

*45<sup>th</sup>*  
*ANNUAL REPORT 2005-2006*



**HINDUSTAN ORGANIC CHEMICALS LIMITED**

**AUDITORS**

**M/s. Gala & Gala**  
Chartered Accountants  
Mumbai.

**M/s. G. Venugopal Kamath & Co.**  
Kochi

**COST AUDITORS**

**M/s. V. J. Talati & Co.**  
Mumbai

**BANKERS**

State Bank of India

**REGISTRARS AND SHARE TRANSFER AGENTS**

**M/s. Sharepro Services (India) Pvt. Ltd.**  
Investor Relation Centre :  
912, Raheja Centre, Free Press Journal Road  
Nariman Point, Mumbai 400 021.

**REGISTERED OFFICE :**

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

**CORPORATE OFFICE**

Harchandrai House,  
81, Maharshi Karve Road, Mumbai 400 002.

**MANUFACTURING FACILITIES**

Rasayani unit  
Dist. Raigad  
Maharashtra 410 207

**Kochi Unit**

Ambalamugal, Dist. Ernakulam  
Kochi 682 302

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**HINDUSTAN ORGANIC CHEMICALS LIMITED****REGD. OFFICE & UNIT :**

P.O. Rasayani, Dist. Raigad, Maharashtra, Pin - 410 207.  
Tel : (02192) 50041-47  
Fax : (02192) 50050  
E-mail : [hoclras @ bom3.vsnl.net.in](mailto:hoclras@bom3.vsnl.net.in)  
Website : [www.hocl.gov.in](http://www.hocl.gov.in)

**COCHIN UNIT :**

Ambalamugal, Dist. Ernakulam,  
Pin - 682 302.  
Tel : (0484) 720911 / 720912 / 13  
Fax : (0484) 720893  
E-mail : [hoclchin @ md2.vsnl.net.in](mailto:hoclchin@md2.vsnl.net.in)

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

3/A, Kirti Tower, Tilak Road, Baroda - 390 001.  
Telefax : (0265) 438 122

**MUMBAI :**

Harchandrai House, 81, Maharshi Karve Marg,  
Mumbai - 400 002.  
Tel : (022) 2014269/71/72  
Fax : (022) 2059533

**DELHI :**

Core-6, Scope Complex,  
1<sup>st</sup> Floor, Lodi Road,  
New Delhi - 110 003.  
Tel : (011) 4361610 / 4364690  
Fax : (011) 4360698

**HYDERABAD :**

1402, Babukhan Estate,  
Bashir Bagh,  
Hyderabad - 500 001.  
Tel : (040) 3241051 / 3240047  
Fax : (040) 3296455

**CHENNAI :**

D-1, Nelson Chambers,  
115, Nelson Manickam Road,  
Aminji Karai, Chennai - 600 029.  
Tel : (044) 374 1853

**HINDUSTAN FLUOROCARBONS LTD.**

1402, Babukhan Estate, Bashir Bagh, Hyderabad - 500 001.  
Tel : (040) 3241051 / 3237125. Fax : (040) 3296455

**BOARD OF DIRECTORS**

<b>SHRI A.S.DIDOLKAR</b>	<i>Chairman &amp; Managing Director</i>
<b>SHRI U. SARKAR</b>	<i>Director (Finance)</i>
<b>SHRI J. S. MAINI, IAS; AS&amp;FA</b>	<i>Director (Govt. Nominee)</i> (From 09/06/05)
<b>SHRI K.C. MISRA, IAS;JS</b>	<i>Director (Govt. Nominee)</i> (From 20/12/05)
<b>SHRI MUKESH KACKER, IAS;JS</b>	<i>Director (Govt. Nominee)</i> (from 25/8/2005 upto 20/12/2005)
<b>SHRI RAMESH INDER SINGH, IAS</b>	<i>Director (Govt. Nominee)</i> (upto 25/08/2005)
<b>SHRI ASHOK CHAWLA, IAS;AS&amp;FA</b>	<i>Director (Govt. Nominee)</i> (upto 25/04/2005)

**SMT. S. S. KULKARNI** *Company Secretary*

**EXECUTIVE COMMITTEE**

<b>SHRI A.S.DIDOLKAR</b> <i>Chairman &amp; Managing Director</i>	<b>SHRI R. SHEKHAR</b> <i>Dy.General Manager (TSS)</i> <i>(Rasayani Unit l/c) (from 1/11/2005)</i>
<b>SHRI U.SARKAR</b> <i>Director (Finance)</i>	<b>SHRI M.A.PILLAI</b> <i>G.M. (Oper.) (Kochi Unit)</i>
<b>SHRI A. K. MEHTA, I.R.S.,</b> <i>Chief Vigilance Officer</i>	<b>SHRI K.A.NATHAN</b> <i>G.M.(Engineering)</i> <i>Kochi Unit</i>
<b>SHRI P.P.JAYAKUMAR</b> <i>Chief General Manager</i> <i>(Kochi Unit l/c)</i>	<b>SHRI A.M.DESHPANDE</b> <i>Executive Director (upto31-10-05)</i> <i>(Rasayani Unit l/c)</i>

**SMT. S. S. KULKARNI**  
*Company Secretary*  
*Secretary to the Executive Committee*

**NOTICE**

Notice is hereby given that the 45<sup>th</sup> Annual General Meeting of the Members of the Company will be held on Monday, the 25<sup>th</sup> September, 2006 at 3.00 p.m. at RASRANG HALL, Dr. Kasbekar Park, Rasayani, Dist. Raigad – 410 207 to transact the following business :-

**ORDINARY BUSINESS :**

1. To receive and to adopt the Audited, Profit & Loss Account of the Company for the period from 1<sup>st</sup> April, 2005 to 31<sup>st</sup> March, 2006 and the Audited Balance Sheet as at 31<sup>st</sup> March, 2006 together with the Directors' Report and the Auditors' Report thereon.
2. To appoint a Director in place of Shri J.S.Maini, who retires at this AGM and being eligible offers himself for re-appointment.
3. To appoint a Director in place of Shri K.C. Misra, who retires at this AGM and being eligible offers himself for re-appointment.

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

Sd/-

**(Mrs. S. S. Kulkarni)**  
**Company Secretary**

**Place: Rasayani**  
**Date : 31/07/2006**

**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 or proxies to attend and vote instead of himself on a poll and that a proxy need not be a member of the Company. Proxies, in order to be effective, must be lodged at the Registered Office of the Company not less than 48 hours before the meeting.**
2. Members/Proxies should bring their attendance slip, duly filled in, at the meeting.
3. The Register of Members and the Share Transfer Books of the Company will remain closed from Saturday, the 16<sup>th</sup> September, 2006 to Monday, the 25<sup>th</sup> September, 2006 (both days inclusive).
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. Members are requested to bring their copy of Annual Report at the meeting and as a measure of economy the same will not be distributed again.

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

Sd/-

**(Mrs. S. S. Kulkarni)**  
**Company Secretary**

**Place: Rasayani**  
**Date : 31/07/2006**

**Registered Office :**

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

**FROM THE CHAIRMAN**

Dear Members,

My Colleagues on the Board and I extend warm welcome to all of you present here at this 45<sup>th</sup> Annual General Meeting of your Company. I am indeed grateful to you for making it convenient to attend the Meeting.

The Directors' Report and Auditors' Report of the Company for the year 2005-06 and Notice to the Shareholders have been in your hands for some time and with your permission I take them as read.

With sustained cooperation and help of all our employees, we have been able to focus on enhancing operational competitiveness despite difficult market conditions for the company's products. I must now share with you the status of our company's performance during the year 2005-06.

**PERFORMANCE TREND :**

As against the production of 313460 MT achieved in 2004-05, the company achieved a production of 216224 MT (main products) during the year 2005-06. Sales both volume wise and value wise registered a decrease at 116113 MT and Rs. 386 crores (net of excise duty) as against 165925 MT and Rs. 647 crores achieved in 2004-05. The reasons for decrease in production and sales volume, have been recorded in the Directors' Report before you and hence not repeated here. It is expected that when the measures contemplated in the restructuring proposal are completed, and with the continued cost control steps in progress, the performance and profitability of the Company would improve.

The production and sales turnover during 2005-06 was affected due to shutdown of Kochi unit during April to June 06 for a major overhaul maintenance which coincided with the environmental upgrade plan ordered by Govt. of India for Kochi Refineries Ltd. - our major raw material supplier for Phenol and Acetone production.

There were substantial imports of Phenol and Acetone during the period April-December '05 from various countries like Taiwan, Korea and USA where new manufacturing facilities for Phenol/Acetone have been commissioned. This has affected working of Phenol/Acetone production and has put tremendous pressure on the margins of Phenol/Acetone. We have filed review application for anti-dumping duty already in its place on Phenol from Singapore, EU and South Africa and also filed fresh application for anti dumping duty on Phenol/Acetone imported from the above countries in addition to Taiwan, Korea and USA, etc. The investigation is taken up by the Commerce Ministry and the initial findings are expected shortly. If the proposal is accepted, it would give some respite to the domestic industry. Despite all these odds, we could achieve a production of 28754 MT of Phenol and 18253 MT of Acetone during 2005-06.

**TURNAROUND PROGRAMME :**

I am glad to inform that the Government have sanctioned a financial restructuring proposal. The brief details of the proposal are contained in Directors' Report. We hope that with the Govt. assistance, the Company would be able to turnaround in the near future, by implementing revival measures contemplated.

**FUTURE OUTLOOK :**

We have planned to start the caustic Soda/Chlorine, NB-I and AN-I plants at Rasayani as per the restructuring plan for improving the financial viability of Rasayani unit. Retirement of high cost matured bonds is also planned to reduce the interest burden substantially. As regards Kochi unit, debottlenecking of Hydrogen Peroxide along with Phenol/Acetone plant and technology upgrade for Cumene manufacture from conventional Solid phosphoric acid to zeolite is planned.

**SAFETY, HEALTH AND ENVIRONMENT :**

As a signatory to the 'Responsible Care' movement the Company continues to discharge its obligation in Safety, Health & Environment. Your Company is in the process of updating the certification to ISO 14001 - 2004.

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

Your Company has been active in doing peripheral development works for the betterment of villagers around the factory areas. Your Company had also supported the Public Administration, in their efforts to handle problems faced by them during the unprecedented floods in July, 2005, by supplying drinking water, food packets to Public in Panvel & Rasayani area.

**INDUSTRIAL RELATIONS :**

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

**RESEARCH & DEVELOPMENT :**

Research & Development Division has focussed its activities in the areas of catalyst improvement for commercial applications, spent catalyst utilization, process optimization and minimization of effluent generation which have contributed to the Company significantly.

**CORPORATE GOVERNANCE :**

The detailed Report on the Corporate Governance as well as Management Discussion and Analysis Report are enclosed as a part of the Directors' Report. This Report analyses in brief the potentialities of the Company as well as the focus of the Company's business.

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

The details of performance of HFL are given in the Directors' Report. While the Company continues to be under BIFR, the operations of the Company during the year have improved. The Company is also exploring various commercial opportunities for further improving the viability of HFL.

**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 official of the Govt., especially from the Ministry of Chemicals & Fertilizers, Finance Ministry, Department of Banking, Board Members, Statutory/Govt. Auditors and all the agencies concerned. I must also acknowledge the gratitude the untiring efforts the employees and the Unions have put in and the productive work culture they have established. My gratitude is also to the shareholders and customers who have stood by us in the present phase of our turbulent period.

In conclusion, I am optimistic that the Company would become a viable proposition, in the near future.

(A. S. DIDOLKAR)  
CHAIRMAN & MANAGING DIRECTOR



**DIRECTORS' REPORT**

To,  
The Shareholders of  
**HINDUSTAN ORGANIC CHEMICALS LIMITED**

On behalf of the Board of Directors, I present herewith the Forty-Fifth Annual Report of the Company together with audited Profit & Loss Account for the year ended 31<sup>st</sup> March, 2006 and Balance Sheet as on that date.

**FINANCIAL HIGHLIGHTS**

	Rs. in lacs	
	Year ended 31/03/2006	Year ended 31/03/2005
Sales	<b>45103.24</b>	75147.76
Operating Profit / (Loss)	<b>(40.73)</b>	8469.59
Less: Interest	<b>2762.76</b>	3437.10
Depreciation	<b>2786.32</b>	2823.73
Profit / (Loss) before tax	<b>(5589.81)</b>	2208.76
Less: Provision for taxation	<b>12.98</b>	0.05
Add: Prior Period adjustments	<b>58.26</b>	1568.53
Profit / (Loss) after tax & Prior period adjustments/Provisions.	<b>(5661.05)</b>	640.18

In view of loss incurred by the company, your Directors do not recommend any dividend on equity shares for the year ended 31<sup>st</sup> March, 2006.

