

53rd Annual Report  
2013 - 2014



HINDUSTAN ORGANIC CHEMICALS LIMITED



**HINDUSTAN ORGANIC CHEMICALS LIMITED [CIN L99999MH1960GOI011895]**

**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 & Company**

Kochi

**BANKERS**

State Bank of India

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

Registered Office :

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

Tel : 022-67720400 / 67720401 / 67720402

Fax No. 022-28508927 / 022 – 67720416

Email: [sharepro@shareproservices.com](mailto:sharepro@shareproservices.com)

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

At & Post - Rasayani,  
Dist.Raigad, Maharashtra 410 207

**CORPORATE OFFICE**

2nd Floor, Neco Chambers, Plot No. 48,  
Sector 11, CBD Belapur, Navi Mumbai 400 614.

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

Dist.Raigad  
Maharashtra 410 207

**Kochi Unit**

Ambalamugal, Dist. Ernakulam  
Kochi 682 302

**CONTENTS**

	Page No.
Board of Directors and Board Committees	1
AGM Notice	2
Chairman's Statement	4
Directors' Report	5
Independent Auditor's Report	14
Comments of CAG of India	17
Balance Sheet	18
Statement of Profit & Loss	19
Cash flow Statement	20
Notes to the Financial Statements	21
Annual Report - Subsidiary Cos.:	
Hindustan Fluorocarbons Ltd.	30

**HINDUSTAN ORGANIC CHEMICALS LIMITED [CIN L99999MH1960GOI011895]**

**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](mailto:rasayani.cs@hocl.gov.in) [grievances@hocl.gov.in](mailto:grievances@hocl.gov.in)  
Website : [hocl.gov.in](http://hocl.gov.in)

**KOCHI UNIT :**

Ambalamugal,  
Dist. Ernakulam, Pin - 682 302.  
Tel : (0484) 2720911 / 2720912 / 13  
Fax : (0484) 2720893  
E-mail : [hindustanorganic@bsnl.in](mailto:hindustanorganic@bsnl.in)

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

3/A, Kirti Tower, Tilak Road,  
Baroda - 390 001.  
Telefax : (0265) 2438 122

**NAVI MUMBAI :**

Corporate Office :  
2nd Floor, Neco Chambers, Plot No. 48,  
Sector 11, CBD Belapur, Navi Mumbai 400 614.  
Tel : (022) 2756 2474/3187/3563/5795  
Fax : (022) 27565188  
E-mail id : [corporate.cs@hocl.gov.in](mailto:corporate.cs@hocl.gov.in) [grievances@hocl.gov.in](mailto:grievances@hocl.gov.in)

**DELHI :**

Core-6, Scope Complex,  
1<sup>st</sup> Floor, Lodi Road,  
New Delhi - 110 003.  
Tel : (011) 24361610 / 24364690  
Fax : (011) 24360698

**HYDERABAD :**

303, 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.**

303, Babukhan Estate, Bashirbagh, Hyderabad - 500 001  
Tel : (040) 23241051 / 23237125. Fax : (040) 23296455  
E-Mail : [hiflonptfe@yahoo.co.in](mailto:hiflonptfe@yahoo.co.in)


**BOARD OF DIRECTORS**

<b>SHRI V.B. RAMACHANDRAN NAIR</b>	Chairman & Managing Director (w.e.f. 17/06/2013)
<b>SHRI R.N. MADANGERI</b>	Chairman & Managing Director (upto 30/04/2013)
<b>SHRI J. N. SURYAWANSHI</b>	Acting CMD (from 1/05/2013 to 16/06/2013) & Director (Marketing)
<b>SHRI SURESH KUMAR R.</b>	Director (Finance)
<b>SHRI S.B. BHIDE</b>	Director (Technical)
<b>SHRI RAJIV YADAV, AS&amp;FA</b>	Director (Govt. Nominee) (w.e.f. 23/06/2014)
<b>SHRI V. K. SUBBURAJ, SS&amp;FA</b>	Director (Govt. Nominee) (upto 23/06/2014)
<b>Dr. A.J.V. PRASAD, JS</b>	Director (Govt. Nominee)
<b>Dr. N.J. GAIKWAD</b>	Non-Official Independent Director
<b>SMT. SUSHEELA S. KULKARNI</b>	Company Secretary

**AUDIT COMMITTEE OF THE BOARD (as on 01/04/2013 upto 28/05/2013)**

<b>Dr. V. RAJAGOPALAN, SS&amp;FA (upto 28/05/2013)</b> Govt. Nominee Director, Chairman A.C.	<b>Dr. N.J. GAIKWAD</b> Director, Member A.C.
<b>Dr. A.J.V. PRASAD, JS</b> Director, Member A.C.	<b>Shri R.N. MADANGERI</b> CMD, Invitee of A.C. (upto 30/4/2013)
<b>SHRI J.N. SURYAWANSHI</b> ACMD & Director(Mktg.) Invitee of A.C.	<b>SHRI SURESH KUMAR R.</b> Director(Fin.), Invitee of A.C.
<b>SHRI S.B. BHIDE</b> Director (Tech.), Invitee of A.C.	<b>SMT. SUSHEELA S. KULKARNI, C.S.</b> Secretary to A.C.

**AUDIT COMMITTEE [A.C.] OF THE BOARD (from 29/05/2013 upto 04/08/2013)**

<b>SHRI V.K. SUBBURAJ, AS&amp;FA</b> Govt. Director & Chairman A.C.	<b>Dr. A.J.V. PRASAD, JS</b> Govt. Nominee Director, Member A.C.
<b>Dr. N.J. GAIKWAD</b> NOID, Member, A.C.	<b>SHRI J.N. SURYAWANSHI</b> ACMD & Director(Mktg.), Invitee of A.C.
<b>SHRI SURESH KUMAR R.</b> Director(Fin.), Invitee of A.C.	<b>SHRI S.B. BHIDE</b> Director (Tech.), Invitee of A.C.
<b>SMT. SUSHEELA S. KULKARNI, C.S.</b> Secretary to A.C.	

**AUDIT COMMITTEE [A.C.] OF THE BOARD (from 05/08/2013 to 01/07/2014)**

<b>SHRI V.K. SUBBURAJ, AS&amp;FA (upto 23/06/2014)</b> Govt. Director & Chairman A.C.	<b>Dr. A.J.V. PRASAD, JS</b> Govt. Nominee Director, Member A.C.
<b>Dr. N.J. GAIKWAD</b> NOID, Member, A.C.	<b>SHRI V.B. RAMACHANDRAN NAIR</b> CMD, Invitee of A.C.
<b>SHRI J.N. SURYAWANSHI</b> Director(Mktg.), Invitee of A.C.	<b>SHRI SURESH KUMAR R.</b> Director(Fin.), Invitee of A.C.
<b>SHRI S.B. BHIDE</b> Director (Tech.), Invitee of A.C.	<b>SMT. SUSHEELA S. KULKARNI, C.S.</b> Secretary to A.C.

**AUDIT COMMITTEE [A.C.] OF THE BOARD ( W.e.f. 02/07/2014)**

<b>SHRI RAJIV YADAV, AS&amp;FA</b> Govt. Director & Chairman A.C.	<b>Dr. A.J.V. PRASAD, JS</b> Govt. Nominee Director, Member A.C.
<b>Dr. N.J. GAIKWAD</b> NOID, Member, A.C.	<b>SHRI V.B. RAMACHANDRAN NAIR</b> CMD, Invitee of A.C.
<b>SHRI J.N. SURYAWANSHI</b> Director (Mktg.), Invitee of A.C.	<b>SHRI SURESH KUMAR R.</b> Director(Fin.), Invitee of A.C.
<b>SHRI S.B. BHIDE</b> Director (Tech.), Invitee of A.C.	<b>SMT. SUSHEELA S. KULKARNI, C.S.</b> Secretary to A.C.

**SHARES/BONDS TRANSFER, SHAREHOLDERS' BOND HOLDERS / INVESTORS' GRIEVANCE COMMITTEE (Upto 5/08/2013)**

<b>SHRI R.N. MADANGERI</b> CMD, Chairman (upto 30/04/2013)	<b>SHRI J. N. SURYAWANSHI</b> ACMD & Director (Mktg.), Member & Chairman of the Committee (w.e.f. 01/05/2013)
<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	

**SHARES/BONDS TRANSFER, SHAREHOLDERS' BOND HOLDERS / INVESTORS' GRIEVANCE COMMITTEE (Reconstituted on 5/08/2013)**

<b>SHRI V.B. RAMACHANDRAN NAIR</b> CMD, Chairman	<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	



## HINDUSTAN ORGANIC CHEMICALS LIMITED

[CIN L99999MH1960GOI011895]

Registered Office: P.O. Rasyani, Dist. Raigad, Maharashtra, Pin- 410207.

## NOTICE

Notice is hereby given that the 53<sup>rd</sup> Annual General Meeting (AGM) of the Members of the Company will be held on the Wednesday, 24<sup>th</sup> September, 2014 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 :-

## ORDINARY BUSINESS:

1. To receive, consider and to adopt the Audited, Statement of Profit & Loss of the Company for the period from 1<sup>st</sup> April, 2013 to 31<sup>st</sup> March, 2014 and the Audited Balance Sheet as at 31<sup>st</sup> March, 2014 together with the Directors' Report and the Auditors' Report thereon.
2. To appoint a Director or any other Director (as may be appointed by the GOI vide its Order) in place of Shri. Rajiv Yadav, AS &FA, who retires at this AGM and being eligible offers himself for re-appointment.
3. To appoint a Director or any other Director (as may be appointed by the GOI vide its Order) in place of Dr. A.J.V. Prasad, who retires at this AGM and being eligible offers himself for re-appointment.
4. To fix the remuneration for auditors of the Company (appointed by CAG of India) in connection with Company's audit.

To consider and if thought fit, to pass with or without modification(s) the following resolution as an Ordinary Resolution :-

"RESOLVED THAT the remuneration of Rs.1,75,000/- (Rupees One Lakh Seventy Five Thousand only) (excluding OPE) to M/s Ford, Rhodes, Parks and Co., Mumbai, Statutory Auditors and Rs. 1,56,000/- (Rupees One Lakh and Fifty Six Thousand only) to M/s Sasi Vijayan & Rajan, Kochi, Branch Auditors of the Company for the financial year 2013-14 be and are hereby approved."

"RESOLVED FURTHER THAT, in future, the Board of Directors of the Company be and is hereby authorized to fix the remuneration of Auditors of the Company, as the Board of Directors deems fit, as and when communication is received from the Comptroller & Auditor General of India (C&AG) regarding the appointment of the Auditors of the Company for the future years."

## SPECIAL BUSINESS:

5. To consider and, if thought fit, to pass, with or without modifications, the following resolution, as an Ordinary Resolution :

"RESOLVED THAT pursuant to Section 148 and other applicable provisions, if any, of the Companies Act, 2013 (the 'Act') read with Companies (Audit and Auditors) Rules, 2014, (including any statutory modification(s) or re-enactment thereof, for the time being in force), the appointment of M/s. V.J. Talati, Cost Accountants [Membership No. - M/2203] as Cost Auditors for Company's Rasayani Unit for the Financial Year 2014-15 at fees of Rs. 40,000/- p.a. and to act as Lead Auditors and assist in filing the relevant XBRL forms at fees of Rs. 20,000/- p.a. and out of pocket expenses at Rs. 8000/- for the F.Y. 2014-15; AND THAT the appointment of M/s. Panicker & Company, Cost Accountants [Membership No. - 25794] as Cost Auditors for Company's Kochi Unit for F.Y. 2014-15 at a fees of Rs. 42,000/- p.a. and Out of pocket expenses at Rs. 5000/- for the financial year 2014-15 of the Company be and are hereby approved."

"RESOLVED FURTHER THAT, in future, the Board of Directors of the Company be and is hereby authorized to appoint the Cost Auditors and to fix the remuneration of Cost Auditors of the Company, as the Board of Directors deems fit in future years, and to communicate the same to the Central Government as per new Companies Act, 2013 and as per the rules prescribed therein in future years also."

6. To consider and, if thought fit, to pass, with or without modifications, the following resolution, as an Ordinary Resolution :

"RESOLVED THAT pursuant to Section 149 of the New Companies Act, 2013 and other applicable provisions therein, Dr. N.J. Gaikwad, [DIN 02185462] Director who was appointed by Govt. of India as a Part-time Non-official (Independent) Director on the Board of Directors of Hindustan Organic Chemicals Limited [for a period of 3 years from the date of assumption of charge on 22<sup>nd</sup> May, 2012] be and is hereby appointed as Non-official Independent Director (from May 2012 onwards) on the Board of the Company for a period of 5 years (as per the New Companies Act, 2013) or till further orders of the Govt. whichever is earlier."

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

"RESOLVED THAT the Board of Directors (the Board) be and is hereby authorised, pursuant to the provisions of Section 180 (1) (c) of the new Companies Act, 2013 [previously Section 293 (1) (d) of the Companies Act, 1956] to borrow money, from

time to time, at its discretion for the purpose of Company's business on such terms and conditions as may be considered suitable by the Board any sum or sums of money as it may deem proper up to a limit not exceeding in the aggregate ₹525 crores (Rupees Five Hundred Twenty Five crores) not withstanding that the money to be borrowed together with the monies borrowed by the Company (apart from temporary loans obtained from the Company's bankers in the ordinary course of business), will exceed, the aggregate of the paid up capital of the Company and its free reserves that is to say, reserves not set apart for any specific purpose."

By Order of the Board of  
Hindustan Organic Chemicals Ltd.

Sd/-

(Mrs.Susheela S.Kulkarni)

Company Secretary

Place : Rasayani

Date : 13/08/2014

Registered Office :

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

## NOTES :

1. A MEMBER ENTITLED TO ATTEND AND VOTE IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE ON HIS / HER BEHALF AND THE PROXY NEED NOT BE A MEMBER OF THE COMPANY. Pursuant to the provisions of Section 105 of the Companies Act, 2013, a person can act as a proxy on behalf of not more than fifty members and holding in aggregate not more than ten percent of the total Share Capital of the Company may appoint a single person as proxy, who shall not act as proxy for any other Member. The instrument of Proxy, in order to be effective, should be deposited at the Registered Office of the Company, duly completed and signed, not later than 48 hours before the commencement of the meeting. A Proxy Form is annexed to this report. Proxies submitted on behalf of limited companies, societies, etc. must be supported by an appropriate resolution / authority, as applicable.
2. The Register of Members and Share Transfer Books of the Company will remain closed from Tuesday, 16<sup>th</sup> September, 2014 to Wednesday, 24<sup>th</sup> September, 2014 (both days inclusive). The book closure dates have been fixed in consultation with the Stock Exchanges.
3. Members/Proxies should bring their attendance slip, duly filled in, at the meeting.
4. Members are requested to intimate immediately any change in their addresses registered with the Company.
5. Members, who hold shares in the dematerialised form, are requested to bring their depository account number for identification.
6. Voting through electronic means
  - i. In compliance with provisions of Section 108 of the Companies Act, 2013 and Rule 20 of the Companies (Management and Administration) Rules, 2014, the Company is pleased to provide members facility to exercise their right to vote at the Annual General Meeting (AGM) by electronic means and the business may be transacted through e-Voting Services provided by National Securities Depository Limited (NSDL).  
The instructions for e-Voting are as under:
    - A. In case a Member receives an email from NSDL [for members whose email IDs are registered with the Company/ Depository participant(s)]
      - (i) Open email and open PDF file viz; "HOCL e-voting.pdf" with your Client ID or Folio No. as password. The said PDF file contains your user ID and password/PIN for e-Voting. Please note that the password is an initial password.
      - (ii) Launch internet browser by typing the following URL: <https://www.evoting.nsdl.com>
      - (iii) Click on Shareholder-Login
      - (iv) Put user ID and password as initial password/PIN noted in step (i) above. Click Login.
      - (v) Password change menu appears. Change the password/PIN with new password of your choice with minimum 8 digits/characters or combination thereof. Note new password. It is strongly recommended not to share your password with any other person and take utmost care to keep your password confidential.



- (vi) Home page of e-Voting opens. Click on e-Voting Active Voting Cycles.
- (vii) Select "EVEN" of Hindustan Organic Chemicals Limited.
- (viii) Now you are ready for e-Voting as Cast Vote page opens.
- (ix) Cast your vote by selecting appropriate option and click on "Submit" and "Confirm" when prompted.
- (x) Upon Confirmation, the message "Vote cast successfully" will be displayed.
- (xi) Once you have voted on the resolution, you will not be allowed to modify your vote.
- (xii) Institutional shareholders (i.e. other than individuals, HUF, NRI etc.) are required to send scanned copy (PDF/ JPG Format) of the relevant Board Resolution/ Authority letter etc. together with attested specimen signature of the duly authorized signatory(ies) who are authorized to vote, to the Scrutinizer through e-mail to [scrutinizer@snaco.net](mailto:scrutinizer@snaco.net) with a copy marked to [evoting@nsdl.co.in](mailto:evoting@nsdl.co.in)

B. In case a Member receives physical copy of the Notice of AGM [for members whose email IDs are not registered with the Company/ Depository Participant(s) or requesting physical copy]:

- (i) Initial password is provided as below/ at the bottom of the Attendance Slip of the 53<sup>rd</sup> AGM : **EVEN** (E Voting Event Number) **USER ID PASSWORD/PIN**
- (ii) Please follow all steps from sl.no. (ii) to sl.no. (xii) above, to cast vote.

- II. In case of any queries, you may refer the Frequently Asked Questions (FAQs) for Shareholders and e-voting user manual for Shareholders available at the Downloads section of [www.evoting.nsdl.com](http://www.evoting.nsdl.com)
  - III. If you are already registered with NSDL for e-voting then you can use your existing user ID and password/PIN for casting your vote.
  - IV. You can also update your mobile number and e-mail id in the user profile details of the folio which may be used for sending future communication(s).
  - V. The e-Voting period commences on Wednesday, **17<sup>th</sup> September, 2014 at 9.00 a.m. and ends on Friday, 19<sup>th</sup> September, 2014 at 6.00 p.m.** During this period shareholder of the Company, holding shares either in physical form or in dematerialized form, as on the **cut-off date (record date) of Friday, 22<sup>nd</sup> August, 2014**, may cast their vote electronically. The e-voting module shall be disabled by NSDL for voting thereafter. Once the Vote on a resolution is cast by the shareholder, the shareholder shall not be allowed to change it subsequently.
  - VI. The voting rights of the shareholders shall be in proportion to their shares of the paid up equity share capital of the Company as on the cut of date (**record date) of Friday, 22<sup>nd</sup> August, 2014**).
  - VII. M/s. S.N.ANANTHASUBRAMANIAN & Co., Practicing Company Secretaries have been appointed as the Scrutinizer to scrutinize the e-voting and poll process in a fair and transparent manner.
  - VIII. The Scrutinizer shall within a period not exceeding three (3) working days from the conclusion of the e-voting period unblock the votes in the presence of at least two (2) witnesses, not in the employment of the Company and make a Scrutinizer's Report of the votes cast in favour or against, if any, to the Chairman of the Company.
  - IX. The results declared alongwith the Scrutinizer's Report shall be placed on the Company's Website [www.hocl.gov.in](http://www.hocl.gov.in) and on the website of NSDL within two(2) days of passing of the resolutions at the AGM of the Company and communicated to BSE & NSE.
7. All documents referred to in the accompanying Notice and Explanatory Statement shall be open for inspection at the registered office of the Company during the normal business hours (9.00 am to 5.00 pm.) on all working days except Saturdays, upto and including the date of the Annual General Meeting of the Company.

By Order of the Board of  
Hindustan Organic Chemicals Ltd.  
Sd/-

(Mrs.Susheela S.Kulkarni)

Company Secretary

Place : Rasayani

Date : 13/08/2014

Registered Office :

P.O.Rasayani,

Dist.Raigad, Maharashtra 410 207.

#### EXPLANATORY STATEMENT PURSUANT TO SECTION 102 OF THE COMPANIES ACT, 2013.

##### ITEM NO. 5 of the Special Business:

M/s. V.J. Talati, Cost Accountants as the Cost Auditors for the Company's Rasayani Unit and M/s. Panicker & Company, Cost Accountants as Cost Auditors for the Company's Kochi Unit were appointed by the Board of Directors of the Company vide Circular Resolution No. 01/2014 dtd. 20<sup>th</sup> June, 2014 to act as the Cost Auditors of the Company's Rasayani and Kochi Unit respectively and to conduct the audit of the cost accounts maintained by the Company in respect of the products being produced at Rasayani Unit & Kochi Unit of the Company for the Financial Year 2014-2015. As per the Section 148 of the Act, read with Companies (Audit and Auditors) Rules, 2014, the remuneration of the Cost Auditors should be approved by the members of the Company.

Accordingly, based on the level of expertise and the scope of work, your Board has recommended to pay to M/s. V.J. Talati, Cost Accountants for Rasayani Unit of the Company, a remuneration of Rs.40,000/- p.a. and to act as Lead Auditors and assist in filing the relevant XBRL forms at fees of Rs. 20,000/- p.a. and out of pocket expenses of Rs. 8,000/- for the F.Y. 2014-15 and to pay to M/s. Panicker & Company, Cost Accountants for Kochi Unit of the Company, a remuneration of Rs.42,000/- p.a. and out of pocket expenses of Rs. 5,000/- for the F.Y. 2014-15.

None of the Directors and Key Managerial Personnel of the Company and their relatives is concerned or interested, financial or otherwise, in the resolution set out at Item No.5.

##### ITEM NO. 6 of the Special Business:

Earlier in the year, 2012 Company has received from GOI an Order No. P.51011/1/2012-32-CH-III dtd 9<sup>th</sup> April, 2012 appointing Dr. N.J. Gaikwad, Professor & Head, Deptt. of Pharmaceutical Science, Rashtrasant Tukadoji Maharaj Nagpur University for a second term as a Part-time Non-official Independent Director on the Board of Directors of Hindustan Organic Chemicals Limited who took charge on 22<sup>nd</sup> May, 2012. However, with the enactment of the New Companies Act, 2013 under Section 149 and other applicable provisions therein, such appointment of Dr. N.J. Gaikwad as Part-time Non-official Independent Director of the Company requires the approval of the members at the General Meeting.

Further, as per the New Companies Act, 2013 an Independent Director of the Company is eligible for appointment for a period of five (5) years as the Independent Director on the Board of the Company. However, as per the Govt. Order as mentioned above specified the appointment for a period of three (3) years. Therefore, the proposal of appointment of Dr. N.J. Gaikwad on the Board of the Company is for a period of five (5) years or till further orders from the Govt. whichever is earlier.

Except Dr. N. J. Gaikwad, being an appointee, none of the Directors and Key Managerial Personnel of the Company and their relatives is concerned or interested, financial or otherwise, in the resolution set out at Item No.6.

##### ITEM NO.7 of the Special Business:

At the 41<sup>st</sup> Annual General Meeting held on 30<sup>th</sup> September, 2002, the Board of Directors of the Company, (the Board) was authorized to borrow monies from time to time upto ₹525 crores to meet the future financial requirements of the Company.

