (Pr. Year 19599100) Equity Shares of Rs. 10/- each fully paid	1,959.91	1,959.91
30900 (Pr. Year 30900) Equity Shares forfeited (amount originally paid)	1.55	1.55
<b>Total</b>	<u>1,961.46</u>	<u>1,961.46</u>

**NOTE 2 (A)**

**Reconciliation of number of shares outstanding at beginning and at end of the reporting period**

	Equity Shares 31-03-2012		Equity Shares 31-03-2011	
	Number	Amount	Number	Amount
Shares outstanding at the beginning of the year	19599100	195991000	19599100	195991000
Shares Issued during the year	0	0	0	0
Shares bought back during the year	0	0	0	0
Shares outstanding at the end of the year	19599100	195991000	19599100	195991000

**NOTE 2 (B)**

**Disclosure of shares held by its holding company**

11060000 ( Pr. Year 11060000) Equity Shares fully paid up of Rs.1106 lakhs (Pr. Year Rs. 1106 lakhs) are held by M/s Hindustan Organics Chemicals Limited., the holding company.

**NOTE 2 (C)**

Details of equity shareholders holding more than 5% of equity shares along with No. of equity shares held at the beginning and at the end of the reporting period as given below

SR NO	Name of Shareholder	As at 31 March 2012		As at 31 March 2011	
		No. of Shares held	% of Holding	No. of Shares held	% of Holding
1	M/s Hindustan Organics Chemicals Ltd	11060000	56.43%	11060000	56.43%

**NOTE 2 (D)**

The company has only one class of shares referred to as equity shares having a par value of Rs 10. Each holder of the equity share, as reflected in the records of the company as of the date of the shareholder meeting, is entitled to one vote in respect of each share held for all matters submitted to vote in the shareholder meeting.

The company declares and pays dividends in Indian rupees. The dividend proposed by the Board of Directors is subject to the approval of the shareholders in the Annual General Meeting.

**NOTE 3 : RESERVES AND SURPLUS**

(Rs. In lakhs)

	As at 31 March 2012	As at 31 March 2011
<b>Surplus/(Deficit) in the statement of profit and loss</b>		
Opening balance	(4,676.81)	(4,900.28)
Add: Profit transferred from Statement of Profit and Loss	252.25	223.48
Net Deficit in the Statement of Profit & Loss	<u>(4,424.56)</u>	<u>(4,676.81)</u>
<b>Total</b>	<u>(4,424.56)</u>	<u>(4,676.81)</u>

**NOTE 4 : LONG TERM BORROWINGS**

(Rs. In lakhs)

	As at 31 March 2012	As at 31 March 2011
<b>Secured</b>		
<b>Term loans</b>		
from Hindustan Organics Chemicals Ltd	1870.60	2413.90
<b>Total</b>	<u>1870.60</u>	<u>2413.90</u>

4(A). The Term loan is secured by part of the land to the extent 82.13 acres of the factory at Rudraram Village

4(B). The Term loan of Rs. 2744.06 lakhs is Zero coupon loan as per terms of the BIFR agreement and is repayable in seven equal instalment as per the loan agreement commencing from F Y 2010-11. The instalment due for F Y 2010-11 & 2011-12 amounting to Rs. 784.01 lakhs is not paid by the company and same is shown in Note - 9 under the head ' Other Current liabilities' being current maturities of long term debt.

4(C). The Term loan of Rs. 754.42 lakhs is Interest bearing @ 10.25% to 14.50% repayable in 5 annual instalment commencing from F Y 2010-11 as per the loan agreement. The company is in continuing default in payment of instalment due and interest during the F Y 2010-11 & 2011-12. The installment due of Rs. 301.77 lakhs is shown in Note -9 of the financial statements under the head "Other Current liabilities" being current maturities of long term debt and interest due amounting to Rs. 428.83 lakhs under Interest accrued and due.

**NOTE 5 : OTHER LONG TERM LIABILITIES**

(Rs. In lakhs)

	As at 31 March 2012	As at 31 March 2011
Creditors for Capital Goods	451.47	874.73
<b>Total</b>	<u>451.47</u>	<u>874.73</u>

5(A). Creditors for capital goods includes an amount of Rs.850.74 lacs payable to M/S SRF Ltd towards supply and erection of Plant and Machinery relating to CDM Project. The total outstanding amount as per contract for plant and machinery supply and mechanical completion is Rs.1250.00 lacs. As per the terms of BOT contract dated 14-8-2007, the payment is to be made in the form of CERs. The contract equated Rs.1250.00 lacs to 6,59,500 CERs in 5 instalments of 131900 each. However, the total instalments of CERs are reduced to 4.13 and the company has so far transferred 210652 CERs as 1.32 instalments for a value of Rs.399.26 lacs. The balance Rs.850.74 lacs is payable in balance 2.81 instalments as per revised contract terms equating to 448848 CERs.