**OPERATIONS**

The Organic Chemical Industry during the year has faced both supply side and demand led pressure on Surging Crude oil prices, pushed the raw material cost in one hand & cheaper availability of imported finished products like Phenol, Acetone and Aniline led to adverse impact on demand for domestic production, on the other hand. The results of the year reflect these difficulties. Your Company could achieve an overall capacity utilisation of 54% during the year, as against that of 77% of the previous year. As against the production of 313460 MTs (main products) during the year 2004-05, the Company achieved a production of **216224 MTs** (main products) during the year 2005-06. Sales volume during the year declined significantly, impacted the turnover in value considerably. The company recorded the sale of **138431.77 MTs** during the year (last year 194911.67 MT) valuing Rs. **38604.67 lacs** (last year Rs. 64755.21 lacs).

The high labour cost and high incidence of cost on closed plants at Rasayani unit are the major concerns. Your Company has initiated different cost cutting measures to counter these problems.

**PRODUCTION PERFORMANCE :**

**Cochin Unit :**

During the Year, Cochin Unit of your Company could achieve 115644 MTs of production as against 195890MTs of the previous year. It is 41% less than the last year's production. This was due to shut down of the plant for two months for major repairs of furnace coincided with major technology up gradation taken up by our principal Raw-material supplier viz. M/s Kochi Refineries, during April-May-05.

**Rasayani Unit :**

During the Year, Rasayani Unit of your Company could achieve only 1,07,403 MTs of production as against 1,26,370 MTs

production of the previous year, 15% less than the previous year's production, mainly due to flood in Mumbai/ Panvel/ Rasayani areas in July, 2005 affecting the factory area. The operations of the unit remain suspended for more than a month.

**MARKETING PERFORMANCE:**

HOC continued to enjoy support from all its valuable customers during the year 2005-06 due to excellent quality of its products manufactured at Kochi and Rasayani. It has achieved sales turnover of Rs. 386 crores (net of excise duty) as against Rs. 648 crores (net of excise duty) of the previous year. The sales volume during year 2005-06 was 138342 MTs against 175224 MTs for the year 2004-05. The sales in terms of volume as well as value has come down primarily due to huge import of major products like Phenol, Acetone, Aniline etc. International producers especially from the European Union, Taiwan, Korea, Singapore have exported these products through international traders which resulted into squeezing of margins and also affected the production cycle. As mentioned earlier Kochi unit had suspended the production for 2 months for major repairs of furnace and non availability of raw materials from Kochi Refineries Ltd. (KRL).

The company could not export bulk parcels of Phenol during 2005-06 due to unremunerative prices of these products in the export market. 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.

**TURNAROUND PROGRAMME**

Your company had been incurring losses from the financial year 1997-98 to 2003-04 and was referred to BIFR as a sick unit after erosion of net worth at the end of the financial year 2003-04. In a bid to find out lasting revival strategy, as reported previous year, the company had appointed M/s. SBI Capital Markets Ltd. for techno-economic feasibility study and to recommend a suitable restructuring proposal for turnaround of the company. SBI Capital Markets Ltd. submitted their report which was approved by the Board of Directors of the company. Based on the recommendations of the consultant the company submitted the financial restructuring proposal to the Dept. of Chemicals & Petrochemicals, Ministry of Chemicals & Fertilizers, Govt. of India for consideration.

The Board for Reconstruction of Public Sector Enterprise (BRPSE) discussed the proposal in its meeting held on October 18, 2005 and recommended with minor modification as follows:-

- a) Government of India to provide equity of Rs.75 crore to be utilized for (i) repayment of VRS loan of Rs.31 crore availed from Bank of Baroda, (ii) introduction of fresh VRS costing Rs.36 crore and (iii) Rs.8 crore towards part repayment of bonds.
- b) Government of India to provide funds to the tune of Rs.175 crore in the form of 8% Redeemable non-cumulative preference shares to be redeemed @ 20% each year from 4<sup>th</sup> year onwards and this amount to be utilized by HOCL for repayment of high cost overdue Bonds.
- c) Continuation of Government of India Guarantee of Rs.100 crore for full term of ten years (issue date 19/12/2001) to be utilized to liquidate high cost debt; beside
- d) Waiver of penal interest and interest on interest upto 31/3/2005.



The above proposal was considered by the Cabinet Committee on Economic Affairs (CCEA) in its meeting held on 9<sup>th</sup> March, 2006 and the Committee has approved as under:-

"The Committee considered the note dated 28/02/2006 from the Ministry of Chemicals & Fertilizers (Rasayan aur Urvarak Mantralaya), Department of Chemicals and Petrochemicals (Rasayan aur Petro-Rasayan Vibhag) and approved the proposals contained in paragraph 18(b), (c) and (d) thereof with the direction that the amount of redeemable non-cumulative preference shares proposed in paragraph 18(b) be increased to Rs.250 crore"

The Authorized share capital of the Company increasing from Rs.70 crore to Rs.350 crore with consequential amendments in Memorandum of Association (MOA) and Articles of Association (AOA) were approved in Extra Ordinary General Meeting held at Registered office of the company on 7<sup>th</sup> July, 2006. The share holders have also approved issue of 25 crore 8% non-cumulative redeemable preference shares of Rs.10 each, in favour of the President of India, in pursuance of Section 80 of the Companies Act, 1956.

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

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

#### **RESEARCH & DEVELOPMENT**

Research & Development Division has focussed its activities in the areas of catalyst improvement for commercial applications, spent catalyst utilization, process optimization and minimization of effluent generation which have contributed to the Company significantly.

#### **HUMAN RESOURCE DEVELOPMENT AND INDUSTRIAL RELATIONS**

Your Company takes care to train and develop employees, so that they can perform at their best in the present – competitive business environment. During the year under report, HRD initiatives your Company has taken mainly in respect of :

1. **HRD Index** i.e. training mandays/working employees/ (mandays) achieved for all the employees is :

**Cochin unit:-** HRD Index was 923/440 i.e. 2.09, Target for the year was 750 man days, as against, achieved during the year was 923 man days; &

**Rasayani unit:-** 825/1073( employees) i.e. 0.76% mandays per employee was achieved as against the target of 0.65.

2. **In-Company Training Programmes :**

In-company training programmes were conducted mainly on Personality Development, Communication skills, Developing Personal skills and Technical skills, Interpersonal Relations, Team Building, Fire & Safety, HIV- AIDS Awareness, Stress Management, etc.both at Kochi & Rasayani units and at Kochi unit, 85 officers (51.8%)& 167 non officers (60.5%) and at Rasayani unit, 346 officers and 378 non-officers(total 668 man days) participated these training programmes.

3. **External training Programmes :** Apprx. 57 Executives (157 man days) were nominated to (apprx) 57 External training Programmes during the year.

4. **HRD Audit :** HRD Audit was conducted during the year both internally and externally, involving current HR strategies, structure, processes and systems to assess the impact of HRD in the Company.

5. Company continues to implement Government policy of reservation for SC/ST and other categories. The position relating to SC/ST/Women personnel in the Company is given in Annexure-III to the Directors Report.

#### **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 2005-06 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 Company's Vigilance Department, headed by a senior officer on deputation from Govt. of India, continued to play a pivotal role. Complaints' received, both from within and outside were promptly investigated and appropriate follow-up actions were taken on the department's recommendations. A major emphasis of the department has been towards systems study and improvement, to ensure implementation of laid down procedures of the company and the guidelines of C.V.C. Periodic inspections, of the department have been a good source of feed back about system weaknesses, corruption-prone areas and delinquent employees. As a result of Vigilance's initiatives, web-tendering has become an established practice. The department has been maintaining close liaison with the Central Vigilance Commission and the Central Bureau of Investigation and has carried out all such activities as were mandated of it, in relation to these agencies. This year's Vigilance Awareness Week was specially focussed towards educating our customers and suppliers on vigilance set up of the company.

#### **CORPORATE SOCIAL RESPONSIBILITY**

Your Company believes that it is a business enterprise with a self-assumed responsibility to the society in which it does business right from its inception and is conscious about its social responsibilities. To fulfill this, the initiatives it has taken in this direction included -

- Providing basic civic amenities to the neighbouring villages, rendering assistance to the neighborhood in different forms viz. Financial assistance, building material, furniture, computers, laboratory equipments to the neighbouring schools, construction of approach roads and toilet blocks, drinking water supply, medicines, etc.
- Promotion of school education, by giving scholarship to X and XII std. Students. Company extends need based assistance to deserving SC/ST students in the nearby villages for their graduate and post graduate education. Company also extends vocational training facilities to the wards of employees, provides the facilities to carry out project work for students studying in nearby Engineering Colleges / and Management Institutes, Science and Technical disciplines etc., for enhancing their practical knowledge. Company also engages diploma ( sandwich course) apprentices as a part of their curriculum for imparting practical training. Company provides technical training to XI and XII std., Students of HOC's Junior College and defense personnel on regular basis.



- Further, your Company has always stood by the people during any unforeseen calamities like flood, storms, famine and earthquake etc. by providing relief.
- Company has also constructed a hall in the name of Bharatratna Dr. Babasaheb Ambedkar with a view to provide a platform for discussions / seminars / symposiums on principles / teachings of Dr. Babasaheb Ambedkar.
- Company has been active in doing peripheral development works for the betterment of villagers around the factory areas. Your Company had also supported the Public Administration in their efforts to handle problems faced by them during the unprecedented flood in July, 2005 by supply of drinking water, food packets to public in Panvel & Rasayani area.

**ENVIRONMENT MANAGEMENT:**

A sound Environment Management practices in your Company's production implies adoption of cleaner technologies, inculcating the culture of pollution prevention and waste management. Thus, the environment management is a priority area.

Apart from the sustained continuous efforts by all its environmental conscious employees with the aim of further strengthening and achieving continuous improvement in its environmental performance prompted your Company to design, develop and implement Environmental Management System in line with ISO 14001 standards at its Kochi Unit.

Company has its own effluent treatment facility and the treated effluent meets the prescribed quality standards, so also stack emission and ambient air quality are well within the limits stipulated by statutory authorities through out the year. The quality of effluent is checked for various consent parameters like pH, COD, BOD etc before discharging to designated point.

Two secured landfills of capacity 100M<sup>3</sup> and 500M<sup>3</sup> were constructed during the financial year as per CPCB norms to dispose off the hazardous waste generated in the factory.

Further Company has provided expertise to CPCB, MPCB and near by industries, apart from carrying out methodology development for monitoring and analysis of vehicular pollution in metro developments.

**SAFETY :**

Your company accords the same priority attention to Safety aspects as it does to Production and Productivity, be it in a personal safety, process safety, environmental safety or product stewardship and allocated adequate resources of men, machine, money, time and energy to maintain the standards. Thus performance during the year is satisfactory as the frequency rate and severity rate of accident were only 0.68 & 8.81 respectively.

A safety audit of all the plants and allied services was carried out by External Agency and most of the recommendations are being implemented.

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

Emergency Response Centre (ERC), is a voluntary commitment undertaken by the Company to tackle emergencies arising out of Road transportation of hazardous chemicals. The Company has made it mandatory to have Fire & Safety training for all employees and first aid training to plant employees.

**IMPLEMENTATION OF OFFICIAL LANGUAGE POLICY**

During the year under report, your Company continued its intensive and extensive efforts for the progressive use of the official language. To promote Hindi as Official Language in day to day working in line with the Government policies, Official Language implementation Cell of the Company continued to function effectively. Comprehensive programme like HINDI FORTNIGHT was organized at both Rasayani and Kochi and in the Corporate office in Mumbai during September, 2005. Several periodical meetings, training programmes, workshops, essays writings, noting and drafting competitions were organized to propagate the use of HINDI. During September, 2005 and March, 2006 Kavi Sammelan was arranged in Rasayani Unit. For this purpose Shri Mukesh Gautam, Shri Navin Hullad, Shri Anant Shrimali, Shri Ajay Atpatu and Shri Rajbihari Pandey these poets were invited. For the inspection of Official Language, Shri Ashok Kumar Sachdev, Joint Director, (Official Language) Department of Chemicals and Petro-Chemicals visited Kochi Unit and after the inspection of the records, he was satisfied with the progress made in the implementation of Official Language.