In terms of the clarification issued by Ministry of Corporate Affairs, the resolution passed under Section 293 of the Companies Act, 1956 prior to 12/09/2013 with reference to borrowings (subject to the limits prescribed) and / or creation of Security on assets of the Company (under Section 180 of the Companies Act, 2013) will be valid for a period of one year from the date of notification of Section 180 of the Act (i.e. only till 12<sup>th</sup> September, 2014) therefore, the earlier resolution passed by the Shareholders at the 41<sup>st</sup> Annual General Meeting on 30/09/2002 is valid upto September 2014 and requires the renewal of the Shareholders approval on the Board of Directors' powers to borrow monies upto ₹525 crores. As on date the Company's Borrowings amounts to ₹429.45 crores.

Accordingly, the proposal for authorizing the Board of Directors of the Company to borrow monies from time to time upto ₹525 crores to meet the financial requirements of the Company is once again put up to the Shareholders as Special Business in Item No. 4 set out in the Notice convening the 53<sup>rd</sup> Annual General Meeting intending to seek approval of the Shareholders under Section 180 of the Companies Act, 2013 and that the Board may be empowered to borrow monies as and when considered necessary by the Company subject, however, to the limit specified therein.

None of the Directors and Key Managerial Personnel of the Company and their relatives is concerned or interested, financial or otherwise, in the resolution set out at Item No.7.

By Order of the Board of  
Hindustan Organic Chemicals Ltd.  
Sd/-

(Mrs.Susheela S.Kulkarni)

Company Secretary

Place : Rasayani

Date : 13/08/2014

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 53<sup>rd</sup> Annual General Meeting of your Company. The Audited Annual Accounts together with the Directors' Report and Auditors' Report of the Company for the year 2013-14 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 2013-14.

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 2013-14 due to excellent quality of its products manufactured at Kochi and Rasayani. During the year under review, your Company could achieve sales valuing Rs. 211.16 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 units 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. As you are aware the anti dumping duty on the main product Phenol at Kochi was withdrawn in February 2012, resulting in erosion in margins and consequent continued loss incurred by Kochi Unit. As a result, your Company was under loss of Rs. 176.85 crores during the year.

I wish to inform you that with the consistent efforts put by the Management and with the help and support from various Ministries including Ministry of Chemicals & Fertilizers, Ministry of Finance, Ministry of Commerce & Industries, the anti dumping duty on Phenol has been reintroduced with effect from April 2014.

It is expected that with the above action and 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 encountering the threat posed by the importers and the domestic competitors as well.

**FUTURE PLAN & REVIVAL / TURN AROUND PLAN:**

Future course of Action/Revival Plan

**Rasayani Unit**

Retrofitting of Conc. Nitric Acid plant (C.N.A), where N2O4 is produced has been completed in January 2013 and production has started whereby 500 TPA of N2O4 for ISRO could be produced. This will reduce the cost of production of C.N.A which is used as input in Nitrobenzene and Aniline Plants.

Based on the approval for disposal of non performing (closed) plant and machinery at Rasayani Unit, these assets were disposed off and generated funds to the tune of Rs 12.51 Crore. This amount was utilized for clearing the outstanding Working Capital dues.

**Kochi Unit**

HOCL Kochi Unit has converted the Boiler and Hot oil furnace for dual fire thereby the unit has the flexibility of using LNG or furnace oil whichever is cheaper.

The de-bottlenecking of Hydrogen Peroxide plant at Kochi has been completed by using in house expertise, which will increase the production capacity of the plant by 4000 MTPA (40% increase) and increase in turnover by Rs. 12 crores.

The Company has been referred to BIFR, consequent on complete erosion of Network as on 31.3.2013 and the Management has appointed FACT Engineering and Design Organisation (FEDO), a Consulting Firm to conduct a Revival Study for the Company. The Consultants have submitted a Draft Report which is under consideration of Management.

Further the Government of India has provided a Guarantee for Rs. 150 crores for raising funds by issue of Bonds to meet the Working Capital requirements including repayment of dues to raw material suppliers.

**CORPORATE SOCIAL RESPONSIBILITY**

Company since its inception is very much aware about its social responsibility. For over five decades, as a socially responsible and sensitive corporate, your Company continues to remain committed to social thought and action to serve society through providing basic civic amenities to the neighboring villages, rendering assistance in different forms. Company has also undertaken tree plantation programme in the surrounding area.



As per Department of Public Enterprise (DPE) Guideline on Corporate Social Responsibility (CSR), Company has constituted Board level Corporate Social Responsibility (CSR) and Sustainability Development (SD) Committee comprising of Independent Director & other two Directors from the Board of the Company. The terms of reference of the said CSR&SD Committee included among others, the set up of the Committee with existence of the two tier organization structure with mandatory membership of an Independent Director on the Board level committee, frequency of meeting, range of decision, staff/ stakeholder involvement etc.

**SAFETY, HEALTH AND ENVIRONMENT :**

In the areas of Health, Hygiene and Environment the company has undertaken periodic medical examination as well as statutory requirements of fitness check-up under form no. 23 for its employees. In our commitment to environment we have ensured that the level of pollutants from the factory and nearby surroundings were much below the permissible levels.

HOC Kochi unit received pollution control award among very large scale industries from Kerala State Pollution Control Board for substantial and sustained efforts in pollution control in 2012.

HOC Kochi unit received safety awards from Dept. of Factories & Boilers, Govt. of Kerala for outstanding performance in industrial safety for the year 2012.

**ISO CERTIFICATION :**

HOCL, Rasayani Unit, has been awarded ISO-9001: 2008 certificate on 11.01.2011. The recertification audit has been carried out on 19<sup>th</sup> & 20<sup>th</sup> December, 2013 by M/s Bureau Veritas Certification (India) Pvt. Ltd. and the certification is valid up to 9/02/2017.

HOCL Kochi unit is having ISO 9001: 2008 (Quality Management System) and ISO 14001:2004 (Environmental Management System) certification. The existing certificate for ISO 9001 & ISO 14001 is valid up to 2017.

**INDUSTRIAL RELATIONS:**

The overall Industrial Relation situation continues to be peaceful and cordial during the year. There was no strike or lockout during the year.

**RESEARCH & DEVELOPMENT**

Successful scale up from laboratory to pilot plant scale for the 'in-house' developed vapour phase continuous process for ISRO – specific grade kerosene has been the most significant R&D achievement. Sample from initial pilot runs meets all the desired specifications. Initial discussions with M/s ISRO are under progress for mass production of specific grade Kerosene as per their requirement.

**CORPORATE GOVERNANCE :**

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

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

During the year, the sales turnover (net) was Rs.2788.92 lacs against Rs.4080.31 lacs in the previous year. During the year under report production of PTFE was 183.96 Metric Tons as against 154.78 Metric Tons in the previous year. During the year, 555.17 Metric Tons of CFM-22 was sold in the market against 244.73 Metric Tons in the previous year and balance quantity was used as feed stock to manufacture various products including Fluoro Specialty Chemicals. Accordingly, during the year 22.38 Metric Tons of Tetra Fluoro Etylene (TFE) was used to manufacture TFE-ETHER. Quality of all company's products continued to be well accepted by our customers. Company has achieved 86% capacity utilization for CFM-22 for this year.

**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 Government, especially Department of Chemicals and Petrochemicals, Ministry of Chemicals & Fertilizers, Ministry of Finance, Ministry of Commerce & Industry, 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, Bondholders 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 a turnaround in the near future.

**(V.B. RAMACHANDRAN NAIR)**  
**CHAIRMAN & MANAGING DIRECTOR**

**DIRECTORS' REPORT**

To the Members of

**HINDUSTAN ORGANIC CHEMICALS LIMITED**

Dear Shareholders

Your Directors are pleased to present the 53<sup>rd</sup> Annual Report and the Audited Annual Accounts of the Company for the financial year ended 31<sup>st</sup> March, 2014.

The financial performance of the Company for the year ended March 31, 2014 is summarized below:

(Rs.inLacs)

	Year ended 31/03/2014	Year ended 31/03/2013
Sales	23679.73	62419.40
Operating Profit/(Loss)	(11498.14)	(8411.98)
Less: Interest	4261.94	2824.15
Depreciation	1841.33	2232.95
Profit/(Loss) before tax	(17601.41)	(13469.08)
Less: Provision for taxation	—	—
Less: Prior Period adjustments & Exceptional Items	83.37	(329.83)
Profit/(Loss) after tax & Prior period adjustments, Provisions and Exceptional Items.	(17685.28)	(13798.91)

[Note: Previous years figures have been regrouped wherever necessary in the Current year]

In view of continuous incurring of losses during the current year as well as in the previous years, the Board of Directors did not recommend any Dividend for the current year under review.

**Reporting to BIFR under SIC(SP)Act, 1985 :-**

As on 31<sup>st</sup> March, 2014, we have already reported the fact of HOCL as a Sick Unit to BIFR and have submitted required information and details in Form AA and are awaiting the Registration No. for the same on Registration of HOCL as a Sick Company.

**RESULTS OF OPERATIONS :**

During the year under review the Company has suffered **Net loss of Rs. 176.85 crores**, as against the Net Loss of the previous year of Rs. 137.99 crores .

As regards the unit wise performance, the *Net Loss of Kochi Unit was Rs.69.15 crores* as compared to the previous year's loss of Rs.36.05 crores. The *Rasayani Unit recorded a Net Loss of Rs. 107.70 crores* as compared with the previous year's loss of Rs. 101.94 crores.

**OPERATIONS :**

During the year under report your company's Rasayani unit achieved a sales turnover of 3142MTs valuing Rs. 1254 lacs as against 55562 MTs valuing Rs. 16164 lacs registering a 94 % decrease in sales.

During the year under report your company's Kochi unit achieved a sales turnover of 29042 MTs valuing Rs. 19862 Lacs as against 55242 MTs valuing Rs. 39337 Lacs of the previous year.

With the production of 53817 MTs during the year 2013-14 as against the production of 150979 MTs in 2012-13, your company could achieve an overall capacity utilization of 18.13% during the year. Your company has recorded the sale of 32184 MTs during the year (previous year 110804 MTs) valuing Rs21116 lacs (previous year Rs. 55501 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 were 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.

Due to cash losses, the Company was not able to make payments to raw material suppliers of both the units which resulted in stoppage of raw material supplies and therefore the operations were affected.

**PRODUCTION :****Kochi Unit:**

During the year your company's Kochi unit could achieve 51253 MTs of production as against the previous year production of 100003 MTs. The capacity utilization for the year was 32.42 %

**Rasayani Unit:**

During the year your company's Rasayani unit could achieve 2564 MTs of production as against the previous year production of 50976 MTs. The capacity utilization for the year was 1.85 %. Capacity utilization is affected due to high fixed cost & finance constrains.

**MARKETING :**

The chemical market for various basic chemicals are volatile and most competitive. There is stiff competition for HOC main products which were available at cheaper rate from domestic manufacturers, as well as importers, considering the logistic advantage

to the importers & domestic manufacturers and increase in raw material prices. During the year 2013-14, the company has achieved the sales turnover of Rs. 211.16 crore (net of excise duty) only as against Rs. 555.01 crores (net of excise duty) of the previous year(2012-13) and the sales volume during the year 2013-14 was 32184 MTs as against 1,10,804 MTs for the previous year 2012-13. The projected Sale Turnover & Sale Volume could not be achieved, because of funds constraint, cheaper importer's selling prices, increase in major raw material prices and less margin in selling prices. During the last quarter of the financial year there was a good demand for the Company's products, but Company could not run all the plants continuously due non availability of working capital.

**CURRENT / PRESENT SCENARIO.**

The Kochi unit of the Company which was making profits continuously, year after year for the last (gap of) 10 years , but during the current year under review, for the second time (in the span of 10 years), the Kochi Unit has incurred a loss to the tune of Rs.69.15 Crores. The main reason for the loss suffered by the unit was due to withdrawal of Anti-Dumping Duty on the Phenol and Acetone manufactured at Kochi unit, resulting in large scale import of /dumping of those imported products and forcing the company to reduce the prices to match the imported price of Phenol and Acetone. The raw material cost also went up drastically which increased the cost of production. The company has filed review petition & fresh application for Anti-Dumping Duty to the concerned Authority, which will help to improve the better realisation. Due to the pursuance of the Company and also due to change in international scenario, anti-dumping duty has been imposed by GOI.

**STATUS OF OPERATIONS AND FUTURE PLANS & TURNAROUND / REVIVAL PLAN****Status of Operations –**

During the year, the operations of the Company, both at Kochi Unit and Rasayani Unit, suffered badly due to erosion of working capital.

As per the decision of the Board, several cost cutting measures were implemented. The Company had also introduced VRS during the year to reduce the manpower cost. However due to shortage of funds all the employees who had opted VRS could not be relieved during the financial year 2013-14.

The Company had entrusted FEDO to conduct a revival study .

The Company had done necessary planning to restore its operations to normal level by raising working capital through issue of Bonds of Rs. 150 Crore, backed by Government of India Guarantee. The Company had already received Government of India Guarantee for raising Rs. 150 Crore through Bond issue.

Further Tripartite Agreement will be executed between the Company, GOI and Trustee for this bond

**Future Course of Action / Revival Plan:**

The Company is referred to BIFR for restructuring due to 100% erosion of its net worth.

The Company had already appointed M/s FEDO as consultant for preparing suitable revival plan for long term sustainability of the Company.

HOCL plans to lease about 60 acres of land at Rasayani to M/s CONCOR to set up a multi modal logistic park and have a revenue sharing arrangement also. With the completion of CNA plant refurbishment HOCL proposes to meet the requirement of ISRO for supply of N2O4.

HOCL Plans to replace the catalyst of Cumene plant from SPA to Zeolite which will bring down the cost of production.

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

Information in accordance with the provisions required to be disclosed under Section 134(3m) of the Companies Act, 2013 read with the Companies (Disclosures of particulars in the Report of Board of Directors) Rules thereon, regarding conservation of energy, Technology Absorption and Foreign Exchange Earning and outgo, are given at **Annexure II** to this Report.

**RESEARCH & DEVELOPMENT**

After initial trial runs on pilot scale the 'In-house' developed vapour phase continuous process for ISRO's specific grade of Kerosene (Isrosene) was fine tuned. A model developed on laboratory scale was also verified on pilot plant scale. Regular runs with optimized parameters in 'scaled down version' of HOC's commercial plant were successfully completed. The product quality from these runs has been re-affirmed and the capacity of the plant has also been established, based on these runs. The technology is now ready for implementation in HOC's available commercial plant. Company's further contribution in IPR field is maintained and grant of three nos. of Indian patents has been obtained during this year.

**HUMAN RESOURCE DEVELOPMENT AND INDUSTRIAL RELATIONS:**

I. The Company has recognized the importance of Human Resource since its inception. 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. Since it is very vital resource, Company is upgrading the skills of their employees by systematically identifying training need of employees. The position relating to SC/ST/Women personnel in the Company is given in **Annexure – III** to the Directors' Report.

**II. Training:****Rasayani Unit:**

During the Financial Year 2013-14 total 65 in-house training programmes were conducted in Company's Training Centre. Total man-days trained are 976.5. Further, under Value Addition Programme (VAP) total 13 employees were trained against the assigned objective of atleast 8 front line supervisors to be trained under VAP. Total five technical presentations were organized and conducted to create operational awareness about working systems against the assigned objective of atleast four no. of presentations to be conducted during the year.

Training Section Team of the Company had made presentations on behalf of HOCL in the Best HR Practises Competition conducted by National Institute of Personnel Management, Raigad Chapter, Western Region and won the cash prize with certificate and trophy.

**Kochi Unit:**

Training was imparted to employees based on operational requirement/needs identifications with the allocated resources to enhance Soft Skills, Technical and Managerial Skills. Due importance was given and constant efforts were made to impart Health, Safety and Environment aspects considering the nature of hazards in the Unit. During 2012-13 the unit had organized training programmes both Internal/External covering 505 mandays with the help of Internal/External Experts. Specific user training in functional module of ERP was also imparted to the employees so as to make the SAP system more users friendly. Regular refresher course in Safety and Environmental Management were organized.

Apart from employees training the Company had extended the facilities and resources to students coming from different Engineering Colleges, Management Institutions to enhance their practical knowledge/for experiential learning. Company also engages Graduate/Technical/Trade/Vocational Apprentices to undergo Apprenticeship Training in different discipline under the Apprentices Act 1961.

**III. Industrial Relations :**

Industrial Relation climate in the Company during the year 2013-14 also continued to remain cordial on all fronts.

**IV. Suggestion Scheme:**

The Suggestion Scheme is in existence in HOCL, Kochi Unit. All employees and Company Trainees 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/-.

**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 2013-14 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 officers, one each at Rasayani (Raigad) in Maharashtra, and at Ambalamugal (Kochi) in Kerala and third at Corporate office, CBD Belapur, Navi 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. 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. 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 Central Vigilance Commission are duly followed.

The Vigilance Department maintains close interaction with CVC, CBI and other Government agencies. The Vigilance wing has been sincerely and consistently helping all personnel of the Organization in improving their efficiency and effectiveness and, in turn, achieving the set goals of the Organization.

**CORPORATE SOCIAL RESPONSIBILITY**

Company right from its inception is conscious about its social responsibilities. 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, medicines etc.

To promote School Education, Company is giving scholarship to X and XII standard students. Company extends need based assistance to the deserving SC/ST students in the nearby villages for their graduate education.

Company also extends vocational training facilities to the wards of employees in nearby Engineering/ Management Colleges for enhancing their practical knowledge. Company also engages ICWA Trainees, CS Trainees, and Vocational Trainees, as a part of their curriculum for imparting practical training.

**HEALTH, ENVIRONMENT, FIRE & SAFETY****Health :**

- Physical Check-up, the Special Certificate of Fitness in Form No. 23 and ascertaining Health Status in Form No. 7 of all employees have been carried out by the Certifying Surgeon for the year 2013.
- Periodic Medical Check-up and regular monitoring of health records of all employees was done. Various health awareness training programmes were carried out by specialist doctors for the benefit of employees.

**Environment:**

- Revenue generation by Health and Hygiene department giving analytical support and technical support to nearby industries, as well as miscellaneous income amounting to total Rs. 5.6 lakhs.
- Our Laboratory has participated in the Proficiency Testing conducted by CPCB for the laboratories recognized under E.P. Act and other laboratories. It has undertaken outside samples analysis for physical and chemical parameters on chargeable basis generating a revenue to the tune of R. 22,000/-.
- To ascertain that the level of pollutants are maintained within acceptable limits, ambient air quality monitoring, Stack emissions, Noise monitoring, workplace monitoring & analysis of inorganic and organic chemicals is being carried out at various locations in plants and in other locations.
- Testing of Flammable gases for issue of hot permit under safety policy especially for plants held for disposal under idle assets was carried out.

**Security System :**

Kochi Unit of HOCL has been classified as 'MAJOR ACCIDENT HAZARD INSTALLATION' by the Govt. of Kerala. The security requirements are met from the agencies sponsored by the Director General (re-settlement), Ministry of Defense, Govt. of India. Security Guards are posted in the identified areas inside the Factory premises and also in Township round the clock. At present the strength of the security personnel is as under:

Security Officer	: 01
Security Supervisor	: 03
Security Guards	: 65

In view of the increased threat perception in Kochi, the Unit has been advised to take suitable measures for upgrading the security by the concerned authorities. Action is being taken to install CCTV Surveillance system. HOCL being a hazardous installation, National Security Guard (NSG) has conducted reconnaissance in this Unit form 7/11/2013 to 9/11/2013.

**IMPLEMENTATION OF OFFICIAL LANGUAGE POLICY .****Rasayani Unit:**

During the year under report, your Company continued its intensive and extensive efforts for progressive use of the official language. To promote Hindi as official language in day to day working in line with the Government policies. In Compliance with Section 3(3) of the Official Language Act, 1963 and Official Language Rules 1976 framed there under, Company has implemented various measures effectively given in annual programme for 2013-14. All documents coming under Section 3(3) like Resolutions, General Orders, Rules, Notifications, Reports Press Communiques, Contracts, Agreements, Licences Permits, Tender Notices, Forms of Tender, Reports/ Papers submitted to the Parliament & Company letters like Part-I Orders, Part-II Orders, Circulars, transfer etc. were issued bilingually. The all Hindi Letters received are being replied in Hindi to comply with Rule 5 of Official Language Rule 1976. All name plates, sign-boards, visiting cards, Demi Official letter heads etc. are prepared in bilingual form. Our Company participated in all the programmes organized by Mumbai town Official Language Implementation Committee. Hindi Workshop were conducted in every quarter to impart training in the working knowledge of Hindi to Officers as well as employees. The Official Language implementation Committee Meetings were held at both the Units to review the progressive use of Hindi for the Official purpose. Hindi Fortnight was organized at both Rasayani and Kochi Units and in the Corporate Office in Mumbai from 14<sup>th</sup> September, 2013 to 28<sup>th</sup> September, 2013. Hindi Day celebrated on 14<sup>th</sup> September, 2013. During this period 11 various competitions were organized & large number of Employees participated in this competitions. To fulfill the target set in the Annual Programme issued by Department of Official Language, Ministry of Home Affairs CMD has himself participated in the Hindi Salahkar Committee Meeting of Chemical & Fertilizers Ministry in the year 2013. The other activities of the Company which was organized through the medium of Official Language was Vigilance Week, Security Week and Environment Day during the year. For the progressive use of



Information Technology through medium of Hindi all the Computers are being loaded with Unicode.

#### Kochi Unit:

Kochi Unit received Second prize for the best implementation of Official Language from Kochi Town Official Language Implementation Committee.

- 1) All documents coming Under Sec. 3(3) of the Official Language Act, 1963 are issued in bilingual form.
- 2) The Hindi letters received are being replied in Hindi to comply with the rule 5 of Official Language Rules 1976. All nameplates, Sign Board, Visiting Cards, Demi-Official letters heads are prepared in bilingual form.
- 3) Web site of the Company is prepared in Hindi also [www.hocl.hindi.gov.in](http://www.hocl.hindi.gov.in)
- 4) To improve the Hindi word power of the employees, every day one bilingual word 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.
- 5) Cash Incentive Scheme for doing original work in Hindi is existing in the unit and during September 2012 to August 2013, 15 employees have received the incentive.
- 6) To comply with the Official Language Policy of the Government, Workshops on Official Language are regularly conducted for the employees who possesses working knowledge in Hindi so as to encourage them to use Hindi in their day to day office work. 7 Nos. Workshops were conducted during the period under the report.
- 7) Out of the total amount spent for purchase of books for library, nearly 50% of the amount was spent for the purchase of Hindi Books. Hindi Newspaper and magazines are also subscribed in the Unit.
- 8) The Official Language implementation Committee has been constituted for review of the OL implementation work in the Unit and the OLIC meets regularly.

Every year effort are made to fulfill the targets set in the Annual programme issued by Department of Official Language Ministry of Home Affairs.

#### 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 9/02/2017.

HOCL Kochi unit is having ISO 9001: 2008 (Quality Management System) and ISO 14001: 2004 (Environmental Management System) Certification. The existing certificate for ISO 9001 & ISO 14001 is valid up to 2017.

BVCI Conducted routine surveillance and recertification audits periodically for both the systems.