**NOTE 6 : LONG TERM PROVISIONS**

(Rs. In lakhs)

	As at 31 March 2012	As at 31 March 2011
<b>(a) Provision for employee benefits (Refer Note 23)</b>		
Gratuity	203.49	265.84
Leave Encashment	41.97	132.57
<b>Total</b>	<u>245.45</u>	<u>398.40</u>

**NOTE 7 : SHORT TERM BORROWINGS**

(Rs. In lakhs)

	As at 31 March 2012	As at 31 March 2011
<b>Secured</b>		
FROM BANK STATE BANK OF HYDERABAD		
CASH CREDIT	28.26	406.52
CLEAN CREDIT	0.00	101.03
SHORT TERM CORP LOAN	0.00	131.74
TERM LOAN	0.00	246.52
	28.26	885.80
<b>Total</b>	<u>28.26</u>	<u>885.80</u>

7(A). Secured by hypothecation of the company's entire stock of raw materials, finished goods, stock in process, consumables, stores & spares and book debts, plant and machinery and part of the land to the extent of Ac 64 out of the total land of Ac 146.13 cents at Rudraram Village and guaranteed by the holding company, viz. Hindustan Organic Chemicals Ltd. The cash credit is repayable on demand and carries interest 15.5% p.a

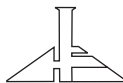
**NOTE 8 : TRADE PAYABLES**

(Rs. In lakhs)

	As at 31 March 2012	As at 31 March 2011
Dues to Micro and SSI units	2.64	2.23
Others	377.93	537.15
<b>Total</b>	<u>380.58</u>	<u>539.38</u>

8(A). Disclosure in accordance with Section 22 of Micro, Small and Medium Enterprises Development Act, 2006

Particulars	As at 31.03.2012	As at 31.03.2011
Principal amount remaining unpaid and interest due thereon	Nil	Nil
Interest paid in term of Section 16	Nil	Nil
Interest due and payable for the period of delay in payment	Nil	Nil
Interest accrued and remaining unpaid	Nil	Nil
Interest due and payable even in succeeding years	Nil	Nil


**NOTES ON FINANCIAL STATEMENT FOR THE YEAR ENDED 31ST MARCH, 2012**

8(B). The information as required to be disclosed under the Micro, Small and Medium Enterprises Development Act, 2006 has been determined to the extent such parties have been identified on the basis of information available with the company.

	(Rs. In lakhs)	
	As at 31 March 2012	As at 31 March 2011
Current maturities of long-term debt (Refer Note 4)	1629.88	1231.52
Interest Accrued and Due (Refer Note 4)	428.84	373.73
Creditors for capital goods	399.26	0.00
Others Payables	235.76	380.67
<b>Total</b>	<b>2,693.75</b>	<b>1,985.92</b>

**Note No. 11 A TANGIBLE ASSETS:**

	(Rs. In Lakhs)						
	Gross Block		Accumulated Depreciation			Net Block	
	As at 31 March 2011	Additions/ (Disposals)	As at 31 March 2012	As at 31 March 2011	Depreciation/ Amortisation for the year	As at 31 March 2012	As at 31 March 2011
Land	68.42	0.00	68.42	0.00	0.00	68.42	68.42
Buildings	159.07	0.00	159.07	97.966	3.77	101.74	57.33
Plant and Machinery	6346.57	122.43	6469.00	4883.17	86.97	4970.15	1498.85
Furniture & Fixtures	66.10	1.23	67.33	62.93	0.23	63.16	4.17
Office Equipments	32.50	3.23	35.73	18.42	2.73	21.15	14.58
<b>TOTAL</b>	<b>6672.64</b>	<b>126.90</b>	<b>6799.54</b>	<b>5062.49</b>	<b>93.71</b>	<b>5156.20</b>	<b>1643.34</b>
Previous Year Figures	5380.505	1292.14	6672.64	4968.33	94.16	5062.49	161.02
<b>11(B) Intangible Assets :</b>							
Refurbishment expense	301.97		301.97	178.99	61.49	240.48	61.49
Previous Year	301.97	0.00	301.97	117.50	61.49	178.99	61.49

11(C). Intangible assets includes refurbishment expenses which are amortised over a period of 5 years.