**ISO CERTIFICATION**

Both Rasayani & Kochi units obtained ISO 9001-2000 Certification by Bureau Veritas Quality International (BVQI). Kochi unit has also been awarded ISO 14001 : 2004 standard and re-certified and also obtained re-certification for ISO9001 : 2000 by BVQI.

**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**

During the year Rs. 107.08 lakhs (Pr.Yr.Rs. 339.79 lakhs) worth deposits had matured and have been paid. The total deposits outstanding as on 31-3-2006 was Rs. 2246.14 lakhs (73 Nos.) (Pr. Yr. Rs.2353.22 lakhs (80 Nos.))

**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**

As the members are aware, the company's shares are listed at Bombay Stock Exchange Limited and National Stock Exchange, the exchanges having nationwide network.

Further, In terms of Listing Agreement with the Stock Exchanges, a Compliance Report on Corporate Governance is given in Annexure VI. A certificate from the Auditors of the Company regarding compliance of conditions of Corporate Governance is placed in Annexure VII.





**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 judgements 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 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.

The Directors further state that HOC has been registered as a Sick Industrial Company by the BIFR, as per the provisions of SICA, vide Case No. 501/2005.

**HINDUSTAN FLUOROCARBONS LIMITED (Subsidiary)**

During the year under review HFL has achieved production of 228 MTs as against 351 MTs in the previous year, thus achieving a sales turnover of Rs. 1,804 lakhs (Pr. Yr. 1757 lakhs.) The total income for the year 2005-06 was Rs. 1607.57 lakhs as against Rs. 1812.71 lakhs for the year 04-05. Consequently even at the operating level, HFL made a loss of Rs. 397 Lakhs for 05-06 as compared to operating loss of Rs. 206.00 lakhs in the year 04-05. Due to its vigorous efforts, HFL was successful in imposing anti dumping duty on imports from Russia and China. The Company is now pursuing its case for imposition of anti dumping duty with Govt. against imports from other developed Countries like USA & Europe.

As the Members are aware, being a sick company, HFL has been referred to BIFR. A comprehensive rehabilitation proposal for HFL is being submitted by HOC.

The audited accounts along with Auditor's report and Directors' report are appended which are subject to the audit of CAG u/sec. 619(4) of the Companies Act, 1956.

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

**AUDITORS**

In terms of provisions of Section 619(2) of the Companies Act, 1956. The Comptroller & Auditor General of India, under its letter No. CA.V/COY/CENTRAL GOVT.HOCL(2)/267 dated 30/8/2005 has appointed M/s. Gala & Gala, Chartered Accountants, Mumbai as Statutory Auditors of the Company to audit the accounts of the Rasayani unit and to audit the consolidated accounts of the company and M/s. G. Venugopal Kamath & Co., Cochin as branch auditors to audit the accounts of Cochin unit for the year ended 31<sup>st</sup> March, 2006.

The remarks of the Board of Directors on the Statutory 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 2005-06 is annexed to the Statutory Auditors' Report in the Annual Report.

Pursuant to directions from the Department of Company Affairs for appointment of Cost Auditors, Board of Directors of the company appointed M/s V.J. Talali & Co. as the Cost Auditors for Sulphuric Acid for 2005-2006.

**DIRECTORS**

Dr. Jivtesh Singh Maini, Additional Secretary & Financial Advisor in the Ministry of Chemicals & Fertilizers has been appointed by the Government as Part Time Govt. Director on the Board of HOCL w.e.f. 9-6-2005.

Further, consequent to the appointment of Shri Mukesh Kacker, IAS, Joint Secretary, from the Dept. of Chemicals and Petrochemicals, Ministry of Chemicals & Fertilizers, GOI. as Govt. Director on our Board w.e.f. 25-8-2005, Government Director, Shri Ramesh Inder Singh, IAS, Joint Secretary, ceased to be Director on our Board, with effect from that date.

Shri Kumaresh Chandra Misra, Joint Secretary in the Ministry of Chemicals & Fertilizers has been appointed by the Government as Part Time Govt. Director on the Board of HOCL w.e.f. 20-12-2005, and Shri Mukesh Kacker, IAS, Joint Secretary, relinquished the charge on that date.

During the Year, Govt. Director, Shri Ashok Chawla, IAS, AS&FA ceased to be Director on our Board, w.e.f. 25-4-2005, in view of his transfer from the Ministry of Chemicals & Fertilizers to the Dept. of Economic Affairs, Ministry of Finance.

In terms of Article 76(4) of the Articles of the Association of the Company Government Directors, Shri Kumaresh Chandra Misra, IAS, Joint Secretary and Dr. J.S. Maini, IAS, Additional Secretary and Financial Advisor, will retire at this AGM and are eligible for re-appointment.

**ACKNOWLEDGMENT**

Your Directors gratefully acknowledge the support, co-operation and gratitude received from the Ministry of Chemicals & Fertilizers, Department of Chemicals & Petrochemicals, Ministry of Finance, Government of India and other Departments of Government of India and State Governments of Maharashtra, and Kerala and office of Comptroller & Auditor General of India.

Your Directors acknowledge the support and co-operation extended by the valued and esteemed customers, shareholders, suppliers, bankers, Statutory/Internal and Tax Auditors, Bondholders, and Fixed Deposit holders.

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 all the 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  
**Hindustan Organic Chemicals Limited**  
 Sd/-  
**A. S. DIDOLKAR**  
 Chairman & Managing Director

Place : Mumbai  
 Date : 31<sup>st</sup> July, 2006

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

Sl. No.	Particulars	Rs.in lakhs
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 :	1,10,60,000 Equity Shares of Rs.10/- each fully paid up.
3.	Extent of holding in the subsidiary	56.43%
4.	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 2005-2006	(565.55)
	ii) For Previous financial year	(461.49)
	iii) Cumulative Total	(4737.34)
4.	Net aggregate amount of the profits of the subsidiary after deducting its losses or vice versa dealt with in the company's accounts :-	
	i) For 2005-2006	Nil
	ii) For Previous financial year	Nil
	iii) Cumulative Total	Nil

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

**Energy Conservation Measures taken :**

**A. Rasayani and Kochi Units :**

- 1. Maintaining the power factor as unity at Rasayani unit throughout the year by monitoring the capacitor banks which has yielded an incentive in the electricity bill from MSEB to the tune of Rs. 45 lakhs in the year.
- 2. Continuous monitoring and optimisation of the transformers operation have resulted in a power saving of Rs. 2.5 lakhs per year.
- 3. Monitoring and optimisation of the plant lighting as per the requirement has yielded a saving of Rs. 2 lakhs per year.

.....Contd. to Page No. 8



.....Contd. from Page No. 7

4. Change of old and less efficient cooling tower water circulation pump by an efficient one has contributed an electrical energy saving of Rs. 6.5 lakhs per annum.
5. Tuning of the boilers have resulted in the improvement of furnace oil to steam ratio by two percent thereby saving Rs. 4 lakhs per annum.
6. Revamp of both boilers for improving the efficiency was completed. Boiler efficiency was improved by 5% and resulted in the furnace oil savings of Rs. 45 lakhs.
7. Refractory lining of hot oil furnace was modified and replaced. This had resulted in the saving of fuel worth Rs.92 lakhs/annum.

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

1. To reduce the overall power consumption in the nitric acid plant, revamp of screw compressor is planned which will substantially reduce the electricity bill.
2. Replacement of less efficient boiler feed pump in hydrogen plant will reduce the power consumption.
3. Further optimisation of transformers operation and monitoring of lighting load in various plants will save electrical energy.
4. Effective measures are being taken to reduce pressure drop in the system in the transportation of the effluent from the lagoons to disposal point that is about 8 kilometers away. This will reduce the electrical power consumption.
5. Replacement of air blower in sulfuric acid plant is being studied to reduce the electrical power.
6. Replacement of inter coolers in nitric acid plant air compressor is planned to reduce the power consumption.

**Form - A**

**Disclosure of Particulars with Respect to Conservation of Energy**

**A. Power and Fuel Consumption :**

	Current Year 2005-06	Previous Year 2004-05
<b>1. Electricity</b>		
a) Purchased (unit)	7,42,78,156	4,90,24,360
Total amount (Rs.)	26,70,49,761	18,52,65,955
Rate per unit (Rs.)	3.60	3.78
b) Own generation		
i) Through LSHS	45,38,910	3,37,87,532
units per litre of LSHS	4.81	4.73
Cost per unit (Rs.)	4.16	3.33
ii) Through steam generation	NIL	NIL
Units per litre of fuel oil	-	-
Cost per unit (Rs.)	-	-
<b>2. Coal</b>	<b>NIL</b>	<b>NIL</b>
<b>3. Furnace Oil/ LSHS</b>		
Quantity (MT)	19,951	33,804
Total Amount (Rs.)	30,60,62,896	44,16,19,485
Average rate (Rs.)	15,341	13,064
<b>4. Others/ Internal Generation</b>	<b>NIL</b>	<b>NIL</b>
(a) Diesel (KL)	8	43

**Consumption per unit of Production**

Product	Standard power consumption (kwh/MT)	Prod. (MT)	2005-06 Power Consumption (kwh/MT)	Prod. (MT)	2004-05 Power consumption (kwh/MT)
Nitrobenzene	56	19393	18	22913	19
Hydrogen	570	859	504	1108	555
Aniline	280	12355	222	15988	222
Acetanilide	60	434	43	1456	55
Sulfuric acid	70	29413	95	39242	65
Formaldehyde	100	30373	102	32812	100
Nitrotoluene	170	2641	172	3377	98
Conc. Nitric Acid	840	10641	940	9568	960
Propylene	30	18896	26	32684	22
Phenol/Acetone	599	47007	600	78680	474
Hy. Peroxide - 50%	2711	7331	2138	9950	1234

**Form - B**

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

- (a) Studies on improved eco-friendly catalyst for commercial applications.
- (b) Further studies on reduction of effluent from nitroaromatics plants to achieve zero discharge status
- (c) Aniline colour stabilization.
- (d) Repelletization of spent copper chromite catalyst (of aniline plant) to explore the possibility for reuse.
- (e) Single tube pilot plant studies for enhancement of aniline production capacity by an improved technology.
- (f) Studies on alternative catalyst for toluidines.
- (g) Further studies on increase of nitrobenzene production capacity for NB-III process.
- (h) Development of improved catalyst for MTD production.

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

- (a) New improved chrome free catalyst jointly developed by Hindustan Organic Chemicals Ltd., Rasayani and M/s Sud-Chemie India Pvt. Ltd., Binanipuram has been charged in aniline plant. Activity of the catalyst is 307% compared to standard aniline catalyst. It has already produced 6000 MT of aniline and expected to produce about 25000 MT of aniline per charge.
- (b) Further modifications were carried out in NB-III plant to minimize the effluent generation. The utilization of process water has been brought down from 3M<sup>3</sup>/hr to 0.5M<sup>3</sup>/hr (approximately 85% reduction in process water) One M<sup>3</sup> of process water saved results in saving of loss of nitrobenzene to the tune of 1.7 kg.
- (c) R&D has carried out experiments to find out key factors / mechanism responsible for colour development. Based on R&D experiments, the existing nitrogen blanketing system was modified. It was successfully implemented in the FPS-aniline storage tanks jointly with Finished product, Quality control and Production / Engineering division. This has improved the shelf life of aniline.
- (d) Laboratory studies indicated that the repelletized catalyst exhibited 30% higher activity and strength compared to that of standard Commercial Catalyst. Studies also indicated possibility of four regenerability of the catalyst. It has a potential of reducing the production cost of aniline.
- (e) R&D have successfully carried out studies in single tube pilot plant for enhancement of aniline production jointly with production division. Using existing catalyst and operating parameters with a modified configuration could achieve aniline production increase by 80%. This technology will also improve the quality of the product by reducing undesirable impurities.



- (f) Initial joint studies with production division for continuous liquid phase hydrogenation process for conversion of nitrotoluenes to toluidines have shown encouraging results. Further scale up studies is under progress.
- (g) Studies on increase of nitrobenzene production capacity for NB-III process have been carried out. On implementation of this studies in NB- III process will result increase in production about 23% with respect to the existing production from typical value of 54 to 67 MT/day.
- (h) The commercial use of improved catalyst for production of MTD (batch process) will result in saving of Rs.3600/MT.

**3. Future Plans**

- (a) Commercialization of improved eco-friendly chrome free catalyst.
- (b) Further studies on minimizing effluent from nitro aromatic plants.
- (c) Studies on recovery of dinitro phenols and dinitro cresols from effluent.
- (d) Commercialization of repelletization process of spent copper-chromite catalyst.
- (e) Studies for multipurpose continuous hydrogenation process for nitro aromatics with improved technology.
- (f) Studies on optimization of solvent concentration for stabilization of PCHA based liquid re distillation residue of AN(III) process.