#### 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 FDR for the Financial Year 2013-14.

#### 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:

- a) 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;
- b) 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;
- c) that they have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the New Companies Act, 2013 & Companies Act, 1956, for safeguarding the assets of the company and for preventing and detecting fraud and other irregularities;
- d) 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 (net) was Rs.2788.92 lacs as against Rs.4080.31 lacs in the previous year. During the year under report production of PTFE was 183.96 Metric Tons as against 154.78 Metric Tons in the previous year. During the year, 555.17 Metric Tons of CFM-22 was sold in the market against 244.73 Metric Tons in the previous year and balance quantity was used as feedstock to manufacture various products including Fluoro Specialty Chemicals. Accordingly, during the year 22.38 Metric Tons of Tetra Fluoro Ethylene (TFE) was used to manufacture TFE-ETHER. Quality of all company's products continued to be well accepted by our customers. Company has achieved 86% capacity utilization for CFM-22 for this year.

The Statement Pursuant to Provisio under Sec. 129(3) of the Companies Act, 2013 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)/225 dated 8/8/2013 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. Vide CAG under its letter No.CA. V/COY/CENTRAL GOVT.HOCL (2)/225 dated 8/8/2013 has appointed M/s SASI VIJAYAN & RAJAN, Cochin as Branch Auditors to audit the accounts of Cochin unit for the year ended 31<sup>st</sup> March, 2014.

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 2013-14 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 and also as Lead Auditors for the Year 2013-2014 for cost audit of Company's Sulphuric Acid, Aniline, Formaldehyde, Caustic Soda, Nitro Benzene products (of Rasayani unit) and M/s Panikar & Company as cost Auditors of Kochi Unit for the year 2013-14 for Kochi Unit products viz. Phenol, Acetone & Polypropylene.

#### DIRECTORS

During the Financial Year 2013-14, in the month of June, 2013, the Government of India, vide its Order ( GOI Order No. P 51011/8/2012-32-CH.III ) dated 13<sup>th</sup> June, 2013 has appointed Shri. V.B. Ramachandran Nair, Chief General Manager, HOCL as Chairman-cum- Managing Director (CMD), on the Board of HOCL who has assumed the charge of CMD HOCL (from ACMD Shri J.N.Suryawanshi, DM) on 17/6/2013 (F.N.) for the period of five years or till the date of superannuation or till further orders, whichever is earlier.

Shri. J.N. Suryawanshi, Director (Marketing) HOCL held the additional charge of Chairman & Managing Director from 1<sup>st</sup> May, 2013, in addition to his duties & responsibilities as Director (Marketing), as per GOI Order No. P.51011/01/2013-32-Ch-III dated 30/4/2013 upto 17-06-2013.(F.N.)

Further, GOI has appointed also Shri. Rajiv Yadav, Additional Secretary & Financial Advisor in the Ministry of Chemicals & Fertilizers as part-time Government Nominee Director in place of Dr. V.K. Subburaj, SS&FA, on the Board of HOCL, vide GOI Order No. 51/11/95-Ch-III-(Vol.II) dated 23<sup>rd</sup> June, 2014.

**In terms of Article 76(4) of the Articles of the Association of the Company, Government Nominee Directors, viz. Shri Rajiv Yadav, Additional Secretary & Financial Advisor and Dr. A.J.V.Prasad, Joint Secretary, will retire at this 53<sup>rd</sup> AGM in 2014 and are eligible for reappointment. Company has placed its request letter to the Government for reappointing Shri Rajiv Yadav, AS&FA and Dr. A.J. V.Prasad, JS from the ensuing 53<sup>rd</sup> AGM of 2014 and till the holding of the next A.G.M. of the Company to be held in 2015 or till further Orders (whichever is earlier as per GOI Order).**

#### 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/Cost and Tax Auditors, Bondholders, and Investors at large.

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/-**

**Place : Mumbai  
Date 13 / 08 / 2014**

**V.B. Ramachandran Nair  
Chairman & Managing Director**



**ANNEXURE - I**

STATEMENT PURSUANT TO PROVISIO UNDER SEC. 129(3) OF THE COMPANIES ACT, 2013 RELATING TO SUBSIDIARY COMPANY : HINDUSTAN FLUOROCARBONS LTD.,

Rs.in lakhs

Sr. 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 2013-2014 ii) For Previous financial year iii) Cumulative Total - (Loss)	Rs.(1400.85) lacs Rs.53.54 lacs Rs.(3844.09) 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 :- For 2013-2014 For Previous financial year Cumulative Total	Nil Nil Nil

**ANNEXURE - I A**

STATEMENT PURSUANT TO PROVISIO UNDER SEC. 129(3) OF THE COMPANIES ACT, 2013 RELATING TO SUBSIDIARY COMPANY: HOC-CHEMATUR LTD.

Rs.in lakhs

Sr.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	30050 Equity Shares of Rs.10/- each fully paid up. 60%
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 2013-2014 ii) For Previous financial year iii) Cumulative Total - (Loss)	Nil (60% of Profit/loss i.e. Nil) Nil (60% of Profit/loss i.e. Nil) Nil (60% of Profit/loss i.e. Nil)
4.	Net aggregate amount of the Profits of the Subsidiary after deducting its losses or vice versa dealt with in the Company's account :- i) For 2013-2014 ii) For Previous financial year iii) Cumulative Total	Nil Nil Nil

**ANNEXURE II**

ENERGY CONSERVATION/TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS AND OUTGO

**Form- A**

Disclosure of Particulars with Respect to Conservation of Energy

**A. Power and Fuel Consumption:**

	Current Year 2013-14	Previous Year 2012-13
1. <b>Electricity</b>		
a) Purchased (unit)	3,36,70,139	4,62,57,045
Total amount (Rs.)	19,46,23,537	26,37,05,353
Rate per unit (Rs.)	5.78	5.70
b) Own generation		
i) Through LSHS (unit)	35,460	6,23,880
ii) Units per Kg. of LSHS	4.65	4.36
Cost per unit (Rs.)	9.51	9.43
iii) Through steam generation	NIL	NIL
Units per litre of fuel oil	-	-
Cost per unit (Rs.)	-	-
2. <b>Coal</b>	NIL	NIL

3. <b>Furnace Oil/ LSHS</b>		
Quantity (MT)	6823	14,603
Total Amount (Rs.)	28,38,79,655	58,10,08,574
Average rate (Rs.)	41,605	39,785
4. <b>Others/ Internal Generation</b>	NIL	NIL
(a) Others- Diesel (Litre)	NIL	NIL
(b) Internal Generation	NIL	NIL

**B. Consumption per unit of Production**

Product	Standard power consumption (kwh/MT)	2013-14		2012-13	
		Prod. (MT)	power consumption (kwh/MT)	Prod. (MT)	power consumption (kwh/MT)
Nitrobenzene	56	964	46	16871	29
Hydrogen	570	12	862	499	423
Aniline	280	150	482	7279	240
Sulfuric acid	70	NIL	-	NIL	-
Formaldehyde	100	694	214	25368	86
Nitrotoluene	170	NIL	-	NIL	-
Conc. Nitric Acid	840	766	1886	897	2092
Propylene	30	7347	38	15436	28
Phenol/Acetone	599	17374	911	39496	644
Hy. Peroxide - 50%	2711	9055	1250	8963	673

Note:

Power consumption in the various plants is high during the year due to low capacity utilization and intermittent running of the Plants.

**FORM-B**

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

- Pilot plant parameters optimization for specific grade of kerosene for ISRO (Isrosene) development in scaled down version of commercial plant.
- Identification of vendors for supplying packaged unit type multi-tubular reactor systems.
- Intellectual Property Rights (IPR).

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

- Product quality from the 'scaled down version' of commercial plant (Isrosene project) for M/s ISRO is re-affirmed. The estimated capacity of the commercial plant also worked out based on these runs.
- Three nos. of vendors were identified for supplying packaged unit type multi-tubular reactor systems.
- Grant of Three nos of Indian patents was obtained in IPR field.

**3. FUTURE PLANS**

- Implementation of Isrosene project in commercial plant- Preliminary work.
- Intellectual Property Rights (Patent) (IPR).

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

- Capital Expenditure : Nil
- Revenue Expenditure : ₹ 80.32 Lacs
- Total : ₹ 80.32 Lacs

**TECHNOLOGY ABSORPTION, ADAPTATION AND INNOVATION**

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

- Vapour phase continuous process for specific grade kerosene for meeting ISRO's requirement.
- 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.**

- The vapour phase continuous process for the preparation of specific grade kerosene fuel will help ISRO's fuel development programmes.
- Through a jointly patented aniline catalyst exported to Japan, company will earn Royalty.

Annexure - III - Consolidated report as on 31-03-2014 (SC/ST/WOMEN) Rasayani & Kochi Unit.

Group	Total	SC	ST	Women
A	326	46	20	22
B	358	63	13	37
C	407	46	13	37
D	55	10	4	3
Total	1146	165	50	99

**Annexure-IV**

Reply of the Management on the Auditors Report to the members for the Financial Year 2013-14.

Sl. No.	Significant Qualifications made by the Statutory Auditor	Management Reply
A.	No Provision has been made in the Financial Statements for the following Amounts:-	

(i)	Penal interest of Rs. 1062.51 lacs on overdue loan from Government of India (Note No 5A(iv))	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. The amount has been included under contingent liability and disclosed in the Annual Accounts for the Year 2013-14 under Note 5A(iv).
(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 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. 1887.79 Lacs at Rasayani Unit ( Note no 33A)	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.1887.79 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. During the current year the company has paid an amount of Rs. 40.73 lacs towards the above dues and charged as current year wage expenses. On the same basis necessary accounting of the arrears payable will be made in the accounts depending on the release of dues in the subsequent years.
(iv)	Liabilities of wages Revision for the period 01.01.2007 to 31.03.2008 Rs 161.55 Lacs to Officers and Rs 148.26 Lacs to Staff at Rasayani Unit.( Note no 33B and 33C)	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 161.55 lacs in respect of officers & Rs 148.26 Lacs to staff of Rasayani Unit. During the current year an amount of Rs. 3.19 lacs to officers and Rs.0.67 lacs to staff has been paid and charged to current year wage expenses. On the same basis necessary accounting will be made in subsequent years as and when the above dues are paid to the employees.
(v)	Claims of JNPT amounting to Rs.1351.08 lacs short provided in respect of - (Note no 34f(ii)) a) Lease rentals and escalation on leased land. b) Water charges	As per the lease agreement with JNPT escalation of 10% p.a. on the lease rent was payable to JNPT. Since the rental and escalation conditions of JNPT was not uniform among various lessees of Tank Farm, company referred the matter to arbitration. The arbitration in respect of lease rent escalation pertaining to HOCL tank terminal is in progress. Pending above the accumulated liability on account of escalation in lease rental amounting to Rs 1351.08 lacs has been disclosed as contingent liability.
B.	Capital Work in Progress includes an Amount of Rs 2978.91 Lacs incurred on JNPT Tank Terminal Project. The construction has been suspended for more than 6 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 34 F(i)).	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 yet, however recently a party has shown interest in taking over the tank farms and the proposal is at preliminary stage. 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. 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/-

Place : Mumbai  
Date 13/ 08 / 2014

V.B. Ramchandran Nair  
Chairman & Managing Director

**MANAGEMENT DISCUSSION AND ANALYSIS REPORT  
(Annexure V to Directors' 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 ups 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 .
- Surplus land at Rasayani, Panvel and land at Khargar , to generate revenue to the Company.
- Company has filed review petition & fresh application for Anti-Dumping Duty to the concerned Authorities.

**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.
- Net Worth of the Company was eroded fully as on 31<sup>st</sup> March 2014.

**SEGMENTWISE PERFORMANCE**

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

Product Segment	Year ended 31/03/2014			Year ended 31/3/2013		
	Target MT	Actual MT	Percentage Achieved	Target MT	Actual MT	Percentage Achieved
Chemicals	190163	53817	28.30%	217800	146760	67.38%

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

Sr.No.	Name of Product	F.Y. 2013-14		F.Y. 2012-13
		Target	Actual	Actual
1.	Nitrobenzene	14545	964	16872
2.	Aniline	7273	150	7279
3.	Formaldehyde	30000	694	25369
4.	Sulphuric Acid	-	-	-
5.	Phenol	32727	10687	24293
6.	Acetone	19964	6687	15203
7.	H2O2	10909	9055	8963

**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;

Retrofitting of Conc. Nitric acid plant (C.N.A), where N2O4 is produced has been completed.

Kochi Unit has modified its burner and other accessories in boiler, hot oil unit to suit LNG and LSF0 (dual fired).

HOCL is in discussion with CONCOR, HPCL, BPCL to lease out Land at Rasayani to generate reserves and improve the operations.

**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 has reported the fact to BIFR under SIC (SP)Act,1985.
- During the year ended 31-03-2013 as the entire net worth of the Company has been eroded, Company is taking necessary steps under SIC (SP)Act,1985, as to reporting to BIFR as a sick unit etc.
- Dumping of cheap import of chemical products to the detriment of domestic chemical industry.
- Increased raw material prices, more particularly prices of Benzene.

**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 among 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-9001:2008 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-9001:2008 standards. The existing certificate for ISO 9001 & 14001 is valid up to 2017.

As part of good Corporate Governance the Audit Committee re-constituted by the Board periodically reviews the internal controls, Audit Programmes, Financial Programmes, 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, 2013 and Generally Accepted Accounting Principles.

The financial performance highlights are as follows:-

The sales turnover was of the order of Rs. 236.79 crores against Rs. 624.19 crores for the previous year showing a decrease of 62.06%. There was an Operating Loss before interest and depreciation of Rs. 114.98 crores against the Operating loss of Rs 84.11 crores for the previous year. Company incurred an Interest expenditure of Rs. 42.61 crores against Rs. 28.24 crores of the previous year. The outlook for the future appears to be good with the revival of economic growth and with the implementation of revival plan for the company for turnaround. 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 – 2013-14**

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 downturn 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.

**For and on behalf of the Board of  
Hindustan Organic Chemicals Ltd.  
Sd/-  
(V.B. Ramachandran Nair)  
Chairman & Managing Director**

**Place : Mumbai  
Date : 13/08/2014**

**ANNEXURE VI****Report on Corporate Governance  
(As on 31-03-2014)**

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 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 rule 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 price 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 be neither less than three nor more than fifteen. The Directors shall not require to hold any qualification shares.

As on 31-03-2014 the Board of HOCL consisted of 7 members with 4 Executive Directors, 2 Government Nominee Directors and 1 Non-Executive Director, who are acknowledged as leading professionals in their respective fields.

On 13<sup>th</sup> June, 2013 the President of India, Govt. of India has appointed Shri. V.B. Ramachandran Nair, Chief General Manager, HOCL as Chairman-cum- Managing Director(CMD), on the Board of HOCL, vide GOI Order No. P 51011/8/2012-32-CH.III , who has assumed charge on 17/6/2013 (F.N.) for the period of five years or till the date of superannuation or till further orders, whichever is earlier.

The GOI has also appointed Shri. Rajiv Yadav, Additional Secretary & Financial Advisor in the Ministry of Chemicals & Fertilizers as part-time Government Director in place of Shri V. K. Subburaj, SS&FA, on the Board of HOCL, vide GOI Order No. 51/11/95-Ch-III-(Vol.II) dated 23<sup>rd</sup> June, 2014.

Company-[HOCL] is a Govt. of India Undertaking (a CPSU) and as per Company's Articles of Association, the power to appoint all the Directors on the Board of our Company vests with the Govt. of India. Therefore, as on 31-03-2014, the Composition of HOCL Board then comprised

only one [1] no. Independent Director (i.e. Dr. N.J. Gaikwad), as against the requirement of 4 No.s of Independent Directors (as the Chairman is an Executive Director, 50% of the Board's Composition (i.e.4 Nos.) should comprise of Independent Directors.).

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 31.03.2014.

**The constitution of the Board is given below :**

Details of the Board of Directors during the year 2013-14 were as under:- (As on 31-03-2014)

Sr. No.	Name of the Director	Category Of Director (ED, NED, NEID)	No. of Other Director Ships	Member Ship in Other Board Committees	Chairman Ship in Board / Committee
1.	Shri V. B. Ramachandran Nair	(ED) CMD	3	2	2
2.	Shri J.N.Suryawanshi,	(ED) Dir.(Mktg.)	2	1	-
3.	Shri Suresh Kumar R.	(ED) Dir.(Fin)	3	6	-
4.	Shri S.B. Bhide	(ED) Dir.(Technical)	2	1	-
5.	Shri. V.K. Subburaj, SS&FA	NED Govt. (Nominee) Director	2	1	1
6.	Dr. A.J.V.Prasad, AS	NED Govt. (Nominee) Director	2	2	1
7.	Dr. N.J. Gaikwad	NEID	2	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.**

1. On 13<sup>th</sup> June, 2013 government has appointed Shri. V.B. Ramachandran Nair, Chief General Manager, HOCL as Chairman-cum- Managing Director(CMD), on the Board of HOCL, vide GOI Order No. P 51011/8/2012-32-CH.III and assumed charge on 17/6/2013 (F.N.) for the period of five years or till superannuation or till further orders, whichever is earlier.

2. GOI has appointed Shri. Rajiv Yadav, Additional Secretary & Financial Advisor in the Ministry of Chemicals & Fertilizers as part-time Government Director in place of Shri V. K. Subburaj, SS&FA, on the Board of HOCL, vide GOI Order No. 51/11/95-Ch-III-(Vol.II) dated 23<sup>rd</sup> June, 2014.

3. Relinquishment of Charge of Shri V.K. Subburaj, SS&FA as Part-time Govt. (Nominee) Director on the Board of HOCL vide GOI Order No. 51/11/95-Ch-III-(Vol.II) dated 23<sup>rd</sup> June, 2014.

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

**Shri. Rajiv Yadav**– Non Executive Govt. Nominee Director of HOCL, (w.e.f. 23/6/2014)

➤ **Qualification :** M.Tech (IIT Delhi), MBA (University of Hull, U.K.)

➤ **Business / Occupation:** Non Executive Govt. Nominee Director of HOCL

➤ **Other Directorships :**

1. National Fertilizers Limited – Director (Part Time)

2. National Fertilizers Limited – Chairman, AC

3. Madras Fertilizers Ltd. – Director (Part Time)

4. Madras Fertilizers Ltd. – Chairman, AC

5. Central Institute of Plastics Engineering and Technology (CIPET) – Chairman, AC

**➤ Experience :**

Shri Rajiv Yadav presently Additional Secretary & Financial Adviser in the Ministry of Chemicals & Fertilizers has had his schooling in Civil Engineering from IIT, Roorkee and then Masters in Civil Engineering from IIT, Delhi. He did his MBA from University of Hull (U.K.)

As a young Indian Administrative Service Officer he has worked in India's North East, as Deputy Commissioner in charge of Nalbari District in Assam and Head of the nonconventional energy programmes in Assam. He was also instrumental in drafting the revised Assam Panchayati Raj Act which gave more delegated powers to the second tier of the Panchayats i.e. at the Development Block Level. He has also been Chairman & M.D. of Assam Power Distribution Company Limited and Assam Power Generation Corporation Limited and Assam Electricity Grid Corporation Limited looking after entire Power Sector in Assam. During his tenure, Power Sector in Assam recorded a growth of 16.8% compared to national average of 7%.

He has held important positions in Government of India, which include Director in the Ministry of Tourism and Culture, Executive Director of the India Trade Promotion Organization (ITPO) under the Ministry of Commerce & Industry and as a Member in National Highways Authority of India implementing India's ambitious Highway Infrastructure Programme.

He has been a regular guest faculty with LBS National Academy of Administration, Mussoorie under Government of India since 2000. He occasionally contributes articles on scientific and cultural issues.

**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 6 times during the financial year 2013-14 on the following dates:

29/5/2013, 5/8/2013, 27/09/2013, 13/11/2013, 10/1/2014, 12/02/2014.

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 2013-14.

DIRECTORS	NO. OF BOARD MEETINGS ATTENDED	ATTENDANCE AT THE LAST AGM
Shri. V. B. Ramachandran Nair	6	Yes
Shri J.N.Suryawanshi	6	Yes
Shri Suresh Kumar R.	6	Yes
Shri S. B. Bhide	5	Yes
Shri V. K. Subburaj	5	No
Dr. A.J.V.Prasad	6	No
Dr. N.J. Gaikwad	4	Yes

**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, 2014 are as follows :

**DETAILS OF REMUNERATION PAID TO THE DIRECTORS FOR THE YEAR 2013-14**

Amnt. in Rs.

Name Directors	Salary including Perks (Rs.)	Arrears	Retirement benefits	Sitting Fees & OPE	Total Rs.
Shri. V. B. Ramachandran Nair, CMD	13,08,026	-	1,93,080	N.A.	15,01,106
Shri J.N.Suryawanshi DM	19,54,451	-	2,13,791	N.A.	21,68,232
Shri Suresh Kumar R.,DF	15,03,668	-	2,07,413	N.A.	17,11,081
Shri. S.B. Bhide, DT	18,54,390	-	2,05,988	N.A.	20,60,378
Shri V.K. Subburaj, SS&FA, Govt. Dr.	N.A.	-	Nil	Nil	Nil
Dr. A.J.V.Prasad, JS, Govt. Dr.	N.A.	-	Nil	Nil	Nil
Dr. N.J. Gaikwad,NOID	N.A.	-	Nil	35,000	35,000

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 3 Committees constituted by the Board of Directors - Viz. Audit Committee of Directors, Share/Bonds Transfer /Shareholders' Bond holders'/Investors' Grievance Committee and Corporate Social Responsibility & Sustainability Committee.

**I. Audit Committee of the Directors :**

Board at its Meeting held on 29/05/2014 has reconstituted the Audit Committee comprises of (1) Shri V. K. Subburaj, SS&FA, Chairman of the Audit Committee (2) Dr. A.J. V.Prasad, J.S., Member of the AC (3) Dr. N.J. Gaikwad, Professor & Head, Member of the AC (w.e.f. 29/05/2012) (4) Shri J.N. Suryawanshi, D(M), Member of A.C.(upto 29/05/2012), (5) Shri. V. B. Ramachandran Nair, CMD, as invitee, (6) Shri Suresh Kumar R., DF, as invitee, (7) Shri. S.B. Bhide, DT as invitee and (8) Mrs. Susheela S. Kulkarni, Company Secretary and Secretary of the Audit Committee. Subsequently w.e.f. 2<sup>nd</sup> July, 2014, the reconstituted Audit Committee comprises (1) Shri Rajiv Yadav, AS&FA, Chairman of the Audit Committee (2) Dr. A.J. V.Prasad, J.S., Member of the AC (3) Dr. N.J. Gaikwad, NOID, Member of the AC (4) Shri V.B.Ramachandran Nair, CMD as Invitee (5) Shri J.N. Suryawanshi, D(M), as Invitee (6) Shri Suresh Kumar R., DF, as invitee, (7) Shri. S.B. Bhide, DT as invitee and (8) Mrs. Susheela S. Kulkarni, Company Secretary and Secretary of the Audit Committee. The other terms & reference of the said Committee remains same and unchanged.