11(D). The refurbishment expenditure incurred during FY 2008-09 & 2009-10 are amortised/written off over a period of 5 equal annual instalment, as per guidelines laid down in scheme of BIFR, Modified Draft Rehabilitation Scheme (MDRS).

11(E). Depreciation & Amortisation Expenses :

	2011-12	2010-11
Depreciation	93.71	94.16
Amortisation	61.49	61.49
Total	155.19	155.65

**NOTE 12 LONG TERM LOANS AND ADVANCES (Rs. In lakhs)**

	As at 31 March 2012	As at 31 March 2011
<b>Deposits</b>		
Unsecured, considered good	68.79	51.83
<b>Total</b>	<b>68.79</b>	<b>51.83</b>

**NOTE - 13 OTHER NON CURRENT ASSETS**

	As at 31 March 2012	As at 31 March 2011
a. Long term trade receivables Unsecured		
- Considered doubtful	309.64	309.64
Less: Provision for doubtful debts	(309.64)	(309.64)
<b>Total</b>	<b>0.00</b>	<b>0.00</b>

**NOTE 14 : INVENTORIES**

	As at 31 March 2012	As at 31 March 2011
Raw Materials and components (includes in transit of Rs.4559302/- (Pr. Year Rs.1529510))	89.42	104.37
Stock-in-progress*	130.78	65.85
Finished goods	180.67	57.18
Stores and spares	213.89	156.58
Closing CERs Stock	0.00	1697.07
<b>Grand Total</b>	<b>614.76</b>	<b>2,081.06</b>

14(A)\* The closing stock-in-process includes the following products: (In lakhs)

	31st March 2012	31st March 2012
CFM - 22 Product	85.44	20.32
TFE	3.50	3.92
POLY-SUSPENSION	19.69	33.94
POLY-EMULSION	22.15	7.68
<b>Total</b>	<b>130.78</b>	<b>65.86</b>

**NOTE 10: SHORT TERM PROVISIONS**

	As at 31 March 2012	As at 31 March 2011
<b>(a) Provision for employee benefits</b> (Refer Note 23)		
Gratuity	9.28	12.82
LTA & Other Provisions	2.23	4.05
Leave Encashment	102.14	15.41
<b>Total</b>	<b>113.64</b>	<b>32.28</b>

14(B). Excise duty on closing finishing goods in respect of goods manufactured by the company amounting to Rs.16.87 lacs (previous year 5.34 lacs) is included in the valuation of such stocks.

14(C). Finished goods, which have not moved for more than 3 years are valued at Rs.1.00/kg and the consequential difference in value of Rs.2.24 lacs (Previous year Rs.0.00 lacs) has been charged off during the year.

**NOTE 15: TRADE RECEIVABLES**

	As at 31 March 2012	As at 31 March 2011
<i>Unsecured, considered good</i>		
Debts overdue for a period exceeding six months	190.81	84.00
Other debts	437.65	200.17
<b>Total</b>	<b>628.46</b>	<b>284.17</b>

15(A). Balance standing to the debit/credit of parties is subject to confirmation by them and reviews by the Company.

**NOTE : 16 CASH AND BANK BALANCES:**

	As at 31 March 2012	As at 31 March 2011
Balances with Banks	30.35	0.30
Margin money Deposit	4.40	5.72
Cash on hand	0.02	0.02
<b>Total</b>	<b>34.77</b>	<b>6.05</b>

16(A). Margin money deposit are subject to first charge to secure the company's cash credit loan.