**4. Expenditure on R&D :**

(a) Capital	Rs.	=	lakhs
(b) Revenue	Rs.	95.93	lakhs
(c) Total	Rs.	95.93	lakhs

**TECHNOLOGY ABSORPTION, ADAPTATION AND INNOVATION**

1. Efforts in brief, made towards technology absorption adaptation and innovation :
  - a) Commercialization of newly developed eco-friendly chromium-free catalyst.
  - b) Implementation of process modification for reduction of effluent in commercial plants.
  - c) Conversion of solid para formaldehyde waste into value added formaldehyde-methanol solution and selling it to customer
2. Benefits derived as a result of above efforts, e.g. product improvement, cost reduction, product development, import substitution etc. :
  - a) The commercialization of newly developed catalyst for the production of aniline has resulted in saving Rs. 22.20 lakhs on imported catalyst cost.
  - b) The implementation of effluent recycle process in NB-II and NB-III has resulted in saving of Rs. 9.00 lakhs during the year.
  - c) The solid para formaldehyde waste deposited over longer period of time at the bottom of FD storage tank (RL-4) near FD-II was converted into value added formaldehyde-methanol solution.
3. In case of imported technology (imported during the last five years reckoned from the beginning of the financial year) following information is furnished. : Nil
  - (a) Technology imported :
  - (b) Year of import :
  - (c) Has technology been fully absorbed :
  - (d) If not fully absorbed, or Where this has not taken place, reasons thereof and future plans of action. :

**ANNEXURE III**

**Consolidated Report as on 31-03-2006 (SC/ST/WOMEN)**

**Rasayani & Kochi Unit.**

Group	Total	SC	ST	Women
A	481	74	18	24
B	314	49	11	9
C	664	95	30	89
D	54	10	5	4
Total :	1513	228	64	126

**ANNEXURE – IV**

**Reply of the Directors' on the Statutory Auditors' Report to the Members for the Financial Year 2005 – 06:**

- i) The financial statements are normally prepared "on going concern basis" unless there is an intention or need to liquidate or curtail materially the scale of operation. The management in view of strengthening/ enhancing the activities had prepared a financial restructuring proposal which has been approved by Government of India, on March 9, 2006. The restructuring proposal envisaged capacity expansion at Kochi and restarting some closed plants at Rasayani. The schemes demonstrated that the company will remain as going concern for foreseeable future and the financial statements have been prepared accordingly.
- ii) The Company has provided the liability for interest on loan received from Govt. of India at stipulated rate. Penal interest is payable by the company for delayed payment of interest/ installment of principal if the option is exercised by the Govt. of India. In absence of any indication to exercise such discretion from Govt. of India, no provision is required to be made in the accounts towards penal interest on unpaid/delayed paid interest or installments.
- iii) The company has implemented wage revision to the employees with effect from 1<sup>st</sup> January, 2001. Though wage revision is effective from 1<sup>st</sup> January 1997, the arrears from 1<sup>st</sup> January 1997 to 31<sup>st</sup> March, 2000 is payable only when the company will generate adequate surplus. The company is under BIFR and incurred huge losses during the financial year under reference, hence, no provision for arrears for the above mentioned period has been made with suitable disclosure vide notes on accounts under Schedule-22 Part B – note No.8
- iv) The provision for guaranteed throughput charges was incorporated in lease agreement with presumption that the port authorities would provide suitable infrastructure facilities within specified time, however, this was not built-up by JNPT. The port users had taken up this issue for waiver of throughput charges which was accepted by the port authorities with effect from November, 2002. The request for waiver for earlier period is under consideration. Pending the favourable decision, the amount is shown under contingent liability.
- v) The benefit accrued under DEPB scheme is accounted for on the basis of actual utilization due to uncertainty of recovery. The benefit amounting to Rs.18.06 lakh during the year has not been credited in conformity with our accounting policy disclosed under schedule-22 Para-6(i).
- vi) The Company provided interest on Bonds/Fixed Deposit at respective coupon rates during its currency. The interest during the year on matured Bonds/Fixed Deposits has been provided @ 7.5% considering the prevailing market rate and positive response received from sizeable number of investors regarding their willingness to settle the overdue interest at lower rate. The management finds no difficulty in settling the overdue interest claim at the rate provided for during the year.
- vii) Adequate disclosure has been made at note No.17, which forms part of the accounts regarding pending confirmation
- viii) The process for identification of assets is in progress. This will take some time more to finish.
- ix) The suggestion of the auditors has been noted for compliance.
- x) The Internal Audit scope has been enlarged in the financial year 2005-06 for Rasayani unit. The scope of Audit is reviewed continuously for further action, if required

Sd/-  
(A. S. Didolkar)  
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 Company is engaged in the business of manufacturing and marketing of basic chemicals and chemical intermediates. The Chemical Industry occupies a pivotal position in meeting the basic human needs and desires and in improving the quality of life. The marked improvements in the average of life expectancy of our countrymen can be attributed to the produce of the Chemical Industry which has provided the life saving drugs and chemicals required for public health. We live in chemical age and most of the products that we buy for every day use, to make our lives healthier, happier and wealthier are intimately linked to the use of chemicals.

The petroleum feedstock 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, Government will have to find alternatives. The bottom line of chemical companies can be protected only through excellence in production and marketing efforts.

The industry should reorient its promotional activities and formulate strategies to meet the challenges of competitive marketing scenario. Further, Industry will have to adopt collaborative approach in price discipline, sharing of market information for healthy competition to effectively compete with global players.

**KEY OPPORTUNITIES INCLUDE**

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

**KEY THREATS INCLUDE**

- Availability of cheaper imported chemicals.
- Increasing input prices of feed-stock i.e. Benzene, Toluene, Naphtha, LPG, LSHS, Fuel oil etc.

**SEGMENTWISE PERFORMANCE**

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

Product Segment	Year ending 31/3/06			Year ending 31/3/05		
	Target MT	Product MT	Percentage Achieved	Target MT	Product MT	Percentage
Chemicals	265584	179147	67%	230030	219270	95%

**PRODUCTWISE PERFORMANCE (MAIN PRODUCTS)**

Product Cum.	Upto this quarter this year			
	Quantity (MT) Target	Quantity (MT) Actual	Value/Rs. Lakhs Target	Value/Rs. Lakhs Actual
Nitrobenzene Products	31500	19392	10591	6520
Aniline	21000	12355	13017	7658
Phenol	42200	28754	22038	15017
Acetone	26164	18253	10583	7382
H2O2	5500	3666	1051	701

**OUTLOOK AND INITIATIVES FOR THE CURRENT YEAR**

The management is working towards achieving enhanced efficiencies in consumption, raw material procurement and working capital cycles to become lowest cost producer in the industry.

The Management is also planned to start up of caustic Soda/Chlorine, NB-I and AN-I plants at Rasayani as per the restructuring plan for improving the financial viabilities of Rasayani unit. Retirement of high cost matured bonds is also planned to reduce the interest burden substantially. As regards Kochi unit, debottlenecking of Hydrogen Peroxide along with Phenol/Acetone plant and technology upgrade for Cumene manufacture from conventional Solid phosphoric acid to zeolite is planned.

**SOME RISKS & CONCERNS**

- The employee - even after rationalisation of employees strength through VRS, the man power cost per ton of finished product remains high.
- Old depreciated plants, requires high maintenance cost.
- Huge investments required for revamp/replacement/modernisation of the old plants.

**INTERNAL CONTROL SYSTEMS & THE ADEQUACY**

Right from the start, our people recognize the true role of system and controls.

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

With the objective of improving the systems and removing bottlenecks, systems review is carried out and policies and procedure manuals are amended. Both Rasayani & Kochi units have received ISO 9001-2000 Certification from Bureau Veritas Quality International (BVQI). Kochi unit has also been awarded ISO 14001 certificate by BVQI.

As part of good Corporate Governance an Audit Committee was in existence till 17-1-2005, whose Chairman was an Independent Director (and a CA). The Committee (till 17-1-05) and then Finance Dept. under the leadership of CFO { Director (Finance)} periodically review the internal controls, Audit Programmes, Results, Recommendations of the Auditors and Management's Replies to those Recommendations.

**REVIEW OF FINANCIAL PERFORMANCE**

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

The financial performance highlights are as follows :-

- The sales turnover was of the order of Rs. 451.03 crores against Rs. 751.48 crores for the previous year showing a decrease of 40%. Other income was Rs. 14.10 crores against Rs. 5.71 crores for the previous year. There was an Operating Loss before interest and depreciation of Rs. 0.41 crores against the Operating Profit of Rs. 84.70 crores for the previous year. Company incurred an Interest expenditure of Rs. 27.63 crores against Rs. 34.37 crores for the previous year, showing a decreasing trend.

The outlook for the future appears to be good with the revival of economic growth. The Accumulated losses are likely to go down substantially during the year in view of proposed implementation of several improvement plans for Rasayani and Kochi Units, restructuring of Debts of Bond holders and also the proposed restructuring package for the revival of the Company to be approved by the Govt. for implementation in the company.

**CAUTIONARY STATEMENT**

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



**Report on Corporate Governance (As on 31-03-2006)**  
(Annexure VI to Directors' Report)

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

1. **Corporate Philosophy/ Main Objective on Code of Governance :**  
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, the number of Directors of the Company which shall neither be less than two nor more than fifteen as amended from time to time. The Directors shall not require to hold any qualification shares. Currently, (as on 31-03-06) the Board of HOCL consists of four members with equal numbers of Executive and Non-Executive Directors, who are acknowledged as leading professionals in their respective fields. Other than the Two whole time Directors, the other Two members of the Board are non-executive, Government Nominee Directors.

However, till previous year, ( i.e. upto 17-01-05) the Board comprised of seven members with three non-official independent directors. Since then HOCL is awaiting GOI's Order on Appointment of new Independent Directors. As HOCL is a Govt. of India Enterprise, as per Company's Articles, the power to appoint Directors vests with the Govt. of India.

GOI's Order on appointment of new Independent Directors is not yet received.

During the year under report, the Company could have complied with the provisions under Clause 49 of the Listing Agreement with Stock Exchanges if the GOI's Order on appointment of new Independent Directors is received. The vacancy position has also the statutory requirement under the provisions of Companies Act, 1956 and Listing Agreement was already referred to the Ministry of Chemicals and Fertilisers, which is the Administrative Ministry of the Company and the matter is under active consideration of Government of India

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

Details of the Board of Directors during the year 2005-06 were as under :-

Sr. No.	Director	Category Of Director (ED, NED, NEID)	No. of Other DirectorShips	MemberShip in Other Board Committees	ChairmanShip in Other Board Committees
1.	Shri A.S.Didolkar	(ED) CMD			
		Addl. Charge D(Mkg.)	2	3	5
2.	Shri U.Sarkar	(ED) D(Finance)	2	4	-
3.	Dr. J.S. Maini, IAS,AS&FA	NED	5	1	-
	(From 9/6/05)	Govt. Nominee			
4.	Shri K. C. Misra, IAS, JS	NED-	1	-	-
	(From 20/12/05)	Govt. Nominee			
5.	Shri Mukesh Kacker, IAS, JS	NED Govt. Nominee	3	1	1
	(From 25/8/05) (up to 20/12/05)				
6.	Shri Ramesh Inder Singh, IAS, JS	NED-	3	1	-
	(up to 25/8/05)	Govt. Nominee			
7.	Shri Ashok Chawla, IAS, AS&FA	NED Govt. Nominee	2	2	1
	(up to 25/04/05)				

ED-Executive Director, NED-Non-Executive Director **Note:** The information in the table relates to Indian Public Limited Companies only.

**Changes in the Board of Directors**

1. Dr. J.S. Maini, IAS, AS&FA, has been appointed as Director on HOCL Board with effect from 9<sup>th</sup> June, 2005.

2. Shri K. C. Misra, IAS, JS, has been appointed as Director on HOCL Board with effect from 20/12/2005.

3. Shri Mukesh Kacker, IAS, JS, has been appointed as Director on HOCL Board with effect from 25/08/2005 upto 20/12/2005.

4. Shri Ramesh Inder Singh, IAS, JS, has relinquished charge from the Dept. of Chemicals & Petrochemicals with effect from 25/8/2005.

5. Shri Ashok Chawla has relinquished charge from the Dept. of Chemicals & Petrochemicals with effect from 25/4/2005 in view of his transferring to the Dept. of Economic Affairs, Ministry of Finance.