The Committee met 3 times during the year ended 31-3-2014 on the following dates :05/08/2013 ; 13/11/2013 ; 12/02/2014

DIRECTORS	NO. OF AUDIT COMMITTEE MEETINGS ATTENDED
Dr. V.K. Subburaj	3
Dr. A.J.V.Prasad	3
Dr. N.J. Gaikwad	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. Share/Bonds Transfer / Shareholders' Bond holders' / Investor' Grievance Committee.**

**Terms of Reference:**

As required under the Companies Act, 2013, the Company already has a Share Transfer Committee comprising of Shri V. B. Ramachandran Nair, CMD as Chairman (w.e.f. 17/06/2013), Shri J.N.Suryawanshi, Director (Marketing), Shri Suresh Kumar R., Director (Finance), Shri S. B. Bhide, Director (Technical) 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.

**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 vis-à-vis transfers, deletion, transmission, dematerialisation and rematerialisation of shares. There was no pending complaints and requests for demat.

This Committee is 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 30 times during the year. The Details are as under:

04/04/2013;	09/04/2013;	18/04/2013;	22/04/2013;	2/05/2013;	07/05/2013;
22/05/2013;	05/06/2013;	12/06/2013;	21/06/2013;	08/07/2013;	17/07/2013;
01/08/2013;	06/08/2013;	17/08/2013;	28/08/2013;	27/09/2013;	25/10/2013;
30/10/2013;	14/11/2013;	25/11/2013;	07/01/2014;	14/01/2014	30/01/2014;
11/02/2014;	25/02/2014;	05/03/2014;	10/03/2014;	19/03/2014;	26/03/2014;

**Summarised information on complaints received and resolved during 1<sup>st</sup> April 2013 to 31<sup>st</sup> March, 2014**

Sl.No.	Nature of Complaint	Received	Redressed	Pending as on 31/3/2014
<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	-	-	-
5.	Non receipt of share certificates	-	-	-
6.	Miscellaneous	-	-	-

**No. of Pending Share Transfers**

As on 31<sup>st</sup> March, 2014 there are Nil Share transfer cases pending.

**III. Remuneration Committee.**

In view of the existence of only 1 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, 2013-14.

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 sittings fees for attending the meetings of the Board or Committees thereof. However, Government Nominee Directors are not paid any Sitting Fees.

**IV. CSR & SD Committee.**

During the year 2014, in compliance with the Department of Public Enterprise (DPE) Guideline on Corporate Social Responsibility (CSR), Company has constituted Board level Corporate Social Responsibility (CSR) and Sustainability Development (SD) Committee comprising of Independent Director & other two Directors from the Board of the Company. The terms of reference of the said CSR&SD Committee included among others set up of the Committee with existence of the two tier organization structure with mandatory membership of an Independent Director on the Board level committee, frequency of meeting, range of decision, staff/ stakeholder involvement etc.



**5 Annual General Meetings.**

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

Particulars	FY 2010-2011	FY 2011-2012	FY 2012-2013
Date and Time	25-08-2011	28-09-2012	27-09-2013
Venue	3.00 p.m. Rasarang Hall Dr.Kasbekar Park At PO: Rasayani, Dist.Raigad Pin - 410 207	3.00 p.m. Rasarang Hall Dr.Kasbekar Park At PO: Rasayani, Dist.Raigad Pin - 410 207	3.00 p.m. Rasarang Hall Dr.Kasbekar Park 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.

The last Extra-Ordinary General Meeting of the Company was held as under:

Particulars	FY 2014-2015
Date and Time	30-05-2014
Venue	3.00 p.m. Rasarang Hall, Dr.Kasbekar Park, At PO :Rasayani, Dist.Raigad, Pin - 410 207

The following Special Resolutions were passed through Voting by Poll and E-Voting at the last Extra-Ordinary General Meeting (EGM).

- To consider and to approve the proposal for Issue of Rs. 150 crore expected Govt. Guarantee, Unsecured, Redeemable Bonds on Private Placement basis.
- To consider and to approve the long lease (maximum period of 90years) of Company's land at Rasayani, Maharashtra to other PSUs AND to consider and approve the proposal to sell and dispose off the Company's land at Panvel, Maharashtra.

**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, 2013 [except Section177 (Section 292A of Companies Act, 1956) 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**

HOCL CIN: L99999MH1960GOI011895

**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 : Wednesday, 24<sup>th</sup> September, 2014 at 3.00 p.m.  
Venue : At Rasarang Hall, Dr.Kasbekar Park,  
Rasayani, Dist.Raigad 410207.

**b) Financial Calendar :**

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

**c) Dates of Book Closure (Proposed) :** (For the Purpose of Annual General Meeting)

From 16<sup>th</sup> September, 2014 to 24<sup>th</sup> September, 2014 (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 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  
2<sup>nd</sup> Floor, Near Sakinaka Telephone 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 2013-2014 was as follows:

Month	Monthly Highest	Monthly Lowest
April, 2013	14.50	10.70
May, 2013	15.25	11.00
June, 2013	11.85	8.80
July, 2013	10.15	6.50
August, 2013	9.05	6.10
September, 2013	9.85	7.15
October, 2013	10.20	8.30
November, 2013	14.15	9.00
December, 2013	13.00	10.60
January, 2014	12.00	9.00
February, 2014	10.80	8.70
March, 2014	12.75	9.45

(1) High/Low of market price of the equity shares traded on the Bombay Stock Exchange Ltd., Mumbai for the year 2013-2014 was as follows:

Month	Monthly Highest	Monthly Lowest
April, 2013	13.50	11.00
May, 2013	15.30	11.10
June, 2013	12.45	8.25
July, 2013	10.80	6.61
August, 2013	8.99	6.05
September, 2013	9.79	7.22
October, 2013	10.45	8.30
November, 2013	14.45	9.10
December, 2013	12.65	10.85
January, 2014	11.99	8.77
February, 2014	11.05	8.50
March, 2014	12.80	9.65

**j) Distribution of Shareholding**

The distribution of holdings as on March 31, 2014 was as follows :

Description	Share Holders		Holdings		
	Folios	%	Shares	%	
-1	-2	-3	-4	-5	
Upto	500	48664	87.33	7505489	11.17
501	1000	3611	6.48	3112355	4.63
1001	2000	1714	3.08	2744040	4.09
2001	3000	560	1.00	1463697	2.18
3001	4000	277	0.50	1007574	1.50
4001	5000	281	0.50	1345408	2.00
5001	10000	360	0.65	2685818	4.00
10001	AND ABOVE	256	0.46	47308719	70.43
TOTAL		55723	100.00	67173100	100.00

**J-i) Share Holding Pattern as on 31-03-2014 :**

Particulars	No. of Shares	% of shareholding
Promoters	39481500	58.78
FI	1800	00.00
NRIs/OCB/Non Domestic Companies	847433	01.26
Mutual Funds,Banks,Fls, Insurance Co	11900	00.02
Private Corporate Bodies	3568727	5.31
Individuals/Others	23261740	34.63
<b>Total Paid up Capital</b>	<b>67173100</b>	<b>100.00</b>

**k) Shareholding Pattern as on 31<sup>st</sup> March, 2014 was as under:**

Category	No. of Share held	Percentage of shareholding
<b>A PRESIDENT OF INDIA</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)	765369	1.14



	Category	No. of Share held	Percentage of shareholding
6	Individual (Non-Repatriation)	80964	0.12
<b>C</b>	<b>RESIDENT</b>		
1	Financial Institutions	1000	0.00
2	Nationalised Banks	300	0.00
3	Mutual Funds	10600	0.02
4	Bodies Corporates	3568727	5.31
5	NSDL Shares in Transit	0	0.00
6	Others	23261740	34.63
	<b>TOTAL</b>	<b>67173100</b>	<b>100.00</b>

**I) 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. 96.67% of the share capital of the Company has been dematerialised as on 31<sup>st</sup> March, 2014 – total Accounts dematerialised is **38255** involving **64935115** shares (which constitutes 96.67% 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 A/B, Samhita Warehousing Complex 2 <sup>nd</sup> Floor, behind Sakinaka Telephone e, Exchange, Andheri – Kurla Road, Sakinaka, Andheri (E), Mumbai - 400 072 Tel : 022-67720400 / 67720401 / 67720402 Fax No. 022-28508927 / 022 – 67720416 Email: sharepro@shareproservices.com	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
---	---

**9. CFO Certification of the Company :**

**Shri Suresh Kumar R.**, Director Finance/CFO, certifies that as on 31-3-2014 :

(a) We have reviewed financial statements and the cash flow statement for the year and that to the best of their knowledge and belief :

(i) these statements do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading.

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 :

(i) Significant changes in internal control during the year;

(ii) Significant changes in accounting policies during the year and that the same have been disclosed in the notes to the financial statements; and

(iii) 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:**

**Mrs. Susheela S. Kulkarni** Company Secretary and Compliance Officer certifies that as on 31-3-2014 :

The Company Secretary confirms that as of 31/03/2014, the Company has :

a) Maintained all the Statutory Registers required to be maintained under the Companies Act, 1956 ("the Act") and the Rules made there under.

b) 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.

c) Issued all notices as required to be given for convening the meeting of the Board of Directors and General Meetings of the shareholders within the time limit prescribed by the Law.

d) Conducted the meetings of the Board of Directors and Annual General Meeting as per the provisions of the Act.

e) Complied with all the requirements relating to the minutes of the proceedings of the meeting of the Directors and the shareholders.

f) Made due disclosures under the requirements of the Act including the requirements in pursuance to the disclosures made by the directors.

g) Obtained necessary approvals of the directors, shareholders, Central Government and other authorities as per the statutory requirements.

h) Given loans and made investments in accordance with the requirements of the Act, not exceeded the borrowing powers of the Company.

i) Registered all the particulars relating to the creation, modification, and satisfaction of the charges with the ROC.

j) Effected share transfers and dispatched the certificates within the time limit prescribed under the Act and rules made thereunder.

k) 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.

**11. 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.

**12. Re-appointment of Directors**

Two Non-executive Govt. Nominee Directors viz. Shri Rajiv Yadav, AS&FA and Dr. A.J.V.Prasad, JS are due for retirement by rotation at the ensuing 53<sup>rd</sup> Annual General Meeting of the Company and are eligible for re-appointment as per the directions of the Govt. of India.

For and on behalf of Board of  
Hindustan Organic Chemicals Ltd.

Sd/-  
[Mrs. Susheela S. Kulkarni]  
Company Secretary  
Date: 13/08/2014

**ANNEXURE VII  
AUDITORS' CERTIFICATE ON CORPORATE GOVERNANCE REPORT**

To the Members of

Hindustan Organic Chemicals Limited

1. We have examined the compliance of conditions of Corporate Governance by Hindustan Organic Chemicals Limited for the year ended 31<sup>st</sup> March, 2014 as stipulated in Clause 49 of the Listing Agreement of the said Company with the Stock Exchanges.

2. The compliance of conditions of Corporate Governance is the responsibility of the Management. Our examination has been limited to a review of the procedures and implementations thereof, adopted by the Company for ensuring the 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.

3. The Company has not fully complied with the provisions of Clause 49I of the Listing Agreement relating to the composition of the Board of Directors.

4. The Company has not fully complied with the provisions of Clause 49II of the Listing Agreement and Section 177 of the Companies Act, 2013, relating to the composition of the Audit Committee.

5. In our opinion and to the best of our information and according to the explanation given to us, we certify that apart from the above mentioned, the Company has complied with the other conditions of Corporate Governance as stipulated in Clause 49 of the above mentioned Listing Agreement.

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

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

Sd/-  
Shrikant Prabhu

Partner  
Membership No. 35296

Mumbai, 29<sup>th</sup> May, 2014

**INDEPENDENT AUDITOR'S REPORT****To the Members of Hindustan Organic Chemicals Limited  
Report on Financial Statements**

We have audited the accompanying financial statements of Hindustan Organic Chemicals Limited ("the Company"), which comprises the Balance Sheet as at 31<sup>st</sup> March, 2014 and the Statement of Profit and Loss and Cash Flow Statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

**Management's Responsibility for the Financial Statement**

Management is responsible for the preparation of these financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Company in accordance with the Accounting Standards notified under the Companies Act, 1956 ("the Act") read with the General Circular 15/2013 dated 13<sup>th</sup> September, 2013 of the Ministry of Corporate Affairs in respect of Section 133 of the Companies Act, 2013 and in accordance with the accounting principles generally accepted in India. This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

**Auditor's Responsibility**

Our responsibility is to express opinion on these financial statements based on our audit. We conducted our audit in accordance with Standards on Auditing issued by the Institute of Chartered Accountants of India. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedure to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified audit opinion.

**Basis for Qualified Opinion**

- A) *No provisions has been made in the financial statements for the following amounts (refer respective notes in the notes to the financial statements);*
- Penal interest of ₹ 1062.51 lacs on overdue loan from Government of India (note no. 5A(iv)),*
  - 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),*
  - Liability of wage revision for the period 1.1.1997 to 31.12.2000 ₹ 1887.79 lacs at Rasayani unit (note no. 33A),*
  - Liability of wage revision for the period 1.1.2007 to 31.3.2008 ₹ 161.55 lacs to Officers and ₹ 148.26 lacs to Staff at Rasayani unit (note no. 33B and 33C),*
  - Claims of JNPT short provided amounting to ₹ 1351.08 lacs in respect of;*
    - Lease rentals and escalation on leased land (note no. 34F(ii)),*
    - Water charges*
- B) *Capital work in progress includes an amount of ₹ 2978.91 lacs incurred on JNPT tank terminal project. The construction has been suspended for more than six 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. 34F(i)),*

- The Balances of trade receivables, trade payables, loans and advances and other current assets and other debit / credit balances are pending for confirmations and reconciliation (note no. 42),*
- We further report that, had the effects of the items mentioned in the paragraphs (A) above been considered, the loss for the year would have been higher by ₹ 4676 lacs, resulting into a loss of ₹ 22361.28 lacs and the accumulated loss as at the year-end would have been higher by the same amount i.e ₹ 4676 lacs. Further, the long-term liabilities / provisions as at the year-end would have been higher by ₹ 4676 lacs.*
- We also further report that the effect of the items mentioned in paragraphs (B) and (C) above on the loss for the year and on the balance sheet is not ascertainable.*
- Wage arrears in respect of Rasayani unit of the Company which had not been provided in earlier years amounting to ₹ 40.73 lacs in case of employees for the period 1.1.1997 to 31.12.2000, ₹ 3.19 lacs for the period 1.1.2007 to 31.3.2008 in case of Officers and ₹ 0.67 lacs for the period 1.1.2007 to 31.3.2008 in case of Staff has been paid / provided during the year and charged as current year 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 (note no. 33)*

**Qualified Opinion**

*In our opinion and to the best of our information and according to the explanations given to us, except for the possible effects of the matters described in the Basis for Qualified Opinion paragraph, the financial statements give the information required by the Act 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 31<sup>st</sup> March, 2014;*
- 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.*

**Emphasis of Matter**

Attention is drawn to note 47 to the financial statements which states that the financial statements have been prepared on going concern basis, although the net worth of the Company is fully eroded, for reasons stated in the said note.

**Report on Other Legal and Regulatory Requirements**

- As required by the Companies (Auditor's Report) Order, 2003 ("the Order") issued by the Central Government of India in terms of sub section (4A) of section 227 of the Act, we give in the Annexure a statement on the matters specified in paragraph 4 and 5 of the order.
- As required by section 227(3) of the Companies Act, 1956, 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 except for the matters described in the Basis for Qualified Opinion paragraph;
  - in our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of those books;
  - the report on the accounts of the branch offices audited under section 228 by a person other than the company's auditor has been forwarded to us as required by clause (c) of sub-section (3) of section 228 of the Act and have been dealt with in preparing our report in the manner considered necessary by us;
  - the Balance Sheet, the Statement of Profit and Loss and Cash Flow Statement dealt with by this report are in agreement with the books of account;

d) *except for the possible effects of the matters described in the Basis for Qualified Opinion paragraph, in our opinion, the Balance Sheet, Statement of Profit and Loss and Cash Flow Statement comply with the Accounting Standards notified under the Act read with the General Circular 15/2013 dated 13<sup>th</sup> September, 2013 of the Ministry of Corporate Affairs in respect of Section 133 of the Companies Act, 2013;*

e) 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.

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

Sd/-  
**Shrikant Prabhu**  
Partner  
Membership No. 35296

Place : Mumbai  
Date : 29<sup>th</sup> May, 2014

### ANNEXURE TO THE AUDITORS' REPORT (REFERRED TO IN PARAGRAF 1 ABOVE)

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: -

1. (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of its fixed assets.
- (b) As explained and inform 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 off a substantial part of fixed assets so as to affect the going concern status of the Company.
2. (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 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.
3. (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 registered maintained under Section 301 of the Companies Act, 1956 and as such clauses (iii)(f) and (g) are not applicable.

4. 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, 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 system.
5. According to the information and explanations given to us there were no transactions that need to be entered into registered maintained under Section 301 of the Companies Act, 1956. Sub Clause (b) of clause (v) is hence not applicable.
6. In our opinion and according to the information and explanations given to us, Company has not accepted any deposits from the public. Hence the provisions of section 58A, 58AA of the Companies Act, 1956 with regard to acceptance of deposits from the 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 asset, are not applicable. We have been informed by the management that no orders have 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.
7. The Company has an internal audit system, which, in our opinion, is commensurate with its size and nature of its business.
8. We have broadly reviewed the books of accounts maintained by the Company in pursuance to the rules made by the Central Government for the maintenance of 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.
9. 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 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. The Company has not been regular in depositing Provident Fund dues with the appropriate authorities during the year. There were no undisputed arrears of statutory dues outstanding as at 31<sup>st</sup> March, 2014, for a period of more than six months from the date they became payable except for as stated below :

Rasayani Unit :

Sr. No.	Name of Statute	Nature of Dues	Outstanding Amount (₹ in lacs)
1	The Employees' Provident Funds And Miscellaneous Provisions Act, 1952	Employees Provident Fund contribution	451.57
2	The Employees' Provident Funds And Miscellaneous Provisions Act, 1952	Employees Pension Fund contribution	4.86
3	Gram Panchayat	Gram Panchayat Tax	5.05
		<b>Total</b>	<b>461.48</b>



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 31<sup>st</sup> March, 2014, except as stated below:

A. Rasayani Unit :

Sr. No.	Name of Statute	Nature of Dues	Period to which the dispute relates	Amount of Dispute (₹ in lacs)	Forum where dispute is pending
1	Central Excise Act, 1944	Molten Sulphur Classification	Feb-97 to Jun-98	15.53	Customs, Excise and Service Tax Appellate Tribunal
2	Central Excise Act, 1944	Molten Sulphur Classification	Sept-94 to Jan-97	22.76	Customs, Excise and Service Tax Appellate Tribunal
3	Central Excise Act, 1944	Molten Sulphur Classification	1999-00	7.62	Commissionerate
4	Central Excise Act, 1944	Shortage of Inputs		13.64	Commissionerate
5	Central Excise Act, 1944	Shortage of Inputs	1998-01	18.66	High Court
6	Central Excise Act, 1944	Shortage of Inputs	Jul-01 to Sept-02	5.85	High Court
7	Central Excise Act, 1944	ARO Case (Aniline Valuation)	Jul-03 to May-06	19.29	Customs, Excise and Service Tax Appellate Tribunal
8	Central Excise Act, 1944	Clearance of SSA to fertilizer manufacturing units	Sept-96 to Mar-00	112.78	Commissionerate
9	Central Excise Act, 1944	Reversal of Cenvat Credit availed on inputs lost in flood	2006-07	18.66	Commissionerate
10	Central Excise Act, 1944	N2O4 Exemption	Jan-06 to Feb-08	104.63	Customs, Excise and Service Tax Appellate Tribunal
11	Central Excise Act, 1944	Duty on Clearance of Molten Sulphur	Nov-98 to Dec-98	5.05	Deputy Commissioner Central Excise
12	Central Excise Act, 1944	Duty on Clearance of Molten Sulphur	Jan-99	2.59	Deputy Commissioner Central Excise
13	Finance Act, 1994	Wrong credit availed on Angels, bars and HR coils and plates	May-07 to Jul-10	1.44	Assistant Commissioner Central Excise
14	Finance Act, 1994	Cleaning, gardening and Rent-a-cab services	Oct-09 to Nov-11	8.88	Deputy Commissioner Central Excise
15	Finance Act, 1994	Service Tax on canteen services	Feb-07 to Mar-11	66.96	Commissioner of Central Excise, Custom and Service Tax
			<b>Total</b>	<b>405.68</b>	

16	Income Tax Act, 1961	Penalty u/s 271(1)(c)	A.Y 1999-00	91.07	Commissioner of Income Tax Appeals, Mumbai
17	Income Tax Act, 1961	Penalty u/s 271(1)(c)	A.Y 1999-00	57.55	Income Tax Appellate Tribunal, Mumbai
18	Income Tax Act, 1961	Penalty u/s 271(1)(c)	A.Y 2003-04	607.25	Commissioner of Income Tax Appeals, Mumbai
19	Income Tax Act, 1961	Penalty u/s 271(1)(c)	A.Y 2004-05	63.23	Commissioner of Income Tax Appeals, Mumbai
			<b>Total</b>	<b>819.10</b>	

B. Kochi Unit :

Sr. No.	Name of Statute	Nature of Dues	Period to which the dispute relates	Amount of Dispute (₹ in lacs)	Forum where dispute is pending
1	ESI Corporation	ESI contribution of employees	1.04.92 to 31.10.92	2.17	Employees Insurance Court (Industrial)
			<b>Total</b>	<b>2.17</b>	
2	Finance Act 1994	Availing of CEVAT credit on service tax on transportation of final products to Rasayani Depot	04/03 to 12/06	37.68	CESTAT, Bangalore
3	Finance Act 1994	Insurance renewal/ Tyre re-trading charge	07/11 to 05/12	8.19	CESTAT, Bangalore
4	Finance Act 1994	Bus, Car transportation to employees	11/11 to 06/12	0.57	Commissioner of Central Excise Appeals, Ernakulam
5	Finance Act 1994	Insurance renewal/ Tyre re-trading charge	04/11 to 03/13	10.96	Commissioner of Central Excise Appeals, Ernakulam
			<b>Total</b>	<b>57.40</b>	
6	Employees Provident Fund	Employees Family Pension Scheme-Damage for default payment	1995 to 1997	18.05	Appeal filed before High Court, Kerala
			<b>Total</b>	<b>18.05</b>	
7	Income Tax Act, 1961	Short Payment of TDS	A.Y 2008-09 & 2009-10	3.55	Commissioner of Income Tax Appeals, Ernakulam
			<b>Total</b>	<b>3.55</b>	
8	Central Sales Tax Act, 1956	Trade Discount given through credit notes disallowed- CST	2005-06	53.71	D.C (Appeals), Dept. of Commercial Taxes, Ernakulam
9	Central Sales Tax Act, 1956	Turnover assessed @ 12.50% against 4%- CST	2005-06	0.33	D.C (Appeals), Dept. of Commercial Taxes, Ernakulam
10	KVAT Act, 2003	Turnover assessed at higher rate and miscellaneous income assessed to tax - KVAT	2005-06	2.06	D.C (Appeals), Dept. of Commercial Taxes, Ernakulam
11	Central Sales Tax Act, 1956	Turnover assessed @ 12.50% against 10%- CST	2005-06	0.07	D.C (Appeals), Dept. of Commercial Taxes, Ernakulam
12	Central Sales Tax Act, 1956	Levy of interest-CST	2005-06	155.23	Tribunal Dept. of Commercial Taxes, Ernakulam

13	KVAT Act, 2003	Levy of interest-CST	2005-06	152.63	Tribunal Dept. of Commercial Taxes, Ernakulam	11. Based on our audit procedures and the information and explanations given to us, we are of the opinion that the Company has not defaulted in repayment of its dues to the bond holders during the current year.
14	Central Sales Tax Act, 1956	Trade Discount given through credit notes disallowed- CST	2006-07	79.68	D.C (Appeals), Dept. of Commercial Taxes, Ernakulam	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 to them.
15	Central Sales Tax Act, 1956	Levy of interest-CST	2006-07	11.87	D.C (Appeals), Dept. of Commercial Taxes, Ernakulam	13. Clause (xiii) of the Order is not applicable as the Company is not a chit fund company or nidhi / mutual benefit fund / society.
16	Central Sales Tax Act, 1956	Trade Discount given through credit notes disallowed- CST	2007-08	6.70	D.C (Appeals), Dept. of Commercial Taxes, Ernakulam	14. The Company is not dealing in or trading in shares, securities, debentures and other investments.
17	KVAT Act, 2003	Disallowance of input tax credit	2008-09	1.28	D.C (Appeals), Dept. of Commercial Taxes, Ernakulam	15. According to the information and explanations given to us, the Company has given guarantee of ₹ 1103 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.
18	KVAT Act, 2003	Disallowance of input tax credit	2009-10	0.90	D.C (Appeals), Dept. of Commercial Taxes, Ernakulam	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.
19	KVAT Act, 2003	Tax assessed at higher rate	2011-12	75.76	D.C (Appeals), Dept. of Commercial Taxes, Ernakulam	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.
20	Central Sales Tax Act, 1956	Non- submission of C-form and C-form rejected	2011-12	28.90	D.C (Appeals), Dept. of Commercial Taxes, Ernakulam	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.
21	Central Sales Tax Act, 1956	Non- submission of C-form	2012-13	302.99	D.C (Appeals), Dept. of Commercial Taxes, Ernakulam	19. The Company has raised ₹ 10,000 lacs through issue of bonds during the year, which is guaranteed by the Government of India by way of registered bond trust deed.
			<b>Total</b>	<b>872.11</b>		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.