**NOTE 17: SHORT TERM LOANS AND ADVANCES**

	As at 31 March 2012	As at 31 March 2011
Balances with central excise	45.66	0.02
<b>Others</b>	<b>66.33</b>	<b>172.59</b>
- Advance to Suppliers		
Considered good	37.18	48.96
Considered doubtful	0.91	0.91
Less: Provision for Considered doubtful advance	(0.91)	(0.91)
<b>Total</b>	<b>149.16</b>	<b>221.57</b>



**NOTES ON FINANCIAL STATEMENT FOR THE YEAR ENDED 31ST MARCH, 2012**

**NOTE 18: OTHER CURRENT ASSETS** (Rs. in Lacs)

	As at 31 March 2012	As at 31 March 2011
Opening Balance	37.26	74.52
Deduct: Written off during the year	37.26	37.26
<b>TOTAL</b>	<b>0.00</b>	<b>37.26</b>

**NOTE 19: REVENUE FROM OPERATIONS**

	2011 - 12	2010 - 11
<b>Revenue From Operations</b>		
(i) Sale of products		
Polytetrafluoroethylene	1668.02	907.99
Application Development	5.68	17.68
Customer Support		
CFM - 22	949.28	1004.07
Tetrafluoroethylene	2354.38	1330.97
Hydrogenchloride	55.17	91.71
Less: Excise Duty	475.23	313.04
Net Sales	4557.31	3039.38
(ii) Other operating revenues:		
Job Work conversion	26.63	0.00
Sale of Scrap	0.00	3.33
Sale of DHF	1.92	0.00
CER's Income	1697.07	466.33
<b>TOTAL TURNOVER</b>	<b>6282.93</b>	<b>3505.71</b>

**NOTE 20 : OTHER INCOME**

	2011 - 12	2010 - 11
Interest from Others	3.72	3.40
Gain on Foreign Exchange Fluctuation	49.69	0.00
Other non - operating income	79.75	85.05
<b>Total</b>	<b>133.16</b>	<b>88.45</b>

20(A). The company has determined the Defined Benefit Plans being Gratuity and leave encashment during the year on actuarial valuation, as certified by actuary. This has resulted in excess provision of Rs. 65.89 lacs made in earlier years, which has been written back included in other non-operating income.

**NOTE 21 : COST OF RAW MATERIAL AND PACKING MATERIAL CONSUMED :**

	2011-12	2010-11
Inventory at the beginning of the year	91.16	35.78
Add : Purchases	1902.68	1528.56
Less : Inventories at the close of the year	46.49	91.16
Cost of Raw material and packing material consumed	1947.35	1473.18

21(A). Details of raw material and packing material consumed : (100% Indigenous)

	2011 - 12	2010 - 11
AHF	805.43	540.04
CHLOROFORM	904.44	743.14
RM - 258	115.30	87.19
OTHERS	110.57	90.19
PACKING MATERIAL	11.61	12.61
<b>TOTAL</b>	<b>1947.35</b>	<b>1473.17</b>

21(B). Details of Inventory :

	2011 - 12	2010 - 11
AHF	19.77	4.68
CHLOROFORM	3.01	29.39
RM - 258	0.00	34.60
OTHERS	21.33	20.51
PACKING MATERIAL	2.38	1.98
<b>TOTAL</b>	<b>46.49</b>	<b>91.16</b>

**NOTE 22: CHANGES IN INVENTORIES OF FINISHED GOODS & WORK-IN-PROGRESS**

	2011 - 12	2010 - 11
Closing stock:		
Stock-in-process	130.78	65.85
CERs Stock	0.00	1697.07
Finished products	180.67	57.18
Less: Opening Stock		
Stock-in-process	65.85	1581.61
CERs Stock	1697.07	-
Finished products	57.18	58.62
	(1508.66)	179.88
	(11.53)	0.13
<b>Total</b>	<b>1520.19</b>	<b>(180.01)</b>

Add: Increase/(Decrease) in Excise duty on Finished products

**NOTE 23: EMPLOYEE BENEFITS EXPENSES** (Rs. in Lacs)

	2011 - 12	2010 - 11
Salaries wages and Bonus	896.45	431.34
Contribution to Provident and other funds	126.20	261.38
Staff welfare expence	73.24	41.31
Vrs Expenditure written off	95.71	74.52
<b>Total</b>	<b>1,191.61</b>	<b>808.56</b>

23(A). Both employer and employees make monthly contributions of 10% instead of 12% as per BIFR scheme to a separately managed exempted EPF Trust.

23(B). As per Accounting Standard 15 "Employee benefits", the disclosures as defined in the Accounting Standard are given below:

**DEFINED CONTRIBUTION PLANS**  
Contribution to Defined Contributions Plans, recognised as expense for the year is as under:

	2011-12	2010-11
Employers Contribution to Provident Fund	114.63	24.53
Employers Contribution to ESI	1.70	0.99
Other Contributions	9.87	10.52

The Company's Provident Fund is exempted under section 17 of Employees Provident Fund and Miscellaneous Provisions Act, 1952. Conditions for grant of exemption stipulate that the employer Shall make good deficiency, if any, in the interest rate declared by the trust vis-à-vis statutory rate.