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

**Dr. Jivtesh Singh Maini :**

Qualifications : IAS

Business/Occupation: Govt. Service, Additional Secretary & Financial Adviser in the Dept. of Chemicals & Petrochemicals, GOI.

Other Directorships : Director in (a) Krishak Bharati Coop. Ltd., New Delhi; (b) National Fertilizers Ltd., New Delhi; (c) Hindustan Antibiotics Ltd., Pune., (d) Rastriya Chemicals & Fertilizers, Mumbai (e) M/S

Hindustan Insecticides Ltd.

**Shri Kumaresh Chandra Misra:**

Qualifications : IAS

Business/Occupation: Govt. Service, Joint Secretary in the Dept. of Chemicals & Petrochemicals, GOI.

Other Directorships : Director in (a) Hindustan Insecticides Ltd.

**Shri Mukesh Kacker:**

Qualifications : IAS

Business/Occupation: Govt. Service, Joint Secretary in the Dept. of Chemicals & Petrochemicals, GOI. ( till 20/12/2005)

Other Directorships: (a) CMD of IDPL, Director in (b) Hindustan Insecticides Ltd.;(c) Indian Petrochemicals Ltd.;

c) **Meetings of the Board :**

The Board meets Statutorily as also as many times as may be warranted. The Board /Committee Meetings are held not only at Company's Corporate Office at Mumbai Office, but also at its Registered Office at Rasayani, at its Unit /Regional Offices at Kochi, Chennai, and New Delhi. The Company Secretary serves as Secretary to the Board and its Committees.

**Board Agenda and Material :**

The Board believes that a carefully planned agenda is important for effective Board Meetings. All major issues included in the Agenda are backed by comprehensive background information to enable the Board to take decisions. The Agenda is flexible enough to



accommodate unexpected development (s), which require Board's attention and its decision. Agenda papers are generally circulated well in advance to the members of the Board. The Board Members, in consultation with the Chairman may bring up any relevant matter for the consideration of the Board.

The Board of the Company met 7 times during the financial year 2005-06 on the following dates :

10/05/2005 30/06/2005 26/07/2005 10/08/2005  
28/10/2005 31/01/2006 24/03/2006

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 :

DIRECTORS	NO. OF BOARD MEETINGS ATTENDED	ATTENDANCE AT THE LAST AGM
Shri A.S.Didolkar	7	Yes
Shri U.Sarkar	7	Yes
Dr. J.S. Maini	4	No
Shri K.C. Misra + +	2	No
Shri Ramesh Inder Singh**	3	No
Shri Mukesh Kacker +	1	No
Shri Ashok Chawla *	-	No

\*\* Shri Ramesh Inder Singh relinquished the charge on 25/8/2005.

\* Shri Ashok Chawla has relinquished charge from the Dept. of Chemicals & Petrochemicals with effect from 25/4/2005 in view of his transferring to the Dept. of Economic Affairs, Ministry of Finance.

+ Shri Mukesh Kacker has relinquished charge w.e.f from 20/12/2005

++ Shri K.C. Misra has been appointed as Director w.e.f from 20/12/2005

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

- Among other, 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, 2006 are as follows :

**DETAILS OF REMUNERATION PAID TO THE DIRECTORS FOR THE YEAR 2005-06**

Directors Name	Salary including Perks	Arrears	Retirement benefits	Sitting Fees & OPE	Amt.in Rs.
					Total
Shri A.S.Didolkar, CMD	6,15,259.00	Nil	1,02,191.00	-	7,17,450.00
Shri U.Sarkar , DF	5,06,798.00	Nil	89,569.00	-	5,96,365.00
Dr. J.S. Maini, Director	N.A.				
Shri K.C. Misra, Director	N.A.				
Shri Ramesh Inder Singh	N.A.				
Shri Mukesh Kacker	N.A.				
Shri Ashok Chawla	N.A.				

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.

The Board of Directors have constituted 4 Committees - Viz. Audit Committee of Directors ( Presently not existing in view of non-appointment of Independent Directors ), Executive Committee, Share Transfer/Shareholders'/Investors' Grievance Committee and Bonds Sub-Committee of Directors.

**I. Audit Committee of the Directors :** (Not in existence during 2005-06) :

The Audit Committee (which was constituted as per Cl. 49 of Listing Agreement in the earlier years) is presently not in existence, due to non-appointment of Independent Directors. However, the Director (Finance) and the representatives of Statutory Auditors are included in the Board Meetings as invitees, as a transparent C.G. Policy, though the representative (s) of the Auditors may be called as and when required by the Board, as stipulated.

**(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 (when existing) 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, Director (Finance) and 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. Executive Committee :**  
The cases in respect of Capital Expenditure & important contracts, items are referred to the Executive Committee for discussion and for decisions. Some items needing Board approval are referred for recommendations of the Committee.

**Members :**  
(a) Chairman & Managing Director, Shri A.S. Didolkar (b) Director (Finance), Shri U. Sarkar, (c) Chief Vigilance Officer, Shri A.K. Mehta (d) CGM (Kochi Unit I/c), Shri P.P. Jayakumar, (e) DGM(TSS) (Rasayani Unit I/c), Shri R. Shekhar (co-opted) (f) GM(Oper) Kochi Unit, Shri M.A. Pillai (g) GM (Engg.) Kochi Unit, Shri K.A. Nathan and (h) Company Secretary, Smt. S.S. Kulkarni.

**III. Share Transfer / Shareholders' / Investors' Grievance Committee**

**Terms of Reference :**  
As required under the Companies Act, 1956, the Company already has a Share Transfer Committee comprising of Shri A.S.Didolkar, CMD as Chairman after 17/01/05, Shri U.Sarkar, DF and Mrs.S.S.Kulkarni, Company Secretary, as its members. The quorum of the committee is two Directors. Mrs.S.S.Kulkarni, Company Secretary is designated as the Compliance Officer and acts as Secretary to the Committee.

**Share Transfer System**  
The Company's Share 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 21 times during the year. The Details are as under :

12/04/05, 2/05/05, 16/05/05, 1/06/05, 18/06/05, 5/07/05, 26/07/05, 18/08/05, 03/09/05, 15/09/05, 15/10/05, 31/10/05, 9/11/05, 25/11/05, 12/12/05, 31/12/05, 16/01/06, 31/01/06, 18/02/2006, 08/03/06 & 22/03/06.



**Summarised information on complaints received and resolved during 1<sup>st</sup> April 2005 to 31<sup>st</sup> March, 2006**

Sr. No.	Nature of Complaint	Received	Redressed	Pending as on 31/3/06
Direct :				
1.	Non receipt of dividends/ Warrants	03	03	NIL
2.	Non receipt of share Certificates	10	10	NIL
3.	Miscellaneous	1	1	NIL
4.	Non receipt of dividend warrants	1	1	NIL
5.	Non receipt of share certificates	8	8	NIL

**No. of Pending Share Transfers**

As on 31<sup>st</sup> March, 2006 there are 44 no of transfer cases pending consisting of 6700 shares. These transfers were already approved within the prescribed time in the month of April 2006.

**6. Remuneration Committee**

HOCL being a Government Company, the remuneration of the Executive Directors is decided by the Government of India. 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.

In view of the above no Remuneration Committee has been constituted.

**7. Annual General Meetings**

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

Particulars	FY 2002-2003	FY 2003-2004	FY 2004-2005
Date and Time	29-9-2003 3.00 p.m.	29-12-2004 11 a.m.	29-09-2005 3.00 p.m.
Venue	Rasarang Hall Dr.Kasbekar Park At PO :Rasayani, Dist.Raigad - 410207	Rasarang Hall Dr.Kasbekar Park At PO :Rasayani, At PO :Rasayani, Dist.Raigad - 410207	Rasarang Hall Dr.Kasbekar Park At PO :Rasayani, Dist.Raigad - 410207

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.

**8. Disclosures :**

- There was no materially significant related party transaction with its Directors / or the Management or Subsidiary or relatives that may have potential conflict with the interests of Company at large ;
- There was no case of Non-compliance by the Company of Statutory Provisions of the Companies Act, 1956 (except Section 292A as to Audit Committee) or SEBI Regulations or provisions of Listing Agreement (except Clause 49II as to Audit Committee) 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 (when it existed) ;
- Details of compliance with mandatory requirements and adoption of the non-mandatory requirements of this clause - are provided in this report;

**9. Means Of Communication**

- The quarterly, half-yearly reviewed and annual audited financial results are regularly posted by the Company on its website [www.hocl.gov.in](http://www.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.

IV) Management Discussion and Analysis Report forms part of this Annual Report.

V) Whenever a Director is appointed or re-appointed, Stock Exchanges are intimated through Fax/Speed Post/Courier Service.

**10. General Shareholders' Information**

**Compliance Officer**

Smt.S.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 410207

a) **Annual General Meeting**  
Venue Date & Time September 25, 2006 at 3.00 p.m.  
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 declared in the month following the quarter except for the last quarter for which the results are declared by June as permitted under the Listing Agreement.

c) **Dates of Book Closure** : (For the Purpose of Annual General Meeting) From 16<sup>th</sup> September, 2006 to 25/09/2006 ( 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, awaiting the confirmation from the said Stock Exchange.

f) **Stock Code at BSE** : 500449

g) **Registrar & Share Transfer Agents** :

M/s Sharepro Services (I) Pvt. Ltd.  
Relation Centre  
912, Raheja Centre,Free Press Journal Road,  
Nariman Point, Mumbai 21

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 2005-06 was as follows :

Month	Monthly Highest	Monthly Lowest
April, 2005	22.40	18.10
May, 2005	22.95	16.05
June, 2005	34.90	21.00
July, 2005	45.00	28.90
August, 2005	60.00	33.00
September, 2005	59.90	39.65
October, 2005	43.80	27.05
November, 2005	40.00	29.40
December, 2005	43.45	32.00
January, 2006	50.60	39.00
February, 2006	42.80	36.35
March, 2006	43.20	33.5

b) High/Low of market price of the equity shares traded on the **Bombay Stock Exchange Ltd.**, Mumbai for the year 2005-06 was as follows:

Month	Monthly Highest	Monthly Lowest
April, 2005	23.15	18.70
May, 2005	22.00	17.90
June, 2005	34.05	24.45
July, 2005	42.50	30.75
August, 2005	53.00	36.45
September, 2005	54.70	39.90
October, 2005	42.65	28.35
November, 2005	38.30	30.00
December, 2005	41.25	32.45
January, 2006	48.70	39.85
February, 2006	41.45	37.25
March, 2006	40.95	35.30



**j) Distribution of Shareholding**

The distribution of shareholding as on March 31, 2006 was as follows :

Description	Holders(s)		Holding(s)	
	Folios	%	Shares	%
Less than 500	55086	90.17	8257910	12.26
501 - 1000	3170	5.19	2775655	4.12
1001 - 2000	1385	2.27	2241955	3.33
2001 - 3000	478	0.78	1257432	1.87
3001 - 4000	213	0.35	785734	1.17
4001 - 5000	249	0.41	1208483	1.79
5001 - 10000	265	0.43	1942915	2.88
10001 and Above	244	0.40	48896016	72.58
	61090	100.00	67366100	100.00

**k) Distribution of Shareholding as on 31<sup>st</sup> March, 2006 was as under :**

Category	No. of Shares held	% of Shareholding
<b>A Promoter's Holding</b>		
1 Promoters :		
Indian Promoters (Government of India)	39481500	58.61
Foreign Promoters :	—	—
2 Persons acting in concert	—	—
<b>Sub Total</b>	<b>39481500</b>	<b>58.61</b>
<b>B Non Promoters Holding</b>		
3 Institutional Investors :		
A Mutual Funds	328008	00.49
B UTI	1000	0.00
C Banks, Financial Institutions, Insurance Companies (Central / State Govt. Institutions / Non Govt. Institutions)	647100	00.96
(i) Industrial Dev. Bank of India	1500000	02.23
D FIs	1900	00.00
<b>Sub Total</b>	<b>2478008</b>	<b>03.68</b>
4 Others :		
A Private Corporate Bodies		
B Indian Public	4293069	06.37
C NRIs / OCBs	20242206	30.05
D Non Domestic Co.	870217	01.29
E NSDL Shares in Transit	1100	00.00
	—	—
<b>Sub Total</b>	<b>25406592</b>	<b>37.71</b>
<b>GRAND TOTAL (1 + 4)</b>	<b>67366100</b>	<b>100.00</b>

**l) Dematerialisation of Shares And Liquidity**

The shares of the Company are compulsorily traded in dematerialised mode. To facilitate the shareholders to dematerialise the shares, the Company has signed agreements with both the depositories i.e. National Securities Depository Limited and Central Depositories Services (India) Ltd. 94.9% of the share capital of the Company has been dematerialised as on 31<sup>st</sup> March, 2006.