10. *The accumulated losses of the Company at the year-ended exceed its paid-up capital and reserves and its net worth is fully eroded. The Company has incurred cash losses during the year and also in the immediately preceding financial year.*

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

Sd/-

**Shrikant Prabhu**

Partner

Membership No.35296

Place : Mumbai  
Date : 29<sup>th</sup> May, 2014

**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 31<sup>ST</sup> MARCH, 2014.**

The preparation of financial statement of Hindustan Organic Chemicals Limited for the year ended 31<sup>st</sup> March, 2014 in accordance with the financial reporting framework prescribed under the Companies Act, 1956 is the responsibility of the management of the Company. The Statutory Auditors appointed by the Comptroller and Auditor General of India under Section 619(2) of the Companies Act, 1956 are responsible for expressing opinion on these financial statements under section 227 of the Companies Act, 1956 based on independent audit in accordance with the Standards on Auditing 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 29<sup>th</sup> May, 2014.

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 statements of Hindustan Organic Chemicals Limited for the year ended 31<sup>st</sup> March, 2014. This supplementary audit has been carried out independently without access to the working papers of the Statutory Auditors and is limited primarily to the inquiries of the Statutory Auditors 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**

Sd/-

(Y.N. Thakare)

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

Place: Mumbai  
Date: 2 July 2014.



## Balance Sheet as at 31st March, 2014

	NOTES	As at 31.03.2014	As at 31.03.2013	₹ lacs
<b>I. EQUITY AND LIABILITIES</b>				
(1) Shareholders' funds				
(a) Share capital	2	33726.96	33726.96	
(b) Reserves and surplus	3	(64728.36)	(46842.02)	(13115.06)
		(31001.40)		
(2) Deferred government grants	4	1692.07	1624.29	1624.29
(3) Non-current liabilities				
(a) Long-term borrowings	5	13752.01	2064.98	
(b) Other Long term liabilities	6	34.62	-	
(c) Long-term provisions	7	7618.82	7381.75	
		21405.45		9446.73
(4) Current liabilities				
(a) Short-term borrowings	8	7241.56	17580.26	
(b) Trade payables	9	12938.03	9473.28	
(c) Other current liabilities	10	20415.43	14195.48	
(d) Short-term provisions	11	1588.36	1508.72	
		42183.38		42757.74
<b>TOTAL</b>		<b>34279.50</b>		<b>40713.70</b>
<b>II. ASSETS</b>				
(1) Non-current assets				
(a) Fixed assets	12			
(i) Tangible assets		13143.42	15410.99	
(ii) Intangible assets		170.68	252.03	
(iii) Capital work-in-progress	13	3698.34	3875.02	
(iv) Intangible assets under development		-	-	
(b) Non-current investments	14	1111.00	1111.00	
(c) Long-term loans and advances	15	2937.53	2996.83	
		21060.97		23645.87
(2) Current assets				
(a) Inventories	16	5168.34	5924.73	
(b) Trade receivables	17	909.97	2932.33	
(c) Cash and cash equivalents	18	2445.60	2502.40	
(d) Short-term loans and advances	19	4380.61	5339.43	
(e) Other current assets	20	314.01	368.94	
		13218.53		17067.83
<b>TOTAL</b>		<b>34279.50</b>		<b>40713.70</b>
Significant Accounting Policies	1			
Notes to the Financial Statements	2 to 48			

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. 102860WSd/-  
**Shrikant Prabhu**  
Partner  
Membership No. 35296Sd/-  
**V. B. Ramachandran Nair**  
Chairman & Managing DirectorSd/-  
**J. N. Suryawanshi**  
Director (Marketing)Sd/-  
**R. Suresh Kumar**  
Director (Finance)Sd/-  
**S. B. Bhide**  
Director (Technical)Sd/-  
**Mrs. Susheela S. Kulkarni**  
Company SecretaryPlace: Mumbai  
Date: 29/05/2014Place: Mumbai  
Date: 29/05/2014



## Statement of Profit and Loss for the year ended 31st March, 2014

	NOTES	Year ended 31.03.2014	Year ended 31.03.2013
<b>₹ lacs</b>			
<b>REVENUE</b>			
Revenue from operations			
Sale of products	21	23679.73	62419.40
Other operating revenue		40.32	67.43
		<u>23720.05</u>	<u>62486.83</u>
Less : Excise duty		2604.02	6985.24
		<u>21116.03</u>	<u>55501.59</u>
Other income	22	931.77	891.38
<b>Total revenue</b>		<u><u>22047.80</u></u>	<u><u>56392.97</u></u>
<b>EXPENSES</b>			
Cost of materials consumed	23	13402.62	36562.99
Purchases - stock-in-trade	24	8.26	136.84
Changes in Inventories of finished goods and work in progress	25	517.56	4197.94
Variation in excise duty on finished goods inventory		(101.83)	(366.46)
Employee benefits expenses	26	11204.75	11648.68
Finance costs	27	4261.94	2824.15
Depreciation and amortization expenses		1736.56	2192.45
Provision for impairment loss on fixed assets		104.77	40.49
Other expenses	28	8514.58	12624.96
<b>Total expenses</b>		<u><u>39649.21</u></u>	<u><u>69862.04</u></u>
Profit / (Loss) before prior period adjustment, exceptional items and tax		(17601.41)	(13469.07)
Less: Prior Year Adjustment	29	(30.26)	199.78
Profit / (Loss) before exceptional items and tax		(17571.15)	(13668.85)
Less: Exceptional items	30	114.13	130.06
Profit / (Loss) before tax		(17685.28)	(13798.91)
Tax expenses :			
Current tax		-	-
Deferred tax		-	-
<b>Profit / (Loss) for the year</b>		<u><u>(17685.28)</u></u>	<u><u>(13798.91)</u></u>
Earnings per equity share: (in ₹) (Face value ₹ 10 each)			
Basic and Diluted	38	(26.33)	(20.54)
Significant Accounting Policies	1		
Notes to the Financial Statements	2 to 48		

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. 102860WSd/-  
**Shrikant Prabhu**  
Partner  
Membership No. 35296Sd/-  
**V. B. Ramachandran Nair**  
Chairman & Managing DirectorSd/-  
**J. N. Suryawanshi**  
Director (Marketing)Sd/-  
**R. Suresh Kumar**  
Director (Finance)Sd/-  
**S. B. Bhide**  
Director (Technical)Sd/-  
**Mrs. Susheela S. Kulkarni**  
Company SecretaryPlace: Mumbai  
Date: 29/05/2014Place: Mumbai  
Date: 29/05/2014



## Cash Flow Statement for the year ended 31st March, 2014

	(₹ lacs)	
	2013-14	2012-13
<b>CASH FLOW FROM OPERATING ACTIVITIES:</b>		
Net Profit/(Loss) before tax, prior year adjustments and exceptional items as per Statement of Profit and Loss	(17,601.41)	(13,469.08)
Adjusted for :		
Depreciation and amortization expenses	1,736.56	2,192.46
Impairment loss (net of provision written back)	4.92	40.49
Loss on sale/ discard of assets (net)	184.56	3.76
Fixed assets written-off	2.00	3.36
Diminution of inventory	8.37	23.47
Govt grant transferred to income (Refer note 4)	(89.81)	(17.77)
Finance costs	4,261.94	2,824.15
Provision no longer required written back	(82.27)	(6.61)
Provision for wage arrears no longer required written back	-	(98.54)
Interest income from subsidiary	(64.12)	(80.13)
Interest income	(228.67)	(212.64)
<b>Operating Profit/(Loss) Before Prior Year Adjustments and exceptional itmes</b>	<b>(11,867.91)</b>	<b>(8,797.08)</b>
Add :- Net prior year adjustments and exceptional items:	(83.87)	(329.83)
<b>Operating Profit / (Loss) Before Working Capital Changes</b>	<b>(11,951.78)</b>	<b>(9,126.91)</b>
Adjusted for :		
Trade and other receivables	2,104.63	1,077.64
Inventory	748.00	4,781.06
Trade and other payables	6,732.26	3,865.16
Loans and advances	1,073.05	(1,064.48)
<b>Cash Generated from Operations</b>	<b>(1,293.84)</b>	<b>(467.53)</b>
Taxes paid (net)	-	-
<b>Net Cash from Operating Activities : (A)</b>	<b>(1,293.84)</b>	<b>(467.53)</b>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>		
Purchase of fixed assets	(305.89)	(1,866.99)
Sale of fixed assets	1,263.08	4.39
Purchase of investments	-	(5.00)
Interest income	292.79	253.54
<b>Net Cash Used In Investing Activities : (B)</b>	<b>1,249.98</b>	<b>(1,614.06)</b>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>		
Borrowings (net of repayments)	2,676.77	2,604.40
Bond issue expenses	(201.04)	(209.83)
Interest paid	(2,680.88)	(2,408.16)
Grant from ISRO	192.21	1,136.05
<b>Net Cash from / Used In Financing Activities : (C)</b>	<b>(12.94)</b>	<b>1,122.46</b>
<b>Net Increase In Cash and Cash Equivalents (A+B+C)</b>	<b>(56.80)</b>	<b>(959.13)</b>
<b>Opening Balance of Cash and Cash Equivalents</b>	<b>2,502.40</b>	<b>3,461.53</b>
<b>Closing Balance of Cash and Cash Equivalents</b>	<b>2,445.60</b>	<b>2,502.40</b>

Note : 1. Figures in brackets represent outflows.

2. Previous year's figures have been regrouped and readjusted wherever necessary and practicable.

## By order of the Board of Directors

Sd/-  
V. B. Ramachandran Nair  
Chairman & Managing Director

Sd/-  
J. N. Suryawanshi  
Director (Marketing)

Sd/-  
R. Suresh Kumar  
Director (Finance)

Sd/-  
S. B. Bhide  
Director (Technical)

Sd/-  
Mrs. Susheela S. Kulkarni  
Company Secretary

Place: Mumbai  
Date: 29/05/2014

As per our report of even date attached

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

Sd/-  
Shrikant Prabhu  
Partner  
Membership No. 35296

Place : Mumbai  
Date : 29-05-2014

**NOTES TO THE FINANCIAL STATEMENTS****NOTE – 1****SIGNIFICANT ACCOUNTING POLICIES****A. BASIS OF PREPARATION OF FINANCIAL STATEMENTS**

The financial statements have been prepared on accrual basis, unless stated otherwise, under the historical cost convention, in accordance with the generally accepted accounting principles in India and the provisions of the Companies Act, 1956.

**B. USE OF ESTIMATES**

The preparation of financial statements requires estimates and assumptions to be made that affect the reported balances of assets and liabilities on the date of the financial statements and reported amount of income and expenses during the year. Difference between the actual results and estimates are recognized in the period in which the results are known / materialized.

**C. FIXED ASSETS**

- Fixed Assets are stated at historical cost less depreciation. Costs include all expenses incurred to bring the assets to its present location and condition.
- The constructed/fabricated capital assets are capitalized as and when the same are installed in the plants.
- 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.
- In respect of Plant and 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 as loss on scrapping of assets.
- Items of fixed assets that have been retired from active use and are held for disposal are valued at lower of their net book value or net realisable value.

**D. IMPAIRMENT OF ASSETS**

The carrying amount of assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. 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.

**E. 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.

- In case of continuous process plants and computer systems
  - 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.
  - Acquired after 1.4.1993 :  
Depreciation is provided at the rates prescribed in Schedule XIV of the Companies Act, 1956.
- In case of other Fixed Assets :
  - 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.
  - 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.
  - 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.
  - Assets are depreciated upto 95% of their cost and balance 5% is carried in the books as residual value except in case of intangible assets.
  - Assets individually costing less than ₹ 5000 are fully depreciated in the year of acquisition.
  - Lease premium paid on leasehold land is amortised over the life of lease.
  - Intangible Assets consisting of computer software and SAP license cost are amortised over a period of 5 years on straight line basis from the date of acquisition.

**F. INVENTORIES**

- Inventories are valued at lower of cost and net realizable value except in case of,
  - Raw materials are valued at cost on weighted average basis.
  - Stores and spares, which are valued at cost, determined as per weighted average cost method,
  - By-products which are valued at estimated net realizable value, and
  - Intermediate products which are exclusively held for captive consumption are valued at cost.

- 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.
- The cost of Catalyst is amortised over their estimated useful lives. Balance unamortised portion has been shown under the head "Stores and Spares".
- Provision for non-moving / obsolete stores and spares are made based on technical assessment.

**G. 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 for in respect of receivables from Government departments/Companies.

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

**H. REVENUE RECOGNITION**

- The "Sales" are stated on the basis of invoices net of sales tax and trade discounts.
- Revenue from sale of Scrap and obsolete stores is accounted for at the time of disposal.
- Delayed payment charges due from customers other than Government Companies/Departments are accrued as income where Management is certain about its recoverability.
- Interest income is recognized when no significant uncertainty as to its realization exists.
- Benefit of Duty Credit are accounted on accrual basis.

**I. GOVERNMENT GRANTS**

The company is following income approach for accounting for the government grants in-respect of the depreciable assets as described in Accounting Standard 12 – 'Accounting for Government Grants'. The grants related to depreciable assets are treated as deferred income which is recognised in the statement of profit and loss on proportionate basis over the useful life of the assets and allocation to income is made in proportion in which the depreciation on related assets is charged.

**J. 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 and loss.

**K. BOND ISSUE EXPENSES**

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

**L. RETIREMENT BENEFITS**

- Company's contribution to provident fund is accounted for on accrual basis.
- Short term employee benefits are recognized as an expense at the net undiscounted amount in the statement of profit and loss of the year in which the related service is rendered.
- Post employment and other long term employee benefits are recognized as an expense in the statement of profit and loss for the year in which the employee has rendered services. The expense is recognized at the present value of the amount payable determined using actuarial valuation techniques. Actuarial gains and loss in respect of post employment and other long term benefits are charged to the statement of profit and loss.
- Bonus is provided under the Payment of Bonus Act, 1965, on the basis of profitability of each Unit.

**M. INVESTMENTS**

- Long term investments are stated at cost less decline, if any, other than temporary in value on individual investment basis.
- 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.

**N. PRIOR PERIOD ADJUSTMENTS**

Items of income / expenses above ₹ 10000 in each case relating to previous years, are accounted as prior period adjustments.

**O. PREPAID EXPENSES**

Prepaid expenses are accounted for only where the amounts relate into unexpired period exceeds ₹ 10000 in each case.

**P. PROVISION FOR CURRENT AND DEFERRED TAX**

Provision for current tax is made after taking into consideration benefits admissible under the provisions of the Income-tax Act, 1961. Deferred tax resulting from "timing differences" between taxable and accounting income is accounted for using the tax rates and laws that are enacted or substantively enacted as on the balance sheet date. The deferred tax asset is recognized and carried forward only to the extent that there is a virtual certainty that the asset will be realized in future.

**Q. PROVISIONS, CONTINGENT LIABILITIES AND CONTINGENT ASSETS**

A provision is recognized when the Company has a present obligation as a result of past event and it is probable that an outflow of resources will be required to settle the obligation, in respect of which reliable estimate can be made. Provisions (excluding retirement benefits) are not discounted to its present value and are determined based on best estimate required to settle the obligation at the balance sheet date. These are reviewed at each balance sheet date and adjusted to reflect the current best estimates. Contingent liabilities are not recognized in the financial statements. A contingent asset is neither recognized nor disclosed in the financial statements.



NOTES TO THE FINANCIAL STATEMENTS

NOTE No.	As At 31.03.2014	As At 31.03.2013
(₹ lacs)		
<b>2 SHARE CAPITAL:</b>		
<b>AUTHORISED</b>		
100000000 (previous year 100000000) Equity Shares of ₹ 10 each	10000.00	10000.00
2700000000 (previous year 2700000000) 8% Non-cumulative Redeemable Preference Shares of ₹ 10 each.	27000.00	27000.00
	<u>37000.00</u>	<u>37000.00</u>
<b>ISSUED, SUBSCRIBED AND FULLY PAID-UP</b>		
<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
	<u>6726.96</u>	<u>6726.96</u>
<b>Preference Share Capital</b>		
2700000000 (previous year 2700000000) 8% Non-cumulative Redeemable Preference Shares of ₹ 10 each.	27000.00	27000.00
	<u>33726.96</u>	<u>33726.96</u>
<b>2A</b>	During the year 2010-11, the Company forfeited 193000 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".	
<b>2B</b>	The Government of India had released in earlier year ₹ 27000 lacs (for financial restructuring ₹ 25000 lacs and Caustic Soda Plant recommissioning ₹ 2000 lacs) 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, second & third installments of 20% i.e. ₹ 5400 lacs each was due for redemption in financial year 2011-12, 2012-13 and 2013-14 respectively. At the request of the Company, Government of India has extended the commencement of redemption from financial year 2011-12 to financial year 2015-16 @ 25% each year.	
<b>2C</b>	The particulars of shareholders holding more than 5% equity shares.	
	The Government of India	
	39481500	39481500
	58.78%	58.78%
<b>2D</b>	<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 shares is entitled to one vote per share. In the event of liquidation of the Company, the holders of equity shares will be entitled to receive remaining assets of the Company, after distribution of all preferential amounts. The distribution will be in proportion to the number of equity shares held by the shareholders.	
<b>2E</b>	The preference shareholders have no voting rights.	
<b>NOTE No.</b>		
<b>3 RESERVES AND SURPLUS:</b>		
<b>Capital Reserve</b>		
Nominal value of Freehold land ₹ 1 (previous Year ₹ 1)	-	-
<b>Share Premium Account</b>	6041.36	6251.19
Less: Bond Issue Expenses	201.04	209.83
	<u>5840.32</u>	<u>6041.36</u>
<b>Surplus / (Deficit) in Statement of Profit and Loss</b>		
Balance as per last Balance Sheet	(52883.40)	(39084.47)
Profit / (Loss) for the year as per the Statement of Profit and Loss	(17685.28)	(13798.91)
	<u>(70568.68)</u>	<u>(52883.38)</u>
	<u>(64728.36)</u>	<u>(46842.02)</u>
<b>NOTE No.</b>		
<b>4 DEFERRED GOVERNMENT GRANTS :</b>		
Amount received upto 01.04.2013	1642.06	506.01
Add: Received during the year	192.21	505.58
	<u>1834.27</u>	<u>1011.59</u>
Less: Transferred (to) / from deposit	(34.62)	630.47
	<u>1799.65</u>	<u>1642.06</u>
Less: Transferred to Income upto 31.03.2013	(17.77)	-
Less: Transferred to Income during the year	(89.81)	(17.77)
	<u>1692.07</u>	<u>1624.29</u>

NOTE No.	As At 31.03.2014	As At 31.03.2013
<b>4A</b>		
An amount of ₹ 1834.27 lacs (previous year ₹ 1642.06 lacs) has been received from ISRO (Government of India) towards Capital Grant for refurbishment of CNA Plant. Out of this, an amount of ₹ 1799.65 lacs (previous year ₹ 1642.06 lacs) has been spent upto 31st March, 2014 and balance unspent amount of ₹ 34.62 lacs (previous year Nil) has been shown as deposit under the head - Other Long-term Liabilities. As per AS - 12 - 'Accounting for Government Grants', income has been recognised from this grant of ₹ 89.81 lacs (previous year ₹ 17.77 lacs ) to the extent of depreciation charged and is included in 'Miscellaneous Income'.		
<b>NOTE No.</b>		
<b>5 LONG-TERM BORROWINGS :</b>		
<b>Secured Loans</b>		
Term Loan from Bank	2500.00	-
<b>Unsecured Loans</b>		
1000 (Previous year Nil) Non-convertible 10.57% Taxable Bonds of ₹ 1000000 each, redeemable on 28.08.2017	10000.00	-
Loans from Government of India	1116.00	1884.50
Other Loans	136.01	180.48
	<u>13752.01</u>	<u>2064.98</u>
<b>5A</b>	i) Term loan from bank is secured by equitable mortgage conveying first charge over all immovable assets at factory and township situated at Ambalamugal & Nestle Apartments (10 flats) at Mumbai.	
	ii) The Company has raised Bonds for ₹ 10000 lacs (series XX unsecured 10.57% p.a. redeemable bonds) on 28.08.2013 to redeem the bonds (series XIX unsecured 8.73% p.a. redeemable bonds) matured on 28.08.2013.	
	iii) 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 ₹ 5619.50 lacs (previous year ₹ 4791.00 lacs) and for interest accrued is ₹ 5429.07 lacs (previous year ₹ 4480.06 lacs). These amounts are shown under 'Other Current Liabilities'. Further an amount of ₹ 768.50 lacs (previous year ₹ 828.50 lacs) maturing in next 12 months is shown under Other Current Liabilities as 'Current maturity of long-term borrowings'.	
	iv) The Company has not made provision for penal interest payable amounting to ₹ 1062.51 lacs (previous year ₹ 830.30 lacs) on overdue Government Loans upto 31st March, 2014 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. The same has been disclosed under Contingent Liabilities.	
<b>5B</b>	i) The Other Loans shown above are loans taken from HDFC Ltd. and Canara Bank towards housing finance for employees. The loans from HDFC ₹ 7.22 lacs (previous year ₹ 11.44 lacs) is secured by an equitable charge on the employee's housing properties. The loans from Canara Bank ₹ 192.16 lacs (previous year ₹ 210.69 lacs) are secured by way of mortgage assignment of rights available to the Company on the housing properties.	
	ii) There is a continuing default in repayment of Other Loans from Canara Bank since Jan 2014 and the overdue amount towards principal is ₹ 9.34 lacs (previous year Nil) and for interest accrued is ₹ 7.37 lacs (previous year Nil) and from HDFC since Nov 2013 and the overdue amount towards principal is ₹ 2.41 lacs (previous year Nil) and for interest accrued is ₹ 0.38 lacs (previous year Nil). These amounts are shown under 'Other Current Liabilities'. Further for Canara Bank an amount of ₹ 40.68 lacs (previous year ₹ 35.28 lacs) and for HDFC an amount of ₹ 3.18 lacs (previous year ₹ 6.37 lacs) maturing in next 12 months is shown under Other Current Liabilities as 'Current maturity of long-term borrowings'.	
<b>NOTE No.</b>		
<b>6 OTHER LONG-TERM LIABILITIES :</b>		
Deposit from ISRO (Refer note - 4A)	34.62	-
	<u>34.62</u>	<u>-</u>
<b>7 LONG-TERM PROVISIONS :</b>		
For Employee's Benefits (Refer note - 31)	7582.02	7344.95
For Others	-	-
M&R- Fixed Assets	7.98	7.98
Difference in Fixed Assets	10.77	10.77
Statutory Claims	18.05	18.05
	<u>7618.82</u>	<u>7381.75</u>
<b>8 SHORT-TERM BORROWINGS :</b>		
<b>Unsecured Loans</b>		
Nil (previous year 1000) Non-convertible 8.73% Taxable Bonds of ₹ 1000000 each redeemable at the end of one year - due on 28.08.2013 and redeemed.	-	10000.00
<b>Secured Loans</b>		
Loan from Central Bank of India	1975.00	1975.00
Cash Credit from State Bank of India	5266.56	5605.26
	<u>7241.56</u>	<u>17580.26</u>



## NOTES TO THE FINANCIAL STATEMENTS

(₹ in lacs)

NOTE No.	As At 31.03.2014	As At 31.03.2013
8A	The Bonds were guaranteed by Government of India for repayment of principal and interest thereupon. The Government of India guarantee was for ₹ 10000 lacs was for total Bond issue created by way of Registered Bond Trust Deed and the guarantee was effective for a period of one year from 28.08.2012 i.e date of allotment. The Bonds of ₹ 10000 lacs have since been redeemed out of the proceeds of new bonds of ₹ 10000 lacs (series XX) issued on 28.08.2013.	
8B	Loan from Central Bank of India is secured against pledge of Bank term deposit receipts of ₹ 2228.77 lacs (previous year ₹ 2197.76 lacs).	
8C	Cash Credit from State Bank of India is secured by : i. 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. ii. Equitable mortgage conveying first charge over all immovable assets at factory and township situated at Ambalamugal, Dist : Ernakulam and over the immovable properties situated at village Deolali, Posari, Wasambe, Parade, Savale, Turade, Dapivali and Ambivali of Panvel and Khalapur talukas, 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).	