**Defined Benefit Plan**  
The employees' gratuity fund scheme managed by a trust(Life Insurance Corporation of India) is a defined benefit plan. The present value of obligation is determined based on actuarial valuation using the Projected unit credit Method, which recognises each period of service as giving rise to additional unit of employee benefit entitlement and measures each unit separately to build up the final obligation. The obligation for leave encashment is recognised in the same manner as gratuity.

**i) Reconciliation of opening and closing balances of Defined Benefit Obligation**

	Gratuity (Funded) 2011-12	Leave Encashment (Unfunded) 2011-12
Defined Benefit obligation at beginning of year	278.65	147.98
Current service cost	10.94	1.16
Interest cost	22.29	11.84
Actuarial(gain)/loss	77.19	(16.87)
Benefits paid	(78.33)	0.00
Defined Benefit obligation at year end	310.75	144.10

**ii) Reconciliation of opening and closing balances of fair value of Plan assets**

	Gratuity (Funded) 2011-12
Fair value of plan asset at beginning of year	149.63
Expected return on plan assets	10.40
Actuarial gain/(loss)	0.00
Employer contribution	16.29
Benefits paid	(78.33)
Fair value of plan asset at year end	97.98
Actual return on plan assets	10.40

**iii) Reconciliation of fair value of assets and obligations**

	Gratuity (Funded)	Leave Encashment (Unfunded)
Fair value of plan assets	(97.98)	0.00
Present value of obligation	310.75	144.10
Amount recognised in Balance Sheet	212.76	144.10

**iv) Expenses recognised during the year**

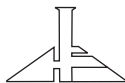
	Gratuity (Funded)	Leave Encashment (Unfunded)
Current service cost	10.94	1.16
Interest cost	22.29	11.84
Expected return on plan assets	(10.40)	0.00
Actuarial gain/(loss)	77.19	(16.87)
<b>Net Cost</b>	<b>100.03</b>	<b>(3.88)</b>

**v) Actuarial assumptions**

	Gratuity (Funded) 2011-12 (ultimate)	Leave Encashment (Unfunded) 2011-12 (ultimate)
Mortality Table (LIC)	1994-96	1994-96
Discount Rate (per annum )	8%	8%
Expected rate of return on plan assets	9.25%	-
Attrition Rate	3%	3%
Salary Rise	4%	4%

23(C). Previous year's figures are not reported, as the actuary valuation was not carried out in earlier years and respective details are unavailable.

23(D). The arrears on account of pay fixation in the revised scale with effect from 01-01-1997 wide wage revision settlement as per DPE guidelines, have not been provided for in books at the close of the year amounting to Rs. 1160 lakhs (Pr. year Rs.1552 Lakhs). As per BIFR-MDFS, the company has implemented the wage revision for officers and non officers w.e.f. December 2010 and arrears to this effect could not be charged to profit and loss account since BIFR categorically has stipulated that arrears should be released subject to availability of funds. Accordingly, the liability has been shown under contingent liability.


**NOTES ON FINANCIAL STATEMENT FOR THE YEAR ENDED 31ST MARCH, 2012**

23 (E) An amount of Rs.95.71 lacs had been incurred towards VRS payments for employees (Rs. 58.45 for 6 employees for the current year and Rs. 37.26 lacs towards balance amount of an amortized) in previous year Rs. 74.52 lacs in accordance with BIFR's Modified Draft Rehabilitation Scheme(MDRS) in August 2011. This total amount is taken to P & L Account. In accordance with BIFR's Modified Draft Rehabilitation Scheme (MDRS). As per AS-15 issued by ICAI, VRS expenditure is to be written off over the pay back period only and cannot be amortized. However the company is following the BIFR Scheme.