**m) Plant Locations**

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

**n) Address for correspondence :-**

- (1) Regd. office address : Rasayani, Dist. Raigad, Maharashtra 410207
- (2) R&T Agents address : M/S Sharepro Services (India) Pvt. Ltd. Investor Relation Centre 912, Raheja Centre, Free Press Journal Road, Nariman Point, Mumbai 21.

**11. CFO Certification by Shri U. Sarkar, Director (Finance) :**

Certified that, as on 31-3-2006 :

- (a) They 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.
  - (ii) these statements together present a true and fair view of the Company's affairs and are in compliance with existing accounting standards, applicable laws and regulations.
- (b) 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) They 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) They 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.

**12. Secretary's Responsibility Statement**

The Company Secretary confirms that the Company has :

- > Maintained all the Statutory Registers required to be maintained under the Companies Act, 1956 ("the Act") and the Rules made there under.
- > Filed all forms and returns and furnished necessary particulars in time to the Registrar of Companies (ROC) and/or Authorities as required under the Act.
- > Issued all notices as required to be given for convening the meeting of the Board of Directors and General Meetings of the shareholders within the time limit prescribed by the Law.
- > Conducted the meetings of the Board of Directors and Annual General Meeting as per the provisions of the Act.
- > Complied with all the requirements relating to the minutes of the proceedings of the meeting of the Directors and the of shareholders.
- > Made due disclosures under the requirements of the Act including the requirements in pursuance to the disclosures made by the directors.
- > Obtained necessary approvals of the directors, shareholders, Central Government and other authorities as per the statutory requirements.
- > Given loans and made investments in accordance with the requirements of the Act.
- > Not exceeded the borrowing powers of the Company.
- > Registered all the particulars relating to the creation, modification, and satisfaction of the charges with the ROC.
- > Effected share transfers and dispatched the certificates within the time limit prescribed under the Act and rules made thereunder.
- > Complied with all the requirements of the Listing Agreement entered into with the Stock Exchanges. (to the extent possible within its permissible authority)
- > Reasons for pending compliance of mandatory requirements of Clause 49:- The power to appoint /nominate additional / Independent Directors on the Board vests with the Govt. of India. 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.

**13. Compliance Certificate of the Auditors**

The Statutory Auditors have certified that the Company has complied with the conditions of Corporate Governance as stipulated in Clause 49 of the Listing Agreement with the Stock Exchanges and the same is annexed hereto to the Directors' Report . The said Certificate from the Statutory Auditors is placed in Annexure VII

**14. Re-appointment of Directors**

Two Non-executive Directors viz. Shri Kumaresh C. Misra, IAS, JS and Dr. J.S. Maini, IAS, AS & FA are due for retirement by rotation at the ensuing 45<sup>th</sup> Annual General Meeting of the Company and are eligible for reappointment.

**ANNEXURE VII  
CERTIFICATE**

To the Members of

**Hindustan Organic Chemicals Ltd.**

1. We have examined the compliance of conditions of Corporate Governance by Hindustan Organic Chemicals Ltd. for the year ended 31<sup>st</sup> March 2006 as stipulated in Clause 49 of the Listing Agreement of the Company with stock exchanges.
2. The compliance of conditions of Corporate Governance is the responsibility of the management. Our examination has been limited to review of procedures and implementations thereof adopted by the Company for ensuring compliance with the conditions of the Corporate Governance as stipulated in the said Clause. It is neither an audit nor an expression of opinion on the financial statements of the Company.
3. As required by sub clause I (A) of clause 49 of the Listing Agreement, the number of independent directors on the Board in case Chairman of the Board is an Executive should be at least 50%. However, as per explanation iv to Clause 49(A), the nominee directors appointed by the Government of India are considered as independent directors by the Company and accordingly requirements of sub clause I of clause 49 of the Listing Agreement are complied with.
4. The Audit Committee is not in existence during the year, as stipulated by sub clause II of Clause 49 of the Listing Agreement.
5. Subject to our remarks in paragraphs 3 and 4 above, in our opinion and to the best of our information and according to the explanations given to us and the representations made by the Directors and the management, we certify that the Company has complied with the conditions of Corporate Governance as stipulated in Clause 49 of the listing agreement.
6. As required by the Guidance Note issued by the Institute of Chartered Accountants of India, we have to state that based on the report given by the Registrars of the Company, as on 31<sup>st</sup> March 2006 there were no investor grievance remaining unattended/pending for more than 30 days.
7. We further state that such compliance is neither an assurance as to the future viability of the Company nor of the efficiency or effectiveness with which the management has conducted the affairs of the Company.

For Gala & Gala  
Chartered Accountants

(Vasant N. Bheda)  
Partner

Place : Mumbai  
Dated : 29.08.2006



**AUDITORS' REPORT**

To the Members of

Hindustan Organic Chemicals Limited

1. We have audited the attached Balance Sheet of Hindustan Organic Chemicals Limited as at 31<sup>st</sup> March 2006, the Profit and Loss Account and Cash Flow Statement of the Company for the year ended on that date annexed thereto, in which is incorporated the Balance Sheet, Profit and Loss Account and Cash Flow Statement of the Branch audited by other auditors appointed by the Central Government. In preparing this Report, we have considered the report on the accounts of the branch audited by the Branch Auditors together with the particulars and information relating thereto, furnished to us by the management. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with auditing standards generally accepted in India. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. 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, we annex hereto a statement on the matters specified in the paragraph 4 and 5 of the said Order.
4. Further to our comments in the annexure referred to above, we report that :
  - i. 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.
  - ii. In our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of the books of the Company.
  - iii. The Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of account of the Company.
  - iv. In our opinion, the Balance Sheet and Profit and Loss Account and Cash Flow Statement dealt with by this report, comply with the Accounting Standards referred to in sub section (3C) of Section 211 of the Companies Act, 1956 except AS 9 – Revenue Recognition regarding accounting of benefit accrued under DEPB Scheme which is accounted for on actual utilisation or on transfer of credit.
  - v. As per notification no GSR 829(E) dated 21.10.2003, provision of section 274(1)(g) of the Companies Act, 1956 regarding disqualification of the directors is not applicable being government Company.
  - vi. **The financial statements have been prepared on going concern basis, despite its accumulated losses exceeding the net worth and further viability of future operations is subject to review by the Board of Industrial Financial Reconstruction (BIFR) and continued flow of financial support from banks, financial institutions and the Government of India.**
- vii. Reference is invited to the following Notes on Accounts in Part B of Schedule 22 with regard to non provision / pending charge to Profit and Loss Account :
  - a. Note no. 2(d) regarding penal interest of Rs. 14.43lakhs on overdue loan from Govt. of India,
  - b. Note no. 8 regarding liabilities of wage revision for the period 01.01.1997 to 31.12.2000 of Rs. 2308.08 lakhs,
  - c. Note no. 18(1)(a)(vi) regarding Claims of JNPT which include minimum guaranteed through put charges of Rs. 787.50 lakhs payable to JNPT authorities.
- viii. No credit has been taken of benefit accrued under DEPB scheme amounting to Rs. 18.06 lakhs, pending utilization.
- ix. Reference is also invited to the following Notes on Accounts in Part B of Schedule 22 with regard to pending accounting treatment, the precise impact of which on the Balance Sheet and Profit and Loss Account could not be ascertained for the reasons stated therein :
  - (a) Note no. 1(b) and 2(b) regarding differential interest on overdue principal amount of matured bonds and fixed deposits. The above amount is not ascertained and thus we are unable to quantify the impact of the same on Loss for the year.
  - (b) Note no. 17 regarding pending confirmations and reconciliation of balances of Sundry Debtors, Sundry Creditors, Loans and Advances and other debit/credit balances.
- x. In respect of suspected fraud in import of cumin during 2002-2003, at Kochi Unit three officers of the company were suspended and pending the final report from CBI, The impact, if any, on the accounts of the Company could not be quantified.
- xi. We further report that effect of items mentioned at 4(ix) and 4(x) above could not be determined and had the provision been made for the items referred in para 4(vii) and 4(viii) above, Loss for the year would have been higher by Rs. 3091.95 lakhs and Accumulated loss as at the year end would be higher by the same amount. Further, the Current Assets would have been higher by Rs. 18.06 Lakh and Current Liabilities would have been higher by Rs. 3110.01 Lakh.
- xii. Subject to our comments in para 4(xi) above, in our opinion and to the best of our information and according to the explanations given to us, the said accounts read together with the significant accounting policies and notes on accounts appearing in Schedule 22, give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India;
  - i) in the case of Balance Sheet, of the state of affairs of the Company as at 31<sup>st</sup> March, 2006;
  - ii) in the case of Profit and Loss Account, of the Loss for the year ended on that date; and
  - iii) in the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

For Gala & Gala  
Chartered Accountants

(Vasant N. Bheda)

Partner

Membership No. 30038

Mumbai.  
Dated : 27.07.2006

**Annexure to the Auditors' Report**

(Referred to in para 3 of the Auditors' Report to the members of the Hindustan Organic Chemicals Ltd. on the accounts for the year ended on 31<sup>st</sup> March 2006)

- i (a) The Kochi unit has maintained proper records showing full particulars including quantitative details and situation of fixed assets. **The records at Rasayani unit are not complete with regard to identification of the assets and exact location of the assets.**
- (b) According to the information and explanations given to us the physical verification of major items of fixed assets was carried out during the year at Kochi unit and no material discrepancies were noticed on such verification. **As informed, at Rasayani Unit, no physical verification has been carried out during the year. In our opinion, having regard to the size of the unit and the nature of its business the physical verification of fixed assets at Rasayani unit needs to be carried out every year.**
- (c) During the year the Company has not disposed off substantial part of its fixed assets which has effect on the Company as a going concern.
- ii (a) The management has carried out physical verification of inventories at reasonable intervals during the year.
- (b) In our opinion the procedures of physical verification of inventories followed by the management are reasonable and adequate in relation to the size of the Company and the nature of its business.
- (c) The Company is maintaining proper records of inventory. Discrepancies noticed on such physical verification were not material and the same were properly dealt with in the books of account.
- iii (a) As informed to us, the Company has neither granted nor taken any loans secured or unsecured to/ from companies, firms or other parties covered in the register maintained Under Section 301 of the Companies Act, 1956 as such provisions of clause 4(iii) is not applicable.
- iv In our opinion and according to the information and explanations given to us, there is an adequate internal control system for the purchase of inventories and fixed assets and for the sale of goods and services commensurate with the size of the Company and the nature of its business. During the course of our audit, we have not observed any continuing failure to correct major weaknesses in internal control system.
- v According to the information and explanations given to us, there were no transactions that need to be entered into the register maintained under section 301 of the Companies Act, 1956.
- vi In our opinion and according to the information and explanation given to us, **the Company has complied with the directives issued by the Reserve Bank of India and the provisions of Section 58A and 58AA or any other relevant provisions of the Act and the rules framed thereunder, to the extent applicable except rule 3A of the Companies (Acceptance of Deposits) Rules, 1975 regarding investment in liquid assets.**  
We have been informed by the management that no order has been received by the Company, from Company Law Board, National Company Law Tribunal or Reserve Bank of India or any court or any other tribunal under section 58A and 58AA.
- vii The Company has appointed firms of Chartered Accountants for conducting internal audit. In our opinion the internal audit system of the Company is fairly adequate commensurate with the size of the Company and nature of its business except at Rasayani Unit. **At Rasayani Unit the system of internal audit needs to be substantially strengthened and the scope of the internal audit of the company needs to be enlarged.**
- viii We have broadly reviewed the books of account maintained by the Company in pursuance to the rules made by the Central Government for the maintenance of the cost records under Section 209(1)(d) of the Companies Act, 1956 for certain products of the Company and

are of the opinion that prima facie the prescribed accounts and records have been made and maintained.