NOTE No.	As At 31.03.2014	As At 31.03.2013
<b>9 TRADE PAYABLES :</b>		
<b>Sundry Creditors</b>		
Dues to Micro, Small and Medium Enterprises (Refer note - 32)	75.31	45.31
Dues to Others	12862.72	9427.97
<b>TOTAL</b>	<b>12938.03</b>	<b>9473.28</b>

(₹ in lacs)

NOTE No.	As At 31.03.2014	As At 31.03.2013
<b>10 OTHER CURRENT LIABILITIES :</b>		
<b>Current Maturity of Long Term Borrowings</b>		
1) Loan from Government of India (Refer note - 5A(iii))	6388.00	5619.50
2) Term Loan from Bank	538.22	-
3) Other Loans - (Refer note - 5B) Interest accrued but not due	63.37	41.65
Interest accrued and due (Refer note - 5A(iii) and 5B(ii))	968.04	419.18
Advances from customers	5531.47	4499.26
Deposits from Vendors / Customers	983.23	1050.26
Statutory dues	430.15	366.35
Employee related liabilities	487.46	328.86
Payroll Recoveries Payable	3813.00	1042.60
Other Liabilities	373.98	101.99
<b>TOTAL</b>	<b>20415.43</b>	<b>14195.48</b>

NOTE No.	As At 31.03.2014	As At 31.03.2013
<b>11 SHORT-TERM PROVISIONS :</b>		
For Employee Benefits (Refer note - 31)	1221.90	1126.51
For Employees Remuneration (Refer note - 33)	141.23	156.98
For Interest to others	225.23	225.23
<b>TOTAL</b>	<b>1588.36</b>	<b>1508.72</b>

## NOTE 12 - FIXED ASSETS

(₹ lacs)

Item	Description	GROSS BLOCK					DEPRECIATION/AMORTISATION					NET BLOCK		
		As at 01.04.2013	Additions	Deletions	Adjustments	As at 31.03.2014	Up to 01.04.2013	Deletions	Adjustments	Provided during the year	Impairment of Assets	Up to 31.03.2014	As on 31.03.2014	As on 31.03.2013
<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	38.37	0.00	0.00	5.63	0.00	44.00	292.92	298.55
3.	Buildings	3682.00	3.54	35.73	(32.78)	3617.03	1674.63	11.93	(20.93)	64.78	0.25	1706.80	1910.23	2007.37
4.	Plant and Equipment	57779.59	711.32	51.50	(14086.36)	44353.05	47389.38	48.03	(11356.97)	1446.54	50.52	37481.44	6871.61	10390.21
5.	Furniture and Fixtures	2154.91	15.80	8.92	(3.06)	2158.73	1923.11	6.68	(2.91)	36.17	3.20	1952.89	205.84	231.80
6.	Vehicles	201.40	0.00	0.21	0.00	201.19	92.28	0.21	0.00	12.07	1.50	105.64	95.55	109.12
7.	Office Equipment	704.37	5.81	10.49	0.00	699.69	322.75	9.92	0.00	89.92	0.17	402.92	296.77	381.62
8.	Library Books	77.45	0.00	0.00	0.00	77.45	74.14	0.00	0.00	0.04	0.00	74.18	3.27	3.31
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	7858.01	14200.92	14200.92	6540.32	6540.31	11381.28	0.00	23.72	11405.01	2795.91	1317.69
	Total	73499.74	736.47	7964.86	78.72	66350.07	58088.75	6617.08	0.47	1655.15	79.36	53206.65	13143.42	15410.99
	Previous year	71658.86	1937.01	93.13	(3.00)	73499.74	56022.33	85.61	(0.18)	2111.72	40.49	58088.75	15410.99	
<b>INTANGIBLE ASSETS</b>														
11.	Computer Software	421.32	0.07	16.22	0	405.17	169.29	16.21	0	81.41	0	234.49	170.68	252.03
	Total	421.32	0.07	16.22	0	405.17	169.29	16.21	0	81.41	0	234.49	170.68	252.03
	Previous Year	416.00	5.32	0.00	0.00	421.32	87.38	0.00	1.17	80.74	0.00	169.29	252.03	

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



NOTES TO THE FINANCIAL STATEMENTS

NOTE No.	(₹ lacs)	
	As At 31.03.2014	As At 31.03.2013
<b>13 CAPITAL WORK-IN-PROGRESS :</b>		
1. J.N.P.T. Tank Terminals Project (Refer note - 34F)	2978.91	2978.91
2. Captive Power Plant Project (Refer note - 34H)	25.41	25.41
Less: Provision for impairment	25.41	-
3. Refurbishment of CNA Plant (Refer note - 34G)	628.42	669.33
4. Utility (Others)	-	94.17
5. Khargar Project	83.20	52.39
6. Others	7.81	54.81
<b>TOTAL</b>	<b>3698.34</b>	<b>3875.02</b>

**14 NON CURRENT INVESTMENTS :**

**TRADE INVESTMENTS (AT COST)**

**Investments in Equity instruments in Subsidiary - Company - Quoted:**

11060000 (previous year 11060000) Equity Shares of ₹ 10 each fully paid in Hindustan Fluorocarbons Ltd., (Refer note - 35(a))	1106.00	1106.00
---	---------	---------

**Investments in Equity instruments in Joint Venture Subsidiary - Unquoted:**

30000 (previous year 30000) Equity Shares of ₹ 10 each fully paid in HOC-Chematur Ltd., (Refer note - 35(b))	3.00	3.00
Less: Provision for diminution of investment	3.00	-

**Investments in Unquoted Equity Shares of Kerala Enviro Infrastructure Ltd.**

50000 (previous year 50000) Unquoted Equity Shares of ₹ 10	5.00	5.00
<b>TOTAL</b>	<b>1111.00</b>	<b>1111.00</b>

**15 LONG-TERM LOANS AND ADVANCES :**

**(Unsecured, considered good unless otherwise stated)**

<b>Security Deposits</b>	174.53	212.72
(including ₹ 3.06 lacs, previous year ₹ Nil considered doubtful)		
Less : Provision for doubtful deposits	3.06	171.47
<b>Advance to Related Parties (Subsidiary Companies)</b>	2744.06	2744.06
1. M/s. Hindustan Fluorocarbons Ltd., (Secured) (Refer note - 36(a))		
2. HOC_Chematur Ltd. (Refer note - 36(b)) (Considered doubtful)	1066.75	1066.55
Less: Provision for doubtful advance	1066.75	-
Staff Loans (Secured)	22.00	40.05
<b>TOTAL</b>	<b>2937.53</b>	<b>2996.83</b>

**16 INVENTORIES :**

<b>1. Raw Materials</b>	526.17	502.33
<b>Materials-in-transit</b>	-	-
	526.17	502.33
Less: Provision for obsolescence	26.31	499.86
<b>2. Work in Progress :</b>	<b>1213.64</b>	<b>980.42</b>
<b>3. Finished Products</b>		
i) For Captive Consumption	317.92	256.99
ii) Main Products for sale	679.05	1461.06
iii) By-Products	35.00	1031.97
4. <b>Stores and Spares</b>	2813.04	3111.70
Less: Provision for obsolescence	390.17	2422.87
<b>TOTAL</b>	<b>5168.34</b>	<b>5924.73</b>

**16A** Excise duty provided on goods manufactured but not removed ₹ 89.00 lacs (previous year ₹ 190.84 lacs).

**16B** Stores and spares include items not moved for more than five years ₹ 532.41 lacs (previous year ₹ 467.50 lacs) and obsolete items of ₹ 5.84 lacs (previous year ₹ 128.81 lacs). An adhoc provision of ₹ 390.17 lacs (previous year ₹ 452.46 lacs) has been made for obsolescence. Further provision for obsolescence has been made for raw materials ₹ 26.31 (previous year Nil).

NOTE No.	(₹ lacs)	
	As At 31.03.2014	As At 31.03.2013
<b>17 TRADE RECEIVABLES :</b>		
Debts overdue for a period exceeding six months	2706.91	2926.79
Other Debts	758.29	2786.88
	3465.20	5713.67
Less: Provision for Doubtful Debts	2555.23	2781.34
<b>TOTAL</b>	<b>909.97</b>	<b>2932.33</b>

**NOTE:**

Considered good, in respect of which Company holds Bank Guarantees/Letters of Credit	120.19	2393.25
Unsecured considered good	789.78	539.08
Unsecured considered Doubtful	2555.23	2781.34
	3465.20	5713.67
Less: Provision for Doubtful Debts	2555.23	2781.34
<b>TOTAL</b>	<b>909.97</b>	<b>2932.33</b>

**18 CASH AND BANK BALANCES :**

**1. CASH AND CASH EQUIVALENTS :**

Balance with Banks		
In Current Account	75.54	133.08
In Saving Bank Account	110.48	106.18
	186.02	239.26
Cheques/Drafts on hand	19.79	36.51
Cash in hand	0.33	2.22
<b>TOTAL</b>	<b>206.14</b>	<b>277.99</b>

**2. OTHER BANK BALANCES**

In Term Deposit Account		
With original maturity period not exceeding 12 months	2239.46	2224.41
With original maturity period exceeding 12 months	-	2239.46
The Term Deposits of ₹ 2228.77 lacs (previous year ₹ 2197.76 lacs) are under lien towards loan obtained from Central Bank of India.		
<b>TOTAL</b>	<b>2445.60</b>	<b>2502.40</b>

**19 SHORT-TERM LOANS AND ADVANCES:**

**(Unsecured, Considered Good unless otherwise stated)**

**Advances to related parties (Subsidiary Company)**

M/s.Hindustan Fluorocarbon Ltd. (Secured)	456.43	456.43
Interest accrued but not received	558.65	1015.08
Loans to Public Sector Undertaking (Considered doubtful)		
Loans	171.08	171.08
Less: Provision for doubtful recovery	171.08	-
Balances / Deposits with Excise, Customs and Statutory Authorities		
Deposits (Considered Doubtful)	1.80	1.80
Less : Provision for Doubtful Deposits	1.80	-
<b>Other Loans and Advances</b>		
Advance to Suppliers (including ₹ 85.01 lacs, previous year ₹ 30.06 lacs, considered doubtful)	209.92	166.18
Loans and Advances to Employees	6.98	18.16
Claims Receivable from Employees	-	0.12
Duties and Taxes Receivable (includes doubtful advance ₹ 5.00 lacs, previous year ₹ 5.00 lacs)	2256.30	3328.62
Miscellaneous advance recoverable	75.48	67.91
Others Deposits	0.55	1.05
Prepaid Expenses	248.22	176.61
	2797.45	3758.65
Less : Provision for doubtful advances	90.01	35.06

**TOTAL**

**2707.44**      3723.59  
**4380.61**      5339.43



## NOTES TO THE FINANCIAL STATEMENTS

NOTE No.	(₹ lacs)			
	As At 31.03.2014		As At 31.03.2013	
19A	Duties and Taxes Receivable includes an amount of ₹ 872.11 Lacs (previous year ₹ 569.12 Lacs) being VAT refund due from year 2005-06 to 2012-13 recovered from the input tax refunds by Commercial Taxes dept. This has been challenged by the company by filing appeals with Dy. Commissioner (Appeals). The said disputed VAT refund will have to be written off in the event of the company losing the appeal before the Appellate Authorities and hence the same has been shown under contingent liability.			
20	<b>OTHER CURRENT ASSETS :</b>			
	Accrued Interest on Employee Advances	229.50		271.35
	Accrued Interest on Bank deposit	30.58		31.22
	Accrued Interest on Deposits	19.86		23.68
	Accrued Income from Township	41.32	49.94	
	Less: Provision for Doubtful Recovery	7.25	7.25	42.69
	<b>TOTAL</b>	<b>314.01</b>		<b>368.94</b>

NOTE No.	Year ended 31.03.2014	Year ended 31.03.2013
----------	--------------------------	--------------------------

## 21 REVENUE FROM OPERATIONS

1.	<b>Sale of Products (Manufactured)</b>		
	Nitroproducts	664.28	4858.05
	Aniline Oil	189.90	7460.66
	Acids	19.23	8.38
	Formaldehyde	171.73	3396.66
	Spent Acid	7.80	110.35
	Dinitrogen Tetro Oxide	174.87	110.15
	Eutectic Oil	-	42.57
	Phenol	11135.13	23735.83
	Acetone	5384.80	11711.88
	Hydrogen Peroxide	2468.87	2392.69
	Heavy Ends of Cumene	549.19	860.11
	Cumox Oil	292.72	625.40
	Add: Excise Duty	2604.02	6985.24
		<b>23662.54</b>	<b>62297.97</b>
2.	<b>Sale of Products - Traded</b>		
	Toluene	17.19	-
	Ammonia	-	4.28
	Sulphur	-	117.15
	<b>Gross Sales</b>	<b>23679.73</b>	<b>62419.40</b>
	Other Operating Revenues	40.32	67.43
		<b>23720.05</b>	<b>62486.83</b>
	Less : Excise Duty	2604.02	6985.24
	<b>TOTAL</b>	<b>21116.03</b>	<b>55501.59</b>

## 22 OTHER INCOME

<b>INTEREST:</b>			
	On Call and Term Deposits (Gross)	228.67	212.64
	On Advances and Deposits with MIDC, MSEB and others	16.74	14.16
	On loan to Subsidiary Company	64.12	80.13
	Delayed Payment and Finance Charges from Sundry Debtors	37.58	347.11
		67.58	374.51
<b>OTHER NON-OPERATING INCOME:</b>			
	Estate Rent	167.91	122.94
	Transport, Water, Electricity, etc. recoveries	76.05	87.64
	Provision for doubtful debts no longer required written back (net)	82.27	6.61
	Provision for wage arrears no longer required written back	-	98.54
	Provision for Impairment written back	99.84	-
	Miscellaneous Income	158.07	201.14
	Gain on Foreign Exchange Fluctuation (net)	0.52	584.66
		-	516.87
	<b>TOTAL</b>	<b>931.77</b>	<b>891.38</b>

NOTE No.	(₹ lacs)		
	Year ended 31.03.2014	Year ended 31.03.2013	
23	<b>COST OF MATERIALS CONSUMED</b>		
<b>RAW MATERIALS</b>			
	Benzene	8703.72	22609.40
	Methanol	67.08	2421.69
	Nitric acid	13.49	1219.32
	CNG	57.87	986.03
	Ammonia	93.51	111.98
	Liquified Petroleum Gas	3683.95	7619.81
	Hydrogen	583.70	866.63
	Caustic Soda Lye (100%)	46.37	92.94
	Sulphuric Acid	39.87	498.04
	Nitrogen	94.07	85.69
	Other Raw Materials	18.99	51.46
	<b>TOTAL</b>	<b>13402.62</b>	<b>36562.99</b>
24	<b>Purchases - Stock-in-Trade</b>		
	Toluene	8.26	-
	Sulphur	-	132.40
	Ammonia	-	4.44
	<b>TOTAL</b>	<b>8.26</b>	<b>136.84</b>

Above purchases includes opening stock of raw-materials transferred to stock-in-trade for sale.

## 25 CHANGES IN INVENTORIES OF FINISHED GOODS, WORK IN PROGRESS AND STOCK IN TRADE

<b>OPENING STOCK</b>			
	Stock-in-Process	980.42	862.14
	Stock for Captive Consumption	256.99	1761.85
	Finished Products (Main)	1461.05	4280.63
	By-Products	64.70	56.47
		<b>2763.16</b>	<b>6961.09</b>
<b>CLOSING STOCK</b>			
	Stock-in-Process	1213.63	980.42
	Stock for Captive Consumption	317.92	256.99
	Finished Products (Main)	679.05	1461.05
	By-Products	35.00	64.69
		<b>2245.60</b>	<b>2763.15</b>
	Decrease / (Increase)	<b>517.56</b>	<b>4197.94</b>

## 25A Closing Inventory - Finished Goods

	Nitroproducts	0.10	102.47
	Aniline Oil	-	46.12
	Acid	15.86	43.04
	Formaldehyde	0.15	92.81
	Phenol	370.30	931.43
	Acetone	194.41	224.42
	Hydrogen Peroxide	114.08	84.81
	Cumene	235.97	130.21
	Lean Propylene	66.10	62.74
	By-Products	35.00	64.69
		<b>1031.97</b>	<b>1782.74</b>
<b>Opening Inventory - Finished Goods</b>			
	Nitroproducts	102.47	706.66
	Aniline Oil	46.12	226.19
	Acid	43.04	150.85
	Formaldehyde	92.81	215.32
	Other Chemicals	-	1.68
	Phenol	931.43	2243.45
	Acetone	224.42	975.33
	Hydrogen Peroxide	84.81	79.97
	Cumene	130.21	1351.33
	Lean Propylene	62.74	85.80
	By-Products	64.69	62.38
	<b>TOTAL</b>	<b>1782.74</b>	<b>6098.96</b>



NOTES TO THE FINANCIAL STATEMENTS

	(₹ lacs)	
NOTE No.	Year ended 31.03.2014	Year ended 31.03.2013
<b>26. EMPLOYEE BENEFITS EXPENSES</b>		
Salary, Wages, Bonus, Incentives and Allowances (including wage revision arrears ₹ 44.58 lacs previous year ₹ 591.17 lacs) (Refer Note - 33A, 33B and 33C)	8222.72	8339.26
Company's contribution to Provident Fund	777.04	762.88
Family Pension Fund and other Funds		
Gratuity payments including premium for Group Gratuity-cum-Life Insurance Scheme	767.80	804.93
Provision for leave encashment	389.64	724.63
<b>Staff Welfare Expenses</b>		
Medical Amenities	268.54	297.12
Educational Amenities	75.02	66.98
Canteen and Nutrition Amenities	589.95	515.01
Other Welfare Expenses	114.04	1016.98
<b>TOTAL</b>	<u>11204.75</u>	<u>11648.68</u>
<b>27 FINANCE COSTS</b>		
<b>Interest Expenses</b>		
On Fixed Loans	1981.48	1774.23
On Other Loans	1208.16	909.23
Interest - Others	1011.09	4200.73
Other Borrowing Cost	61.21	2683.46
<b>TOTAL</b>	<u>4261.94</u>	<u>2824.15</u>
Interest - others is in respect of interest paid / payable on delayed payment towards provident fund, gratuity, credit society, electricity charges, water charges, income tax (TDS), MSMEs and other creditors against raw-material supplies.		
<b>28 OTHER EXPENSES:</b>		
Consumption of Stores and Spares (Including catalyst consumed)	702.92	959.96
Stores & Spares Scrapped	128.98	-
Less: Provision for Non-Moving & Obsolete Stock written back	128.98	-
Power and Fuel	5037.32	8502.59
Water	159.87	240.58
Repairs to Buildings	131.10	181.53
Repairs to Machinery	269.24	326.66
Repairs to Other Assets	215.62	338.11
Rent	83.06	72.49
Insurance	70.10	79.32
Rates and Taxes	97.36	94.87
Consultancy Charges	48.07	45.74
<b>Payment to Auditors:</b>		
As Auditors	3.31	3.31
For Taxation Matters	1.30	1.34
For Other Services	2.40	2.16
For Reimbursement of Expenses	0.30	0.30
Power for Township	118.70	107.01
Water for Township	138.32	113.51
Security Expenses	246.99	222.74
Advertisement Expenses - Tenders, Recruitment etc.	13.47	17.54
Hire of Vehicles Expenses	97.71	113.21
Loss on Exchange Rate Fluctuation	0.92	5.52
Fixed Assets Written off	2.00	3.36
Diminution in Value of Inventory	8.37	23.47
Research and Development	0.12	0.25
Loss on Sale / Disposal of Assets	184.56	3.76
Miscellaneous Expenses	452.26	496.50
Bad Debts Written-off	143.85	70.75
Less: Provision for Doubtful Debts written back	143.85	70.75
Cash Discount	254.85	608.78

	(₹ lacs)	
NOTE No.	Year ended 31.03.2014	Year ended 31.03.2013
Publicity Expenses	4.87	7.65
Other Selling Expenses	18.24	6.01
Provision for Doubtful Debts	0.01	6.49
Provision for Doubtful Advances	58.22	0.28
Provision for Stock Obsolescence	93.00	27.67
Provision for Township Recovery	-	7.25
Provision for Statutory Claims	-	5.00
	<u>151.23</u>	<u>46.69</u>
<b>TOTAL</b>	<u>8514.58</u>	<u>12624.96</u>

28A At Kochi unit, the SPA1 Catalyst of 76.330 MT valuing ₹ 333.41 lacs was charged into the reactor in the Cumene plant in the month of May 2013. The estimated life of the Catalyst is to achieve a production of 1100MT of Cumene per MT of catalyst under good operating conditions. During the 2013-14 the Company has produced 12218.458MT of Cumene from May 2013 to March 2014. Due to intermittent shutdown of Cumene plant during the year which affects the life of Catalyst, the Company may fall short of achieving guarantee norms.