**NOTE 24: FINANCE COSTS** (Rs. in Lacs)

	2011-12	2010-11
Interest on Term Loan	6.14	70.93
Interest on Working Capital	10.57	51.81
Interest on secured loan-HOC	109.53	135.99
Interest to Others	2.45	20.01
<b>Total</b>	<b>128.69</b>	<b>278.74</b>

**NOTE 25: OTHER EXPENSES** (Rs. in Lacs)

	2011-12	2010-11
Consumption of store and Spares	92.42	68.97
Power & Fuel	599.76	502.77
Water Charges	132.48	53.66
Rent	5.05	4.79
Rates & Taxes	5.70	5.20
Repairs and Maintenance		
To Building	6.01	0.00
To Machinery	47.25	2.20
To Other Assets	8.69	61.95
Insurance		11.34
Payments to auditors :		
Statutory audit fees	0.85	0.60
Limited Review	0.30	1.15
Professional charges	216.57	80.20
Misc. Expenditure	132.96	102.76
<b>Total</b>	<b>1259.39</b>	<b>837.73</b>

**NOTE 26 : EXCEPTIONAL ITEMS**

	2011-12	2010-11
Excess provision written back	0.00	0.00
<b>Total</b>	<b>0.00</b>	<b>0.00</b>

**NOTE - 27 : EARNINGS PER SHARE**

	As at 31.03.2012	As at 31.03.2011
Net Profit attributable to equity shareholders		
Profit after tax(Rs.)	252.25	223.48
Weighted average number of shares (Nos.)	195.991	195.991
Basic and Diluted Earnings per share(Rs.)	1.29	1.14
Face value per share(Rs.)	10	10

**NOTE - 28 CONTINGENT LIABILITIES AND COMMITMENTS:** (Rs. In lakhs)

	As at 31 March 2012	As at 31 March 2011
(i) <b>Contingent Liabilities</b>		
(a) Claims against the company not acknowledged as debt	0.00	12.01
(b) Guarantees / FLC / ILC / Obtained as on 31-03-12	0.00	10.00
(c) ESI	13.46	13.46
(d) Wage Revision arrears for employees	1159.85	1800.00
	1173.31	1835.47
(ii) <b>Commitments</b>		
(a) Estimated amount of contracts remaining to be executed on capital account and not provided for	65.00	0.00
	65.00	0.00
	1238.31	1835.47

**Note - 29 - TAXES ON INCOME :**

- 29(A). Provision for current tax on profits for the year has not been made under Minimum Alternate Tax under section 115JB of Income Tax Act 1961 since the minimum of carried forward of losses or unabsorbed depreciation as per books of accounts are set off during the year against the current year book profit.
- 29 (B). The company has not provided deferred tax asset due to huge accumulated losses incurred since there is no virtual certainty to realise in future.

(Rs. In lakhs)

**Note - 30 - DETAILS OF MANUFACTURED GOODS :**

Particulars	Sales Value	Closing Inventory	Opening Inventory
CFM - 22	949.28	85.43	20.32
Tetrafluoroethylene	2354.38	3.51	9.91
Polytetrafluoroethylene	1668.02	41.84	41.63

**Note- 31** (Rs. In Lacs)

	2011 - 12	2010 - 11
CIF value of imports of Raw materials	Rs. 24.20	Rs. 0.00

**Note - 32**

Expenditure in foreign currency : Travelling expenditure	Rs. 1.77	Rs. 0.00
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**Note - 33**

Earning in foreign currency	Rs. 1,746.76	Rs. 0.00
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**Note - 34**
**RELATED PARTIES DISCLOSURE:**

The company is a subsidiary of HOCL (HINDUSTAN ORGANIC CHEMICALS LIMITED)

Interest payable to HOCL	Rs. 107.62			
Less : Interest reversal of earlier years	Rs. 46.18	Rs. 61.44	Rs. 135.99	
Secured Loan from HOCL		Rs. 3,929.33	Rs. 4,019.15	

**KEY MANAGEMENT PERSONNEL:**

SHRI T S GAIKWAD, Managing Director

Remuneration paid to director	Rs. 9.14	Rs. 11.11
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**Note - 35**
**LITIGATIONS AT VARIOUS AUTHORITIES:**

AUTHORITIES	NATURE OF LITIGATIONS	QUANTUM	REMARKS
Hon'ble High Court of A.P	Recovery from Debtors	Rs.132.00 lacs	The company had a favorable judgment from the single bench. The deponent had approached full bench of High Court.

**Note - 36**

The company has prepared these financial statements as per the format prescribed by Revised Schedule VI of the Companies Act, 1956 ("the schedule") issued by Ministry of Corporate Affairs. Previous period's figure have been recast/restated to confirm to the classification required by the revised Schedule - VI

**Note - 37**

Previous year's figures have been regrouped/reclassified, wherever necessary to confirm to current year's classification.