- ix (a) The Company is generally regular in depositing undisputed statutory dues including provident fund, investor education and protection fund, employee's state insurance, income tax, sales tax, wealth tax, service tax, customs duty, excise duty, Cess and other statutory dues wherever applicable with the appropriate authorities.  
According to the information and explanations given to us, no undisputed amount payable in respect of income tax, sales tax, wealth tax, service tax, customs duty, excise duty, cess and other statutory dues were in arrears as at 31<sup>st</sup> March, 2006 for a period of more than six months from the date they became payable.
- (b) According to the records of the Company, details of outstanding dues of income-tax, sales tax, wealth tax, service tax, customs duty, excise duty and cess which have not been deposited on account of any dispute are given in "Annexure I".
- x **During the year, the Company has incurred cash losses. However, it has not incurred cash losses during the immediately preceding financial year. The accumulated losses of the Company as at the year-end are exceeding its net worth and the Company has been registered under the Sick Industrial Companies Special Provisions Act, 1985.**
- xi **The Company has defaulted in repayment of dues to financial institution, banks and bond holders, the details of which are given in "Annexure II".**
- xii Based on our examination of records and the information and explanations given to us, the Company has not granted any loans or advances on the basis of security by way of pledge of shares, debentures or other securities.
- xiii The Company is not a chit fund or a nidhi, mutual benefit fund/society, therefore the provisions of clause 4(xiii) of the Companies (Auditor's Report) Order 2003 are not applicable to the Company.
- xiv In our opinion, the Company is not dealing or trading in shares, securities, debentures and other investments. Accordingly, provision of clause 4(xiv) of the order is not applicable to the Company.
- xv The Company has given a guarantee of Rs. 2,153.97 lakhs to financial institutions and banks on behalf of Hindustan Fluorocarbons Limited, a subsidiary company. In our opinion, the terms and conditions of the said guarantee are prima facie, not prejudicial to the interest of the Company.
- xvi The Company has not obtained any term loans during the year, hence provisions of clause 4(XVI) of the Companies (Auditor's Report) Order, 2003 are not applicable.
- xvii According to the information and explanations given to us and on an overall examination of the Balance Sheet of the Company, we are of the opinion that no funds raised on short-term basis have been used for long-term investment.
- xviii The Company has not made any preferential allotment of shares to parties and companies covered in the Register maintained under Section 301 of the Companies Act, 1956.
- xix The Company has raised Rs. 95 crores by way of Issuing Bonds during the year, in respect of which Security is created. However, **in respect of certain bonds issued in earlier years, the Company has not created securities, the details of which are given in "Annexure III".**
- xx The Company has not raised any funds by way of public issue during the year.
- xxi Based upon the audit procedure performed for the purpose of reporting the true and fair view of the financial statement and as per the information and explanations given by the management we report that no fraud is noticed or reported by the Company during the year.

For Gala & Gala  
Chartered Accountants

(Vasant N. Bheda)  
Partner

Mumbai.  
Dated : 27.07.2006

Membership No. 30038



**Annexure – I**

**Details of disputed amount of Sales Tax, Income Tax, Wealth Tax, Excise Duty and Cess not paid as on March 31, 2006.**

Nature of Dues	Amount involved (Rs. in lacs)	Forum, where dispute is pending
Customs Duty	10.80	With CESTAT
Sales Tax – Kochi Unit	24.33	With Deputy Commissioner Appellate
	52.35	With Sales Tax Appellate tribunal
	21.04	With Asst. Commissioner
Excise Duty– Kochi Unit	52.15	With CESTAT
	0.72	With Asst. Commissioner of Central Excise
Excise Duty – Rasayani Unit	23.97	With CESTAT
	21.26	With Range
	64.86	With Commissioner Appeal
	114.34	With High Court

**Annexure – II**

**Details of Defaults in repayment of dues to financial institutions, banks and bonds holders**

Bond Series	Amount of default (Rs. in lacs)
Bond Serie – I	5628.13
Bond Serie – II	3110.98
Bond Serie – III	314.25
Bond Serie – IV	224.02
Bond Serie – V	210.06
Bond Serie – V A	222.75
Bond Serie – VI	2550.13
Bond Serie – VII (I)	2450.21
Bond Serie – VII (II)	2.02
Bond Serie – VIII (I)	2816.70
Bond Serie – VIII (II)	158.84
Bond Serie – IX	314.73
BOB VRS Loan (Int. Overdue)	93.94

**Annexure – III**

**Details of bonds issued earlier in respect of which securities are not created**

Particulars of Bonds	Series	Maturity Date	Principal O/s as on 31 March, 2006 (Rs. in lakhs)
14.50% taxable Secured bonds	I	07.08.02	2132.88
12.50% taxable Secured bonds	II	15.11.00	250.00
13.60% taxable Secured bonds	IV	30.07.01	189.84
14.50% taxable Secured bonds	V	31.01.04	159.63
13.00% taxable Secured bonds	V A	31.03.02	150.00
13.50% taxable Secured bonds	VI	29.06.02	1998.58
13.50% taxable Secured bonds	VII (I)	14.12.02	1693.10
13.50% taxable Secured bonds	VIII (I)	30.07.04	1793.80
13.00% taxable Secured bonds	VIII (II)	30.07.04	126.00
13.50% taxable Secured bonds	IX	30.06.05	220.00

**COMMENTS OF THE COMPTROLLER & AUDITOR GENERAL OF INDIA UNDER SECTION 619(4) OF THE COMPANIES ACT 1956 ON THE ACCOUNTS OF HINDUSTAN ORGANIC CHEMICALS LIMITED, MUMBAI FOR THE YEAR ENDED 31<sup>ST</sup> MARCH, 2006.**

I have to state that the Comptroller and Auditor General of India has no comments upon or supplement to the Auditors' Report under Section 619(4) of the Companies Act 1956, on the accounts of Hindustan Organic Chemicals Limited, Mumbai for the year ended 31<sup>st</sup> March, 2006.

Sd/  
**(SUSHAMA V. DABAK)**  
Principal Director of Commercial Audit and  
Ex-Officio Member, Audit Board-I, Mumbai

Place : Mumbai  
Date : 11<sup>th</sup> August 2006.



BALANCE SHEET AS AT 31ST MARCH, 2006		(Rs. in lacs)	
	Schedule No.	As at 31.03.2006	As at 31.03.2005
<b>SOURCES OF FUNDS</b>			
<b>1. Share holders' Funds</b>			
a. Capital	1	6726.89	6726.89
b. Reserves and Surplus	2	8064.50	8101.95
		<b>14791.39</b>	14828.84
<b>2. Loan Funds</b>			
a. Secured Loans	3	23128.19	20509.15
b. Unsecured Loans	4	20571.02	21732.73
		<b>43699.21</b>	42241.88
		<b>58490.60</b>	57070.72
<b>APPLICATION OF FUNDS</b>			
<b>1. Fixed Assets</b>			
a. Gross block		66768.76	66539.10
b. Less: Depreciation		41003.83	38296.73
c. Net block	5	25764.93	28242.37
d. Capital Work-in-progress	6	3290.47	3439.84
		<b>29055.40</b>	31682.21
		<b>49.70</b>	49.70
<b>2. Investments</b>			
<b>3. Current Assets, Loans and Advances</b>			
a. Inventories	8	7630.97	6959.16
b. Sundry Debtors	9	3522.04	5298.10
c. Cash and Bank Balances	10	587.89	793.33
d. Other Current Assets		916.41	912.60
e. Loans and Advances	11	2658.58	1731.75
		<b>15315.89</b>	15694.94
Less: Current Liabilities and Provisions			
a. Liabilities	12	10045.25	9450.03
b. Provisions	13	3020.85	2724.15
		<b>13066.10</b>	12174.18
<b>Net Current Assets</b>		<b>2249.79</b>	3520.76
<b>4. Miscellaneous Expenditure</b> (to the extent not written off or adjusted )			
a) Deferred Revenue Expenditure		6.20	349.59
b) Profit and Loss Account		27129.51	21468.46
		<b>58490.60</b>	57070.72
Significant Accounting policies and Notes on Accounts	22		
As per our report of even date attached For <b>Gala &amp; Gala</b> Chartered Accountants		<b>For and on behalf of the Board of Directors</b>	
Sd/- <b>(Vasantt N. Bheda)</b> <b>Partner</b>	Sd/- <b>A. S. Didolkar</b> <b>Chairman &amp; Managing Director</b>	Sd/- <b>U. Sarkar</b> <b>Director (Finance)</b>	
	Sd/- <b>N. Satheesan</b> <b>Manager Finance</b>	Sd/- <b>Mrs. S. S. Kulkarni</b> <b>Company Secretary</b>	
Place : Mumbai Date : 27.07.2006	Place : Mumbai Date : 28.06.2006		



<b>PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31st MARCH 2006</b>				(Rs. in lacs)
	Schedule No.	Year ended 31st March 2006	Year ended 31st March 2005	
<b>INCOME:</b>				
Sales (Gross)		45103.24	75147.76	
Less: Excise duty		6498.57	10392.55	
Net Sales		<u>38604.67</u>	64755.21	
Sale of Trading Goods		9.49	0.00	
Other Income	14	1410.88	570.63	
Profit on Sale of Assets		6.39	4.52	
Increase/(Decrease) in Stock-in-Trade	15	131.80	955.98	
		<u>40163.23</u>	66286.34	
<b>EXPENDITURE:</b>				
Materials Consumed	16	25735.23	42297.97	
Excise duty		-45.35	73.37	
Purchase of Trading Goods		8.92	0.00	
Employees' Remuneration and Benefits	17	5622.15	5265.19	
Manufacturing, Administrative and Selling Expenses	18	8876.27	10161.13	
Interest	19	2762.76	3437.10	
Depreciation		2786.32	2823.73	
Provisions	20	78.00	1183.27	
Loss on sale/disposal of Assets		6.74	19.09	
		<u>45831.04</u>	65260.85	
Profit/(Loss) for the year before Tax		<u>(5,667.81)</u>	1,025.49	
Less: Provision for Taxation (Wealth Tax)		0.00	0.05	
Less: Fringe Benefit Tax		12.98	0.00	
Profit/(Loss) After Tax		<u>(5,680.79)</u>	1025.44	
Less:- Reserve/Provision no longer required, Prior period & extra ordinary items	21	(19.74)	385.26	
Profit/(Loss) after Tax & Adjustments		<u>(5,661.05)</u>	640.18	
Profit/(Loss) after Tax & Adjustments		<u>(5,661.05)</u>	640.18	
Add: Opening Balance of Profit and Loss Account		<u>(21,468.46)</u>	-22108.64	
Balance carried to Balance Sheet		<u>(27,129.51)</u>	(21,468.46)	
Earnings per Share (Basic/Diluted)		<u>Rs(8.40)</u>	Rs.0.95	
Significant Accounting policies and Notes on Accounts	22			
As per our report of even date attached For <b>Gala &amp; Gala</b> Chartered Accountants		<b>For and on behalf of the Board of Directors</b>		
Sd/- <b>(Vasantt N. Bheda)</b> <b>Partner</b>	Sd/- <b>A. S. Didolkar</b> <b>Chairman &amp; Managing Director</b>	Sd/- <b>U. Sarkar</b> <b>Director (Finance)</b>		
	Sd/- <b>N. Satheesan</b> <b>Manager Finance</b>	Sd/- <b>Mrs. S. S. Kulkarni</b> <b>Company Secretary</b>		
Place : Mumbai Date : 27.07.2006	Place : Mumbai Date : 28.06.2006			



SCHEDULES FORMING PART OF THE BALANCE SHEET		(Rs. in lacs)	
		As at 31.03.2006	As at 31.3.2005
<b>SCHEDULE-1: SHARE CAPITAL</b>			
<b>AUTHORISED</b>			
70000000 Equity Shares of Rs.10 each (Previous Year 70000000 of Rs 10/-each)		<b>7000.00</b>	7000.00
<b>ISSUED, SUBSCRIBED AND PAID-UP</b>			
67366100 Equity Shares of Rs.10 each fully paid up (Previous year 67366100 Shares of Rs.10/-each). Of the above 300000 Equity Shares of Rs 10 each (Previous Year 300000 Shares of Rs.10/- each ) are allotted as fully paid up pursuant to a contract, without payment being received in cash.		<b>6736.61</b>	6736.61
Less: Unpaid Allotment Money :			
Directors		-	-
Others		<b>9.72</b>	9.72
		<b>6726.89</b>	6726.89
		<b>As at 31.03.2006</b>	As at 31.3.2005
<b>SCHEDULE -2: RESERVES &amp; SURPLUS</b>			
<b>Capital Reserve</b>			
Nominal value of Freehold land Re.1/- (Previous Year Re.1/-)		-	-
Securities Premium Account		<b>7090.83</b>	7124.22
Less : Securities Premium receivable on unpaid Allotment money (others)		<b>38.88</b>	38.88
Less: Bond Issue Expenses		<b>37.45</b>	33.39
		<b>7014.50</b>	7051.95
<b>Bond Redemption Reserve</b>			
Balance as per last Balance Sheet		<b>1050.00</b>	1050.00
		<b>8064.50</b>	8101.95
		<b>As at 31.03.2006</b>	As at 31.3.2005
	Note	<b>As at 31.03.2006</b>	As at 31.3.2005
<b>SCHEDULE-3: SECURED LOANS</b>			
17.5% Taxable 3890.32422 (4000.28125) Secured Bonds of Rs.1,00,000 each,overdue Rs.3890.32 lacs (Previous Year Rs.4000.28 lacs) matured on 30.09.2001.	1	<b>3890.32</b>	4000.28
Add : Interest overdue		<b>1737.80</b>	1548.39
		<b>5628.12</b>	5548.67
6.50% Taxable Nil (10000 Secured Bonds of Rs.1,00,000 each,redeemable within one year Rs.10000 lac) Due on 28.08.2005	2	<b>0.00</b>	10000.00
7% Taxable 9500(Nil) Secured Bonds of Rs.1,00,000 each,redeemable within one year Rs.9500 lac (Due on 28.08.2006)	2	<b>9500.00</b>	0.00
From Bank on Cash Credit Account	3	<b>4836.56</b>	1747.28