<b>29 PRIOR YEAR ADJUSTMENTS:</b>		
<b>INCOME</b>		
Transport Receipts pertaining to earlier year	-	2.97
Credit Note in respect of sales made in previous year	-	(69.87)
Others	5.04	-
School Fees	4.13	-
<b>EXPENDITURE</b>		
Pay Revision arrears (Mathadi)	-	14.21
Refund of Excess House Rent Recovered from employee	-	0.41
Payment towards Security Expense	-	12.09
Salaries arrears, Incentives and Other benefits	10.02	24.65
General Expenses	0.36	(0.17)
Prior Year's Tax Adjustment	-	17.60
Security Charges	2.31	-
Service Tax	1.37	-
Trade discount related to last year	-	62.91
Depreciation	0.46	1.18
Other Interest	7.50	-
Consultancy Charges	0.77	-
<b>Net Prior Period Expenditure</b>	<u>13.62</u>	<u>199.78</u>
<b>EXCESS PROVISION WRITTEN BACK</b>		
Provision for Maharashtra Sales Tax written back	24.21	-
Reversal of Provision for Incentive to Employees	19.67	-
	<u>43.88</u>	<u>-</u>
<b>NET PRIOR YEAR ADJUSTMENTS:</b>	<u>(30.26)</u>	<u>199.78</u>
<b>TOTAL</b>	<u>(30.26)</u>	<u>199.78</u>

<b>30 EXCEPTIONAL ITEM:</b>		
VRS Payment	114.13	130.06
<b>TOTAL</b>	<u>114.13</u>	<u>130.06</u>

**30A RASAYANI**

i) The Company has introduced VRS Scheme under Gujarat pattern on 12.09.2013 and was open for 1 month upto 12.10.2013 and further re-opened from 11.11.2013 to 18.11.2013. The Company received 151 applications in total out of which first 7 applicants were relieved on 10.10.2013 and the compensation amounting to ₹ 84.83 lacs has been paid and 1 applicant was relieved on 16.12.2013 and the compensation amounting to ₹ 29.30 lacs has been provided. Further 12 applicants have superannuated in the normal course on attaining the retirement age. The balance 131 applications are kept pending for want of funds and the VRS Compensation of ₹ 1793.84 lacs has been shown under Other Commitments. (refer note-43)

ii) The Board in its 347<sup>th</sup> meeting had approved a Voluntary Separation Scheme (VSS) for the canteen workers of Rasayani Unit through the Canteen Contractor for curtailing the expenditure towards canteen facility. It is estimated that the amount payable to each canteen worker on account of this would be ₹ 5.50 lacs. The Company has not invited any application from the canteen workers through the contractors for the VSS. However, since the Board has approved such a scheme, an amount of ₹ 489.50 lacs being the estimated amount of the compensation of VSS scheme payable on implementation of this scheme to 89 canteen workers is shown under Other Commitments (refer note-43).

## NOTES TO THE FINANCIAL STATEMENTS

NOTE No.			
<b>31 EMPLOYEES BENEFIT PLAN:</b>			
<b>31A Provision for leave encashment</b>			
	The Company has made provision of ₹ 389.64 lacs (previous year ₹ 724.63 lacs) for leave encashment as per revised AS-15 issued by Institute of Chartered Accountants of India based on Actuarial Valuation and the unpaid amount of leave encashment claims submitted by the employees.		
<b>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.</b>			
<b>31C Gratuity</b>			
	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 1 <sup>st</sup> January, 2007. The gratuity liability as on 31 <sup>st</sup> March, 2014 includes the provision towards arrears for the retired employees on above account amounting to ₹ 187.54 lacs. (previous year ₹ 189.31 lacs).		
(i)	Reconciliation of opening and closing balances of the present value of the defined benefit obligations.		(₹ Lacs)
		<b>2013-14</b>	<b>2012-13</b>
<b>Particulars</b>			
Present value of obligation as at the beginning of the year		4985.38	4782.22
Interest Cost		398.83	382.58
Current Service Cost		132.99	148.45
Benefits paid		(270.55)	(635.26)
Actuarial (gain)/loss on obligations		(229.66)	307.41
Present value of obligations at the end of year		5016.98	4985.38
(ii)	Reconciliation of opening and closing balances of fair value of the plan assets:		
	Fair value of plan assets at beginning of year	291.62	855.49
	Expected return on plan assets	7.27	43.41
	Contributions	8.07	27.98
	Benefits Paid	(270.55)	(635.26)
	Actuarial gain/(loss) on plan assets	NIL	NIL
	Fair value of plan assets at the end of year	36.41	291.62
(iii)	Reconciliation of present value of obligations and fair value of plan assets:		
	Fair value of Plan Asset at the end of the year	36.41	291.62
	Present value of obligations at the end of year	5016.98	4985.38
	Liability/(Asset) recognized in the Balance Sheet	4980.58	4693.76
(iv)	Expenses recognized during the year:		
	Current Service Cost	132.99	148.45
	Interest cost	398.83	382.58
	Expected return on plan assets	(7.27)	(43.41)
	Actuarial gain/(loss)	(229.66)	(307.41)
	Enhanced gratuity differential amount paid to left employees by the Company which is not paid by LIC of India expenses recognised in Profit & Loss Account	294.88	795.03
(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	

NOTE No.			(₹ Lacs)
<b>32 Amount due to Micro, Small and Medium enterprises:</b>			
	Particulars	<b>2013-14</b>	<b>2012-13</b>
a) i)	Principal amount remaining unpaid as at the end of each accounting year	75.31	45.31
	ii) Interest due thereon	8.78	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	8.78	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
<b>33 PROVISION FOR EMPLOYEE REMUNERATION</b>			
<b>RASAYANI</b>			
<b>PROVISION FOR ARREARS OF WAGES</b>			
<b>33A</b>	During the year, the Company has paid an amount of ₹ 40.73 lacs (previous year ₹ 379.57 lacs) towards arrears on account of wage revision of employees pertaining to the period January 1, 1997 to December 31, 2000 and the same has been charged to statement of profit and loss and shown under employee benefit expenses. No provision has been made for the liability towards balance amount of ₹ 1887.79 lacs (previous year ₹ 1928.51 lacs) and it is shown under contingent liability.		
<b>33B</b>	Wage Settlement / Salary Revision w.e.f.1/1/2007 - Officer During the year, the Company has paid an amount of ₹ 3.19 lacs (previous year ₹ 114.22 lacs) towards arrears on account of wage revision of employees pertaining to the period January 1, 2007 to March 31, 2008 and the same has been charged to statement of profit and loss and shown under employee benefit expenses. No provision has been made for the liability towards balance amount of ₹ 161.55 lacs (previous year ₹ 164.74 lacs) and it is shown under contingent liability.		
<b>33C</b>	Wage Settlement / Salary Revision w.e.f.1/1/2007 - Staff: During the year, the Company has paid an amount of ₹ 0.67 lacs (previous year ₹ 97.38 lacs) towards arrears on account of wage revision of employees pertaining to the period January 1, 2007 to March 31, 2008 and the same has been charged to statement of profit and loss and shown under employee benefit expenses. No provision has been made for the liability towards balance amount of ₹ 148.26 lacs (previous year ₹ 148.93 lacs) and it is shown under contingent liability.		
<b>33D STAFF:</b>	The arrears payable for the period from 1 <sup>st</sup> April, 2008 up to 31 <sup>st</sup> March, 2014 in case of 6 employees ₹ 2.09 lacs (previous year 8 employees amounting to ₹ 11.80 lacs) has been provided for and shown under Short-term provisions.		
<b>34 FIXED ASSETS</b>			
<b>34A</b>	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 lacs (previous year ₹ 0.80 lacs) included in "Land and Land development" has been given by the Government of Maharashtra for the business/residential purpose of the company.		
<b>34B</b>	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 at ₹ 1317.77 lacs have been sold during the year. The loss on sale of these plants amounting to ₹ 166.47 lacs (previous year Nil) has been booked and provision for impairment on these plants made in the earlier years of ₹ 99.84 lacs (previous year Nil) has been written back.		
<b>34C</b>	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 wdv as on 31 <sup>st</sup> March, 2014 and an additional amount of ₹ 79.36 lacs (previous year ₹ 40.49 lacs) has been provided for during the year.		
<b>34D</b>	The Acetanilide, Sulphuric Acid, Nitro Toluene, Aniline-II and Hydrogen-II plants having wdv (net of impairment) ₹ 261.33 lacs (previous year ₹ 307.34 lacs) are in working condition but are not in operation due to uneconomical conditions.		
<b>34E RASAYANI</b>	The Caustic Soda Plant having wdv of ₹ 2632.81 lacs net of impairment has been transferred to held for disposal as per the decision of the Board in the meeting held on 13 <sup>th</sup> Nov 2013. Further various plants NCB(X), NCB(CD), PNCB Separation, CHA, Pollution Control, Incinerator, Boiler No. MR-9618, Cooling Tower CT4, Old Weigh Bridges and other specific assets having wdv of ₹ 161.75 lacs net of impairment have been transferred to held for disposal as per decision of the Board in the meeting held on 12 <sup>th</sup> Feb. 2014		



NOTES TO THE FINANCIAL STATEMENTS

NOTE No.

**KOCHI**

The Recycle column reboiler, Cumene column reboiler and Propane surge drum having wdv ₹ 1.37 lacs (previous year Nil) have been transferred to assets held for disposal during the year.

34F i) Capital Work-in-Progress and Expenditure during Construction includes ₹ 2978.91 lacs (previous year ₹ 2978.91 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.

ii) As per Lease Agreement with JNPT, the Lease Rentals provide for escalation @ 10 % on Lease Rent 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 ₹ 1351.08 lacs (previous year ₹ 1137.83 lacs), which has been disclosed as contingent liability.

34G An amount of ₹ 2403.92 lacs (previous year ₹ 2287.23 lacs) has been spent to-date on Refurbishment of CNA Plant, which is funded by ISRO. During the year, an amount of ₹ 157.59 lacs (previous year ₹ 1617.90 lacs) has been capitalised and the balance amount of ₹ 628.42 lacs (previous year ₹ 669.32 lacs) has been carried forward as Capital Work in progress in respect of works not completed.

34H An amount of ₹ 25.41 lacs (previous year ₹ 25.41 lacs) incurred towards feasibility study of captive power plant was carried forward as Capital WIP from the previous year. The project is on hold now due to high gas prices and may be taken up at a later date only. Hence impairment provision has been made for ₹ 25.41 lacs (previous year Nil) during the current year for the asset.

34I With respect to the Company's leased land at Kharghar, the commencement of construction certificate issued by CIDCO was valid upto 29.12.2012. Further the Company paid a premium of ₹ 15.41 lacs and got extension for commencement of construction upto 25.05.2013. For further extension for a period of one year upto 25.05.2014 the agreement provides for an additional premium payment of ₹ 30.81 lacs failing which CIDCO reserves the right for taking back the possession of the land. Since the Company was facing financial crunch the payment has not been made to CIDCO. So far CIDCO has not initiated any steps to take back the land.

The Company has plans to construct buildings on the said land subject to availability of funds.

35 a) The Company has an investment of ₹ 1106.00 lacs (previous year ₹ 1106.00 lacs) in the equity share of subsidiary company M/s. Hindustan Fluorocarbons Ltd. (HFL) which is under BIFR since 1994. HFL had made profits in the 4 financial years prior to financial year 2013-14. During the financial year 2013-14 HFL has incurred a loss. The shares are traded below nominal value since Dec 2012 and the net worth of the Company based on its latest audited balance sheet as at 31st March, 2014 is negative. However as the net worth of the Company based on market value of its assets is positive after considering the land at market value as per the valuation certificate obtained from an independent valuer, there is no other than temporary diminution in the value of these investments in the opinion of the management and hence no provision has been made for the same in the financial statements.

b) The Company had invested ₹ 3.00 lacs in the Equity of M/s. HOC-Chematur Ltd. by way of joint venture as a co-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.

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 ₹ 2744.06 lacs as Zero Coupon Loan (ZCL), into secured loan by creating first charge on HFL immovable property (land valued to the extent of ₹ 2900.00 lacs) in favour of HOCL. This loan was payable in 7 equal annual installments commencing from 2010-11. HFL has not paid the installments for the year 2010-11, 2011-12, 2012-13 & 2013-14 aggregating to ₹ 1568.04 lacs (previous year ₹ 1176.02 lacs). Further, the Company had given loans to HFL aggregating to ₹ 456.42 lacs (previous year ₹ 456.42 lacs) bearing interest ranging from 10.25% p.a. to 14.50% p.a. out of which ₹ 305.14 lacs (previous year ₹ 153.85 lacs) being the installments due from financial year 2010-11 to 2013-14 remains unpaid.

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 ₹ 1066.75 lacs (previous year ₹ 1066.55 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 in earlier years. Since there is no improvement in the status of the joint venture project, the provision for doubtful advances 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 Department, a civil suit has been filed for recovery of the amount

NOTE No.

(₹ Lacs)

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:	2013-14	2012-13
Net Profit/(Loss) after Tax	(17685.28)	(13798.91)
Weighted average number of equity shares	67173100	67173100
Nominal Value per equity share (₹)	10	10
Basic / Diluted Earning per equity share (₹)	(26.33)	(20.54)

**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**

No. Name	2013-14	2012-13
	Remuneration	Remuneration
i) Sri V. B. Ramachandran Nair, Chairman and Managing Director (from 17.06.2013)	₹ 15.01	-
ii) Sri J. N. Suryawanshi, Director (Marketing)	₹ 21.68	₹ 21.16
iii) Sri R. Suresh Kumar, Director (Finance)	₹ 17.11	₹ 13.32
iv) Sri S.B. Bhide, Director (Technical)	₹ 20.60	₹ 16.28
v) Sri R. N. Madangeri, Chairman and Managing Director (upto 30.04.2013)	₹ 1.60	₹ 19.99

**41 DEFERRED TAXES**

The company had reviewed its net deferred tax assets as at 31<sup>st</sup> March, 2004 and decided not to carry forward such assets due to uncertainty of realizing this assets against future taxable income in view of the huge accumulated loss. 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 trade receivables, trade payables, loans, advances, other current assets and borrowings are subject to confirmation/reconciliation and subsequent adjustments.

**43 Contingent Liabilities & Commitments**

i) Contingent Liabilities	31.03.2014	31.03.2013
a) Claims against the Company not Acknowledged as debts:		
i) Differential tax on account of concessional forms in respect of concessional sales	301.31	506.02
ii) Income Tax Claims	822.65	819.10
iii) Sales Tax Claims	872.11	574.82
iv) Excise Claims	481.74	610.34
v) Customs claims	-	10.80
vi) JNPT claims	1351.08	1137.83
vii) Rental claim Harchandrai House	3825.99	3361.42
viii) Wage revision employees (Refer note 33)	2197.60	2242.18
ix) Other Statutory Claims	2.17	2.17
x) Delayed Payment Charges claimed by BPCL	806.43	-
xi) Other Claims	519.06	513.59
xii) Penal Interest on Government Loan	1062.51	830.30
b) Letters of Credit opened, cheques and bills of exchange discounted with the bankers and remaining outstanding	68.57	428.91
c) Bank guarantee given	809.09	265.09
d) 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.	1103.00	1253.00
e) Security Bond given to Commercial Taxes Dept., Govt. of Kerala	4290.74	3053.30

BPCL has claimed delayed payment charges during the year for delay in payments / outstanding amount due for raw material supplied amounting to ₹ 1679.66 lacs (previous year Nil) with interest rates varying from 14.45% to 16.75% p.a. As per the purchase order terms, the credit period for payment is 30 days.



**BALANCE SHEET AS AT 31ST MARCH 2014**

	Notes	As at 31 March 2014	(Rs.in lacs) As at 31 March 2013
<b>EQUITY AND LIABILITIES</b>			
SHAREHOLDERS' FUND			
Share capital	2	1961.46	1961.46
Reserves and surplus	3	(6812.15)	(4329.68)
NON - CURRENT LIABILITIES			
Long-term borrowings	4	935.60	1327.31
Long-term provisions	5	405.11	199.58
CURRENT LIABILITIES			
Short-term borrowings	6	508.65	297.20
Trade payables	7	366.71	355.23
Other current liabilities	8	5280.08	3565.15
Short-term provisions	9	449.27	214.41
TOTAL		<u>3094.73</u>	<u>3590.66</u>
<b>ASSETS</b>			
NON- CURRENT ASSETS			
Fixed Assets			
Tangible assets	10A	1779.69	1888.08
Intangible assets	10B	4.70	5.61
Capital work-in-progress		121.74	0.00
Long term loans and advances	11	98.95	98.95
Other Non Current Assets	12	0.00	0.00
CURRENT ASSETS			
Inventories	13	697.07	1057.87
Trade receivables	14	274.45	382.55
Cash and bank balances	15	45.13	1.47
Short-term loans and advances	16	73.00	156.14
TOTAL		<u>3094.73</u>	<u>3590.66</u>
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/-  
**(Pavan Kumar Bihani)**  
Partner  
M No. 225603

Sd/-  
**(V B Ramachandran Nair)**  
Chairman

Sd/-  
**(T.S.Gaikwad)**  
Managing Director

Place: Hyderabad  
Date: 19.05.2014

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

Sd/-  
**(Rajani .K)**  
Company Secretary

**STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED 31.03.2014**

	Notes	2013-2014	(Rs.in lacs) 2012-2013
Revenue from operations	17	3134.45	4447.51
Less :Excise Duty		345.53	367.20
Net Sales		2788.92	4080.31
Other income	18	36.70	375.74
Total Revenue		<u>2825.62</u>	<u>4456.05</u>
<b>Expenditure:</b>			
Cost of raw materials consumed	19	1138.12	1383.87
Changes in inventories of finished goods, work-in-progress and Stock-in-Trade	20	351.64	(428.24)
Employee benefits expenses	21	2415.05	1748.85
Finance costs	22	143.89	105.81
Depreciation and amortization expenses	10C	114.68	167.88
<b>Other expenses</b>	23	<u>1130.47</u>	<u>1381.67</u>
Total expenses		<u>5293.86</u>	<u>4359.85</u>
Deduct: Prior period items (net)		14.23	1.32
<b>Profit before exceptional items and tax</b>		<u>(2482.47)</u>	<u>94.88</u>
Tax Expense		-	-
<b>Profit/(Loss) for the year from continuing operations</b>		<u>(2482.47)</u>	<u>94.88</u>
<b>Earnings per equity share:</b>			
Basic (Rs.)	24	(12.67)	0.48
Diluted (Rs.)		(12.67)	0.48
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/-  
**(Pavan Kumar Bihani)**  
Partner  
M No. 225603

Sd/-  
**(V B Ramachandran Nair)**  
Chairman

Sd/-  
**(T.S.Gaikwad)**  
Managing Director

Place: Hyderabad  
Date: 19.05.2014

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

Sd/-  
**(Rajani .K)**  
Company Secretary

**CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH 2014**

(Rs.in lacs)

	2013 - 2014	2012 - 2013
<b><u>CASH FLOW FROM OPERATING ACTIVITIES:</u></b>		
Net Profit before taxation and Extraordinary items	(2482.47)	94.88
Adjustments for :		
Depreciation	114.68	106.39
VRS Payment written off during the year	0.00	0.00
Loss on Discarded Asset	0.24	0.00
Refurbishment Expenses written off	0.00	61.49
	<u>(2367.55)</u>	<u>262.76</u>
<b>Operating Profit before working capital changes</b>		
Adjustments for		
(Increase)/Decrease in Inventories	360.80	(443.10)
(Increase)/Decrease in Trade receivables	108.10	245.92
(Increase)/Decrease in Loans & Advances	83.14	(37.15)
Increase/(Decrease) in working capital borrowings	211.45	268.94
Increase/(Decrease) in Current Liabilities & Provisions	1565.80	134.08
<b>Cash generated from operations</b>	<u>2,329.28</u>	<u>168.69</u>
<b>Net Cash flow from Operating activities</b>	<u>(38.27)</u>	<u>431.45</u>
<b><u>CASH FLOW FROM INVESTING ACTIVITIES :</u></b>		
Purchase of fixed assets	(127.36)	(236.86)
	<u>(127.36)</u>	<u>(236.86)</u>
<b><u>CASH FLOW FROM FINANCING ACTIVITIES:</u></b>		
Increase in Secured Loans	209.29	(227.90)
Increase in Unsecured Loans	0.00	0.00
Net cash used in financing activities	<u>209.29</u>	<u>(227.90)</u>
Net increase in cash and cash equivalents	<u>43.66</u>	<u>(33.31)</u>
Cash and cash equivalents at the beginning of period	<u>1.47</u>	<u>34.78</u>
Cash and cash equivalents at the ending of period	<u><u>45.13</u></u>	<u><u>1.47</u></u>

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

As per our report of even date

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

Sd/-  
**(Pavan Kumar Bihani)**  
Partner  
M No. 225603

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

Sd/-  
**(V B Ramachandran Nair)**  
Chairman

Sd/-  
**(T.S.Gaikwad)**  
Managing Director

Place: Hyderabad  
Date: 19.05.2014

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

Sd/-  
**(Rajani .K)**  
Company Secretary



## Notes to financial statements for the year ended 31st March 2014

### 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 recognized in the period in which the results are known/ materialized.

##### 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 is recognized on achieving the set milestones or targets.
- (iii) Carbon credit revenue is recognized on achieving the set milestones or targets as prescribed by an agency and where reasonable assessment of certainty of future economic benefits.
- (iv) Export incentives under various schemes are recognized as Income on certainty of realization.
- (v) Sale of realizable scrap is accounted on receipt basis.
- (vi) Insurance claims are accounted on accrual basis on admission of claims.
- (vii) Interest income is recognized on a time proportion basis taking into account the amount outstanding and the applicable rate of interest.

##### 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 capitalised 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 capitalised 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 including CERs 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.

##### 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, ex-

gratia and performance incentives are recognized 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 recognized 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 recognized immediately in the Statement of Profit and Loss account.

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

###### Provision for doubtful debts/loans/advances:

Provision for 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 on acquisition of fixed assets are capitalised as part of the cost of asset.

##### 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 recognized on timing differences between taxable income and accounting income, originating in one period and expected to reverse in subsequent periods. Deferred tax asset is recognized and carried forward only to the extent that there is a virtual certainty that the asset will be realized 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 constitute 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 recognized, 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.