As per our report of even date For and on behalf of the Board of Director of HFC Ltd.,

For S. Daga & Co.,  
Chartered Accountants  
(FRN 000669S)

Sd/- (Shantill Daga) Partner M No. 011617	Sd/- (R N. Madangeri) Chairman	Sd/- (T S. Gaikwad) Managing Director
	Sd/- (E. Surya Rao) Dy. General Manager(finance)	Sd/- (Rajani .K) Company Secretary

Place: Mumbai  
Date: 13.07.2012



**HINDUSTAN ORGANIC CHEMICALS LIMITED**  
**Regd.Office : P.O.Rasayani, Dist.Raigad, Maharashtra 410 207**

**ATTENDANCE SLIP**

51st Annual General Meeting, on Friday, the 28th September, 2012.

Name of the Shareholder(s) \_\_\_\_\_

Folio No. \_\_\_\_\_

I certify that I am a Registered Member/proxy for the Registered Member of the Company. I hereby record my presence at the FIFTY FIRST ANNUAL GENERAL MEETING of the Company at RASRANG HALL, Dr.Kasbekar Park, Rasayani at 3.00 p.m. on Friday, the 28th September, 2012.

\_\_\_\_\_

(Members'/Proxy's Name)

\_\_\_\_\_

(Member's/Proxy's Signature)

**Note :** Please fill in this attendance slip and hand it over at the entrance.



TEAR HERE



**HINDUSTAN ORGANIC CHEMICALS LIMITED**  
**Regd.Office : P.O.Rasayani, Dist.Raigad, Maharashtra 410 207**

**FORM OF PROXY**

51st Annual General Meeting, on Friday, the 28th September, 2012

Name of the Shareholder(s) \_\_\_\_\_ Folio No. \_\_\_\_\_

No. of Share(s) \_\_\_\_\_

I/We \_\_\_\_\_ of \_\_\_\_\_ being

a Member(s) of the above named Company, hereby appoint Shri/Smt. \_\_\_\_\_ as my/ our proxy to vote for me/our behalf at the FIFTY FIRST ANNUAL GENERAL MEETING of the Company to be held at RASRANG HALL, Dr.Kasbekar Park, Rasayani at 3.00 p.m. on Friday, the 28th September, 2012.

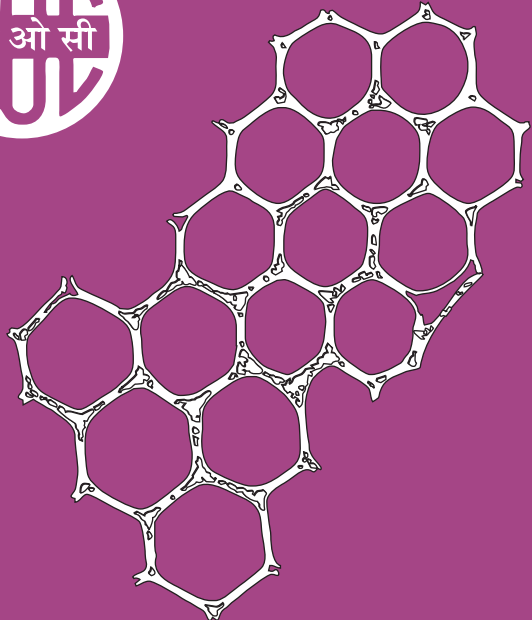
Signed \_\_\_\_\_ day of \_\_\_\_\_ 2012.

Affix  
1 Rupee  
Revenue  
Stamp

**Note :** This Proxy Form duly completed should be deposited at the Registered Office of the Company mentioned above not less than 48 (FORTY EIGHT) hours before the time of holding the meeting.

BOOK - POST

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**SHAREPRO SERVICES (INDIA) PVT. LTD.**

**Unit : HINDUSTAN ORGANIC CHEMICALS LIMITED**

13AB, Samhita Warehousing Complex,  
2nd Floor, Sakinaka Telephone Exchange Lane,  
Off. Andheri-Kurla Road, Sakinaka,  
Mumbai – 400 072.

Tel : 67720300 / 351 / 352, 67720400 / 211872 ,

Fax : 28591568,

E-mail : [sharepro@shareproservices.com](mailto:sharepro@shareproservices.com).