**NOTE 2 : SHARE CAPITAL** (Rs. In Lakhs)

	As at 31 March 2014	As at 31 March 2013
<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>	<b>1,961.46</b>	<b>1,961.46</b>

**NOTE 2 (A)**

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

	(Rs. In Lakhs)			
	Equity Shares 31-03-2014		Equity Shares 31-03-2013	
	Number	Amount	Number	Amount
Shares outstanding at the beginning of the year	19599100	1959.91	19599100	1959.91
Shares Issued during the year	0.00	0.00	0.00	0.00
Shares bought back during the year	0.00	0.00	0.00	0.00
Shares outstanding at the end of the year	19599100	1959.91	19599100	1959.91

**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:

Sl. No.	Name of Shareholder	As at 31 March 2014		As at 31 March 2013	
		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.

Each holder of the equity share, as reflected in the records of the company as of the date of the shareholders meeting, is entitled to one vote in respect of each share held for all matters submitted to vote in the shareholders meeting.

**NOTE 3 : RESERVES AND SURPLUS** (Rs. In Lakhs)

	As at 31 March 2014	As at 31 March 2013
<b>Surplus/(Deficit) in the statement of profit and loss</b>		
Opening balance	(4,329.68)	(4,424.56)
Add: Profit transferred from Statement of Profit and Loss	(2,482.47)	94.88
Net Deficit in the Statement of Profit & Loss	(6,812.15)	(4,329.68)
<b>Total</b>	<b>(6,812.15)</b>	<b>(4,329.68)</b>

**NOTE 4 : LONG TERM BORROWINGS** (Rs. In Lakhs)

	As at 31 March 2014	As at 31 March 2013
<b>Secured</b>		
<b>Term loans</b>	151.58	0.00
Hindustan Organics Chemicals Ltd	784.02	1327.31
<b>Total</b>	<b>935.60</b>	<b>1327.31</b>

4(A). The Term loan from HOCL is secured by part of the land to the extent of 82 acres of the factory & Plant and Buildings at Rudraram Village.

4(B). The Term loan from HOCL of Rs. 2744.06 lakhs is Zero coupon loan as per terms of the BIFR agreement and is repayable in seven equal annual instalments as per the loan agreement commencing from F Y 2010-11. The instalment due for F Y 2010-11, 2011-12, 2012-13, 2013-14 amounting to Rs.1568.03 lacs is not paid by the company and current maturities of F Y 2014-15 amounting to Rs.392.01 lacs are shown in Note -8 under the head ' Other Current liabilities' being current maturities of long term debt.

4(C). The Term loan from HOCL of Rs.756.42 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 continuing default in payment of instalment due and interest during the F Y 2010-11, 2011-12, 2012-13, 2013-14 amounting to Rs.305.14 lacs is not paid by the company and current maturities of F Y 2014-15 amounting to Rs.151.29 lacs are shown in Note -8 of the financial statements under the head 'Other Current liabilities' being current maturities of long term debt and interest due amounting to Rs.558.65 lakhs under Interest accrued and due.

4(D). Term loan of Rs. 5.00 Crore @14.20% p.a. (floating) for refurbishment of PTFE plant and setting up Modified PTFE plant repayable in 5 years 3 months including moratorium period of 9 months after the completion of the project commencing from April, 2015. The company hypothecated land of 60.285 acres and plant and machinery as collateral security besides furnishing of counter guarantee by promotor company Viz., HOCL to this extent.

**NOTE 5: LONG TERM PROVISIONS** (Rs. In Lakhs)

	As at 31 March 2014	As at 31 March 2013
<b>(a) Provision for employee benefits (Refer Note 21)</b>		
Gratuity	339.69	172.58
Leave Encashment	65.41	27.01
<b>Total</b>	<b>405.11</b>	<b>199.58</b>

**NOTE 6: SHORT TERM BORROWINGS** (Rs. In Lakhs)

	As at 31 March 2014	As at 31 March 2013
<b>Secured</b>		
FROM STATE BANK OF HYDERABAD		
CASH CREDIT	508.65	297.20
<b>Total</b>	<b>508.65</b>	<b>297.20</b>

6(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 Acres 60.285 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 @14.2% p.a

**NOTE 7: TRADE PAYABLES** (Rs. In Lakhs)

	As at 31 March 2014	As at 31 March 2013
Dues to Micro and SSI units	4.12	3.62
Others	362.59	351.61
<b>Total</b>	<b>366.71</b>	<b>355.23</b>

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

Particulars	As at 31.03.2014	As at 31.03.2013
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

7(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.

**NOTE 8: OTHER CURRENT LIABILITIES** (Rs. In Lakhs)

	As at 31 March 2014	As at 31 March 2013
Current maturities of long-term debt (Refer Note 4)	2416.47	1873.18
Interest Accrued and Due (Refer Note 4)	558.65	500.94
Creditors for capital goods	30.70	62.70
Others Payables	2274.25	1128.33
<b>Total</b>	<b>5280.08</b>	<b>3565.15</b>

**NOTE 9: SHORT TERM PROVISIONS** (Rs. In Lakhs)

	As at 31 March 2014	As at 31 March 2013
<b>(a) Provision for employee benefits (Refer Note 21)</b>		
P F company contribution	129.86	1.30
Gratuity	47.54	30.63
LTA & Other Provisions	3.84	2.52
Leave Encashment	268.03	179.96
<b>Total</b>	<b>449.27</b>	<b>214.41</b>

**Note No. 10 A TANGIBLE ASSETS:**

	Gross Block			Accumulated Depreciation			Net Block	
	As at 31 March 2013	Additions/ (Disposals)	As at 31 March 2014	As at 31 March 2013	Depreciation/ Amortisation for the year	As at 31 March 2014	As at 31 March 2014	As at 31 March 2013
Land	68.42	0.00	68.42	0.00	0.00	0.00	68.42	68.42
Buildings	167.49	0.00	167.49	105.71	3.98	109.69	57.79	61.77
Plant and Machinery	6790.97	4.63	6795.60	5068.74	105.35	5174.09	1621.51	1722.24
Furniture & Fixtures	84.48	0.22	84.70	63.68	1.04	64.73	19.97	20.80
Computers	39.30	0.00	39.30	24.46	3.40	27.31	11.99	14.85
<b>TOTAL</b>	<b>7150.67</b>	<b>4.84</b>	<b>7155.51</b>	<b>5262.59</b>	<b>113.77</b>	<b>5375.82</b>	<b>1779.69</b>	<b>1888.08</b>
<b>Previous Year Figures</b>	6799.54	351.12	7150.67	5156.20	106.39	5262.59	1888.08	1643.34
<b>10(B) Intangible Assets :</b>								
<b>Computer software</b>	5.61	0.00	5.61	0.00	0.91	0.91	4.70	5.61
<b>Refurbishment expense</b>	0.00	0.00	0.00	61.49	0.00	0.00	0.00	61.49

**10(C) Depreciation & Amortization Expenses :**

	2013-2014	2012-2013
Depreciation	114.68	106.39
Amortization	0.00	61.49
<b>Total</b>	<b>114.68</b>	<b>167.88</b>

**NOTE 11 LONG TERM LOANS AND ADVANCES** (Rs. In Lakhs)

	As at 31 March 2014	As at 31 March 2013
Unsecured, considered good		
Security Deposits	98.95	98.95
<b>Total</b>	<b>98.95</b>	<b>98.95</b>

**NOTE 12 OTHER NON CURRENT ASSETS** (Rs. In Lakhs)

	As at 31 March 2014	As at 31 March 2013
<i>Unsecured, considered good</i>		
Considered doubtful	329.59	309.64
Less: Provision for doubtful debts	(329.59)	(309.64)
<b>Total</b>	<b>0.00</b>	<b>0.00</b>

**NOTE 13 : INVENTORIES** (Rs. In Lakhs)

	As at 31 March 2014	As at 31 March 2013
Raw Materials and components (includes in transit of Rs.3989659.00 (Pr. Year Rs.395734) )	88.50	69.16
Stock-in-progress*	199.30	301.77
Finished goods	193.11	473.08
Stores and spares	216.16	213.85
<b>Total</b>	<b>697.07</b>	<b>1057.87</b>

**13(A)\* The closing stock-in-process includes the following products:** (Rs. In Lakhs)

	31/03/2014	31/03/2013
CFM – 22 Product	84.28	64.75
TFE	7.99	25.10
POLY-SUSPENSION	92.47	165.13
POLY-EMULSION	14.56	46.80
<b>Total</b>	<b>199.30</b>	<b>301.77</b>

13(B). Excise duty on closing finished goods in respect of goods manufactured by the company amounting to Rs. 21.24 lacs (previous year Rs.52.04 lacs) is included in the valuation of such stocks.

13(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.1.31 lacs (Previous year Rs.2.24 lacs) and there is no difference to charge off during the year.

**NOTE 14: TRADE RECEIVABLES** (Rs. In Lakhs)

	As at 31 March 2014	As at 31 March 2013
<i>Unsecured, considered good</i>		
Debts overdue for a period exceeding six months	149.86	8.90
Other debts	124.59	373.64
<b>Total</b>	<b>274.45</b>	<b>382.55</b>

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

14(B). Debts over due for a period exceeding six months includes towards case filed in High Court of Andhra Pradesh, which is pending amounting to Rs.129.16 Lacs( Previous year Rs.129.16 Lacs)

**NOTE : 15 CASH AND BANK BALANCES:** (Rs. In Lakhs)

	As at 31 March 2014	As at 31 March 2013
Balances with Banks	0.27	0.32
Margin money Deposit (maturity less than three months)	44.63	1.00
Cash on hand	0.23	0.15
<b>Total</b>	<b>45.13</b>	<b>1.47</b>

15(A). Margin money deposits are subject to first charge/ lien to secure the company's cash credit loan and term loan.

**NOTE 16: SHORT TERM LOANS AND ADVANCES** (Rs. In Lakhs)

	As at 31 March 2014	As at 31 March 2013
Balances with central excise	0.00	16.91
Others	59.19	116.36
Advance to Suppliers		
Considered good	13.81	22.88
Considered doubtful	0.91	0.91
Less: Provision for Considered doubtful advance	(0.91)	(0.91)
<b>Total</b>	<b>73.00</b>	<b>156.14</b>


**NOTE 17: REVENUE FROM OPERATIONS** (Rs. In Lakhs)

	2013-2014	2012-2013	
<b>Revenue from Operations</b>			
(i) Sale of products			
Polytetrafluoroethylene	1363.97	1073.23	
Application Development	64.47	73.29	
Customer Support			
CFM - 22	1533.21	829.82	
Tetrafluoroethylene	153.42	1319.53	
Hydrogenchloride	16.97	21.06	3316.93
Gross Sales		3132.04	3316.93
(ii) Other operating revenues:			
Job Work conversion	0.00	12.22	
Sale of Scrap	2.38	13.80	
Sale of DHF	0.03	2.62	
CER's Income	0.00	2.41	1101.94
			1130.59
<b>TOTAL TURNOVER</b>	<b>3134.45</b>	<b>4447.51</b>	

**NOTE 18 : OTHER INCOME** (Rs. In Lakhs)

	2013-2014	2012-2013	
Interest from Others	3.31	3.35	
Other non - operating income			
- Creditors for capital goods written back	0.00	342.35	
- Others	33.39	30.04	
<b>TOTAL</b>	<b>36.70</b>	<b>375.74</b>	

**NOTE 19 : COST OF RAW MATERIAL AND PACKING MATERIAL CONSUMED :** (Rs.in lacs)

	2013-2014	2012-2013	
Inventory at the beginning of the year	52.06	46.49	
Add : Purchases	1125.66	1389.44	
Less : Inventories at the close of the year	39.60	52.06	
Cost of Raw material and packing material consumed	1138.12	1383.87	

**19(A). Details of raw material and packing material consumed : (100% Indigenous)** (Rs.in lacs)

	2013-2014	2012-2013	
AHF	690.51	676.93	
CHLOROFORM	322.02	486.07	
FC-26	58.51	88.02	
OTHERS	52.96	119.56	
PACKING MATERIAL	14.12	13.29	
<b>TOTAL</b>	<b>1138.12</b>	<b>1383.87</b>	

**19(B). Details of closing Inventory :** (Rs. In Lakhs)

	2013-2014	2012-2013	
AHF	11.85	17.8	
CHLOROFORM	7.97	15.83	
FC-26	4.17	4.17	
OTHERS	14.28	12.36	
PACKING MATERIAL	1.33	1.9	
<b>TOTAL</b>	<b>39.60</b>	<b>52.06</b>	

**NOTE 20: CHANGES IN INVENTORIES OF FINISHED GOODS & WORK-IN-PROGRESS** (Rs.in lacs)

	2013-2014	2012-2013	
Opening Stock			
Stock-in-process	301.77	130.78	
CERs Stock	0.00	0.00	
Finished products	473.08	180.67	311.45
Less: Closing stock:			
Stock-in-process	199.30	301.77	
CERs Stock	0.00	0.00	
Finished products	193.11	392.42	774.86
		382.44	(463.41)
Add: Increase/(Decrease) in Excise duty on Finished products	(30.80)	35.17	
<b>TOTAL</b>	<b>351.64</b>	<b>(428.24)</b>	

20A. The changes in valuation of Inventory of Finished goods for the year includes depletion on account of fall in selling price of finished goods at net realizable value being lower than cost amounting to Rs. 373.77 Lacs (previous year Rs. 836.19 Lacs)

**NOTE 21: EMPLOYEE BENEFITS EXPENSES** (Rs. In Lakhs)

	2013-2014	2012-2013	
Salaries, wages and Bonus	2012.80	1610.54	
Contribution to Provident and other fund	339.12	68.98	
Staff welfare expenses	63.14	69.34	
VRS Expenditure written off	0.00	0.00	
<b>TOTAL</b>	<b>2415.05</b>	<b>1748.85</b>	

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

21(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:

	2013-2014	2012-2013	
Employers Contribution to Provident Fund	131.32	62.47	
Employers Contribution to ESI	1.51	1.78	
Other Contributions	11.95	12.00	

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** (Rs. In Lakhs)

	Gratuity (Funded)	Leave Encashment	
	2013-2014	(Unfunded) 2013-2014	
Defined Benefit obligation at the beginning of the year	306.95	206.96	
Current service cost	24.74	37.69	
Interest cost	24.56	16.56	
Actuarial(gain)/loss	(140.79)	72.23	
Benefits paid	(20.84)	0.00	
Defined Benefit obligation at the year end	476.19	333.44	

**ii) Reconciliation of opening and closing balances of fair value of Plan assets** (Rs. In Lakhs)

	Gratuity (Funded)	Leave Encashment	
	2013-2014	(Unfunded) 2013-2014	
Fair value of plan asset at the beginning of the year		103.73	
Expected return on plan assets		6.06	
Actuarial gain/(loss)		0.00	
Employer contribution		0.00	
Benefits paid		(20.84)	
Fair value of plan asset at the year end		88.95	
Actual return on plan assets		0.00	

**iii) Reconciliation of fair value of assets and obligations** (Rs. In Lakhs)

	Gratuity (Funded)	Leave Encashment	
	2013-2014	(Unfunded) 2013-2014	
Fair value of plan assets	(88.95)	0.00	
Present value of obligation	476.19	206.96	
Amount recognised in Balance Sheet	387.24	333.44	

**iv) Expenses recognised during the year** (Rs. In Lakhs)

	Gratuity (Funded)	Leave Encashment	
	2013-2014	(Unfunded) 2013-2014	
Current service cost	24.74	37.69	
Interest cost	24.56	16.56	
Expected return on plan assets	(6.06)	0.00	
Actuarial gain/(loss)	140.79	(72.23)	
<b>Net Cost</b>	<b>184.02</b>	<b>126.48</b>	

**v) Actuarial assumptions**

	Gratuity (Funded)	Leave Encashment (Unfunded)	
	2013-2014 (ultimate)	2013-2014 (ultimate)	
Mortality Table (LIC)	1994-96	1994-96	
Discount Rate (per annum)	8%	8%	
Expected rate of return on plan assets	6.75%	-	
Attrition Rate	10%	10%	
Salary Rise	4%	4%	



21(C) Actuarial valuation was carried out from F Y 2011-12 onwards.

21(D) As per BIFR-MDRS, the company has implemented the wage revision for officers and non-officers of 1997 w.e.f. December 2010 and wage revision of 2007 w.e.f. October, 2012. Salary for the year includes arrears provided on account of pay fixation in the revised scale vide wage revision settlement as per DPE guidelines, based on 2007 wage revision for officers and non-officers amounting to Rs.1018.34 lacs (Pr.year Rs. 1044.57 lacs).

NOTE 22: FINANCE COST	(Rs. In Lakhs)		
	2013-2014	2012-2013	
Interest on Term Loan	0.55		
Less: Borrowing cost transferred to Capital Work-in-progress	(0.55)	0.00	0.00
Interest on Cash Credit	68.73		24.54
Interest on secured loan-HOC	64.12		80.13
Interest to Others	11.04		1.15
<b>TOTAL</b>	<b>143.89</b>		<b>105.81</b>

NOTE 23: OTHER EXPENSES	(Rs. In Lakhs)		
	2013-2014	2012-2013	
Consumption of stores and Spares	46.43		75.18
Power & Fuel	726.46		759.42
Water Charges	119.34		94.49
Rent	7.84		7.89
Rates & Taxes	10.66		96.51
Repairs and Maintenance			
To Building	0.85	7.69	
To Machinery	24.00	4.76	
To Other Assets	11.25	68.21	80.67
Insurance		11.86	10.44
Payments to auditors :			
Statutory audit fees	0.95	0.95	
Limited Review	0.45	0.45	1.40
Professional charges	12.85		109.84
Transport charges	63.94		52.46
Provision for doubtful debts	19.95		0.00
Loss on Discarded Asset	0.24		0.00
Misc. Expenditure	73.41		93.37
<b>TOTAL</b>	<b>1130.47</b>		<b>1381.67</b>

NOTE - 24 : EARNINGS PER SHARE	(Rs. In Lakhs)	
	As at 31.03.2014	As at 31.03.2013
Net Profit attributable to equity shareholders		
Profit after tax	(2482.47)	94.88
Weighted average number of shares (Nos. in lacs)	195.99	195.99
Basic and Diluted Earnings per share(Rs.)	(12.67)	0.48
Face value per share(Rs.)	10.00	10.00

NOTE - 25 CONTINGENT LIABILITIES AND COMMITMENTS:	(Rs. In Lakhs)	
	As at 31.03.2014	As at 31.03.2013
(i) Contingent Liabilities		
(a) ESI	13.46	13.46
(b) Wage Revision arrears for employees	0.00	1070.34
	13.46	1083.80
(ii) Commitments		
(a) Estimated amount of contracts remaining to be executed on capital account and not provided for	287.25	0.00
<b>TOTAL</b>	<b>300.71</b>	<b>1083.80</b>

As per our report of even date

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

Sd/-  
(Pavan Kumar Bihani)  
Partner  
M No. 225603

Place: Hyderabad  
Date: 19.05.2014

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

Sd/-  
(V B Ramachandran Nair)  
Chairman

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

Sd/-  
(T.S.Gaikwad)  
Managing Director

Sd/-  
(Rajani .K)  
Company Secretary

#### Note - 26 - TAXES ON INCOME :

26 (A). The company has not provided deferred tax asset due to huge accumulated losses incurred since there is no virtual certainty to realise in future.

#### Note - 27 - DETAILS OF MANUFACTURED GOODS :

Particulars	(Rs. In Lakhs)		
	Sales Value	Closing Inventory	Opening Inventory
CFM - 22	1533.21	84.09	64.75
Tetrafluoroethylene	153.42	8.52	25.10
Polytetrafluoroethylene	1363.97	193.11	473.08

#### Note-28

	2013-14	2012-13
CIF value of imports of Raw materials	0.00	36.35

#### Note - 29

	2013-14	2012-13
Expenditure in foreign currency :		
Travelling expenditure	7.48	0.00

#### Note - 30

	2013-14	2012-13
Earning in foreign currency	0.00	573.40

#### Note - 31

	2013-14	2012-13
Interest payable to HOCL	0.00	
Less : Interest reversal of earlier years	0.00	80.13
Secured Loan from HOCL	3,759.14	3,701.42

#### RELATED PARTIES DISCLOSURE:

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

Interest payable to HOCL	0.00		
Less : Interest reversal of earlier years	0.00	0.00	80.13
Secured Loan from HOCL		3,759.14	3,701.42

#### KEY MANAGEMENT PERSONNEL:

Payment of remuneration			
SHRI T S GAIKWAD, MANAGING DIRECTOR	17.16		14.68
SHRI E SURYA RAO, CFO	16.92		12.62
MS. K RAJANI, COMPLIANCE OFFICER	7.32		6.62

#### Note - 32

##### 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 favourable judgment from the single bench. The deponent had approached full bench of High Court.
Hon'ble High Court of A.P	Damages on delayed payments with interest thereon from 2000 to 2011	Rs .94.89 lacs	Case was admitted and pending before court of law.

#### Note - 33

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 figures have been recast/restated to confirm to the classification required by the revised Schedule - VI

#### Note - 34

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

**FORM NO. MGT-12  
POLLING PAPER**

[Pursuant to section 109 (5) of the Companies Act, 2013 and rule 21(1) (c) of the Companies  
(Management & Administration) Rules, 2014]

Name of the Company	:	Hindustan Organic Chemicals Limited CIN L99999MH1960GOI011895
Registered Office	:	P.O. Rasayani, Dist. Raigad, Maharashtra, Pin- 410207.
Date of Notice : 13 <sup>th</sup> August, 2014	:	Date of AGM : 24 <sup>th</sup> September, 2014
Venue :	RASRANG HALL, Dr. Kasbekar Park, Rasayani, Dist. Raigad – 410 207	: Time : 3:00 P.M.

**BALLOT PAPER**

Sr.No.	Particulars	Details
1.	Name of the First Named Shareholder (in BLOCK LETTERS)	:
2.	Postal Address	:
3.	Registered Folio No. / * Client ID No. (*Applicable to investors holding shares in dematerialized form)	:
4.	Class of Share	: Equity Shares

I hereby exercise my vote in respect of Ordinary / Special Resolution enumerated below by recording my assent or dissent to the said resolution in the following manner :

No.	Particulars	No. of Shares held by me	I assent to the resolution	I dissent to the resolution
1.	Adoption of Balance Sheet, Statement of Profit & Loss, Directors' Report, and Auditors' Report for the year 2013-14.			
2.	Appointment of Director retiring by rotation – Shri Rajiv Yadav.			
3.	Appointment of Director retiring by rotation – Dr. A.J.V. Prasad.			
4.	To fix the remuneration of Statutory Auditors and Branch Auditors of the Company (appointed by C&AG of India) for the year 2013-14 and onwards.			
5.	Appointment and remuneration of Cost Auditors for Company's Rasayani & Kochi Units for the year 2014-15 and onwards.			
6.	Appointment of Dr. N. J. Gaikwad as Part-time Non-official Independent Director.			
7.	To approve the Borrowing Powers of Rs.525 crores of the Board of Directors.			

Place:  
Date:

(Signature of Shareholder)

REGD. / SPEED POST / COURIER



HOCL CIN: L99999MH1960GOI011895

If undelivered please return to :  
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.  
Email : shrepro@shreproservices.com