		(Rs. in lacs)	
		As at 31.03.2006	As at 31.3.2005
<b>SCHEDULE-3: SECURED LOANS (Contd...)</b>			
From Bank of Baroda VRS Loan Account	4	<b>3063.78</b>	3100.00
Add : Interest overdue		<u>93.94</u>	<u>103.53</u>
		<b>3157.72</b>	3203.53
From HDFC Bank	5	<u>5.79</u>	<u>9.67</u>
		<b>23128.19</b>	<b>20509.15</b>
<p>Note : 1. 17.5% Taxable 3890.32422 Redeemed, in part Bonds of Rs.1,00,000 each are secured by way of a legal mortgage in English form created by way of Registered Bond Trust deed over its immovable properties situated at village Deolali, Posari, Wasambe, Parade, Savale, Turade, Dapivali and Ambivali Talukas Panvel and Khalapur, District Kolaba 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).</p> <p>2. 9500 Secured Bonds of Rs.100000 each are secured against Guarantee provided by Govt. of India for repayment of principal and interest thereupon and also against equitable mortgage of flat No.511 at Nestle Apartment Worli, Mumbai belonging to the company. The Government of India Guarantee for Rs.100 crores is for total Bond issue of Rs.100 crores created by way of Registered Bond trust deed and the Gurantee is effective for a period of one year from 28.08.2005 i.e. date of allotment.</p> <p>3. Loan from bank on cash credit account is secured by :</p> <p>    a. Hypothecation of the Company's entire stock of raw materials, finished goods, stock-in-process, consumable stores and spares and book debts in favour of the bank to the extent of Rs.15500 lacs.</p> <p>    b. Equitable mortgage conveying 1st Pari Passu charge over all immovable assets at factory and township situated at Ambalamugal, Dist : Ernakulam and 2nd Pari Passu charge over the immovable properties specified in (1) hereinabove.</p> <p>4. VRS loan from Bank of Baroda is secured against hypothecation of movable machinery and other movables both present and future except stocks &amp; book Debts and first Pari Passu charge over company's immovable properties both present and future at Kochi and second Pari Passu charge provided by Government of India for Rs.31.00 crores.</p> <p>5. Loan from HDFC Bank are secured against hypothecation of vehicles purchased.</p>			
		As at 31.03.2006	As at 31.3.2005
<b>SCHEDULE - 4: UNSECURED LOANS</b>			
13% Taxable 150 Unsecured Bonds of Rs.1,00,000 each, overdue Rs.150 lacs, (Previous Year 150 lacs) matured on 31.03.2002.		<b>150.00</b>	150.00
Add: Interest overdue		<u>72.75</u>	<u>61.50</u>
		<b>222.75</b>	211.50
13.5% Taxable 1998.57500 (2422) Unsecured Bonds of Rs.1,00,000 each, overdue Rs.1998.57 lacs (Previous Year Rs.2422 lacs) matured on 29.06.2002.		<b>1998.58</b>	2422.00
Add: Interest overdue		<u>551.56</u>	<u>884.95</u>
		<b>2550.14</b>	3306.95
13.5% Taxable 220 Unsecured Bonds of Rs.1,00,000 each Redeemable within one year Rs.220 lacs (Previous Year Rs. 220 lacs) due on 30.06.2005		<b>220.00</b>	220.00
Add: Interest overdue		<u>94.73</u>	<u>52.65</u>
		<b>314.73</b>	272.65
12.5% Taxable 250 Secured * Bonds of Rs.1,00,000 each, overdue Rs.250 lacs (Previous Year Rs.250 lacs) matured on 15.11.2000		<b>250.00</b>	250.00
Add: Interest overdue		<u>64.25</u>	<u>45.50</u>
		<b>314.25</b>	295.50
13.60% Taxable 189.84375 Secured * Bonds of Rs.1,00,000 each Overdue Rs.189.84 lacs (Previous Year Rs.281.25 lacs) matured on 30.07.2001.		<b>189.84</b>	281.25
Add: Interest overdue		<u>34.17</u>	<u>50.63</u>
		<b>224.01</b>	331.88
14.5% Taxable 2132.87500 (2395) Secured * Bonds of Rs.1,00,000 each, overdue Rs.2132.88 lacs (Previous Year Rs.2395 lacs ) matured on 07.08.2002.		<b>2132.88</b>	2395.00
Add: Interest overdue		<u>978.10</u>	<u>1096.63</u>
		<b>3110.98</b>	<b>3491.63</b>



SCHEDULE - 4: UNSECURED LOANS (Contd..)		(Rs. in lacs)	
		As at 31.03.2006	As at 31.03.2005
13.50% Taxable 1693.10 (1950) Secured * Bonds of Rs.1,00,000 each, overdue Rs.1693.10 lacs(Previous Year Rs.1950 lacs) matured on 14.12.2002.	1693.10		1950.00
Add: Interest overdue	757.11		894.43
		2450.21	2844.43
13% Taxable Nil (Nil) Secured* Bonds of Rs.1,00,000 each overdue Rs.Nil (Previous Year Rs.Nil lacs).	0.00		0.00
Add: Interest overdue	2.02		2.02
		2.02	2.02
14.5% Taxable 159.625 (195) Secured * Bonds of Rs.1,00,000 each, overdue Rs.159.63 lacs (Previous Year Rs.195 lacs) matured on 31.01.2004.	159.63		195.00
Add : Interest overdue	50.44		76.05
		210.07	271.05
13.5% Taxable 1793.80 (2115) Secured * Bonds of Rs.1,00,000 each (redeemable at the end of third year with yearly interest payment matured on 30.07.2004).	1793.80		2115.00
Add : Interest overdue	1022.90		1112.76
		2816.70	3227.76
13 % Taxable 126 (140) Secured * Bonds of Rs.1,00,000 each (redeemable at the end of third year with half yearly interest payment) matured on 30.07.2004).	126.00		140.00
Add : Interest overdue	32.84		44.44
		158.84	184.44
*Pending creation of security treated as unsecured Fixed Deposits, includes overdue deposits Rs.2246.14 lacs(Previous year Rs.2326.44 lacs)	2246.14		2353.22
Add: Interest overdue	1026.29		913.41
		3272.43	3266.63
<b>Other Loans and Advances</b>			
Others, includes overdue Rs.NIL(Previous year Rs.Nil) and payable within one year Rs.78.39 lacs (Previous year Rs.70.72 lacs)		641.88	722.43
From Government of India, includes overdue Rs.695.30 lacs (Previous Year Rs.426.80 lacs) and payable within one year Rs.328.50 lacs (Previous year Rs.268.50 lacs).	3285.00		2685.00
Add: Interest overdue	997.01		618.86
		4282.01	3303.86
		<u>20571.02</u>	<u>21732.73</u>

SCHEDULE - 5 FIXED ASSETS

Item Description	GROSS BLOCK					DEPRECIATION				NET BLOCK	
	As at 31.03.2005	Additions	Sales Adjustments	As at 31.03.2006	Up to 31.03.2005	Sales Adjustments	Provided during the year	Impairment of Assets	Up to 31.03.2006	As on 31.03.2006	As on 31.03.2005
1. Land & Land Development	668.49	0.00	0.00	668.49	0.00	0.00	0.00	0.00	0.00	668.49	668.49
2. Leasehold Land	50.00	0.00	0.00	50.00	31.41	0.00	0.00	3.34	34.75	15.25	18.59
3. Buildings	3432.14	49.34	0.00	3481.48	1283.33	0.00	0.00	68.85	1352.18	2129.30	2148.81
4. Drainage, Effluent & Pollution Control System	991.53	0.00	0.00	991.53	755.71	0.00	-	23.99	779.70	211.83	235.82
5. Water Supply System	256.70	0.00	0.00	256.70	124.82	0.00	0.00	10.71	135.53	121.17	131.88
6. Chemical & Utility Plant	52410.60	222.92	1.47	52607.84	30199.65	1.33	-	2341.97	0.00	32540.29	20067.55
7. R & D Plants	153.99	0.00	0.00	153.99	116.68	0.00	0.00	3.46	120.14	33.85	37.31
8. Elect.Inst., AC & Elect. Equipments	4214.50	13.20	4.30	4223.19	2737.45	3.64	-	188.22	2922.03	1301.16	1477.05
9. Furniture, Fixtures & Equipments	3252.52	31.98	40.55	3243.95	2116.82	33.52	0.00	124.93	2208.23	1035.72	1135.70
10. Railway Sidings	35.53	0.00	0.00	35.53	33.67	0.00	0.00	0.08	33.75	1.78	1.86
11. Vehicles	90.77	0.05	17.39	73.43	63.69	16.52	0.00	3.31	50.48	22.95	27.08
12. Library Books	72.58	0.30	0.00	72.88	68.37	0.00	0.00	0.47	68.84	4.04	4.21
13. Plants held for disposal	909.75	0.00	0.00	909.75	740.92	0.00	0.00	16.99	757.91	151.84	168.83
<b>Total</b>	<b>66539.10</b>	<b>317.79</b>	<b>63.71</b>	<b>66768.76</b>	<b>38272.52</b>	<b>55.01</b>	<b>-</b>	<b>2786.32</b>	<b>0.00</b>	<b>41003.83</b>	<b>25764.93</b>
Previous year	66678.00	145.04	80.56	66539.10	35502.33	50.00	(3.54)	2823.73	24.21	38296.73	28242.37

# On account of impairment of assets during previous year.





SCHEDULE - 6: CAPITAL WORK-IN-PROGRESS		(Rs. in lacs)	
	As at 31.03.2006	As at 31.03.2005	
<b>Construction Work in Progress</b>	<b>1619.41</b>	1785.37	
<b>EXPENDITURE DURING CONSTRUCTION</b>			
1. J.N.P.T. Tank Terminals	1326.48	1326.48	
2. Combined Heat & Power Project	19.33	19.33	
3. Phenol Plant Expansion.	171.48	171.48	
Less: Write off Phenol Plant Expansion	<u>171.48</u>	<u>171.48</u>	
	<b>0.00</b>	0.00	
<b>ADVANCES FOR CAPITAL WORKS</b>			
Secured			
Considered good in respect which the Company holds bank guarantee	16.59	0.00	
<b>ADVANCES FOR LAND :</b>			
Unsecured			
Considered good	<u>308.66</u>	<u>308.66</u>	
	<u><b>3290.47</b></u>	<u><b>3439.84</b></u>	
<b>As at 31.03.2006</b>		<b>As at 31.03.2005</b>	
<b>SCHEDULE - 7 : INVESTMENTS (AT COST)</b>			
<b>Long Term Investment</b>			
11060000(Previous year 11060000)Equity Shares of Rs.10 each fully paid in Hindustan Fluorocarbons Ltd.,a subsidiary Company-Quoted (Market value are not ascertainable, since these shares though, listed are not traded during the year).	1106.00	1106.00	
Less: Provision for diminution of investment	<u>1106.00</u>	<u>1106.00</u>	
	<b>0.00</b>	0.00	
<b>Long Term Investment</b>			
30000(Previous year 30000)Equity Shares of Rs.10 each fully paid in HOC-Chematur Ltd.,a Joint Venture Company-Not listed.	3.00	3.00	
Less: Provision for diminution of investment	<u>3.00</u>	<u>3.00</u>	
	<b>0.00</b>	0.00	
<b>Current Investment</b>			
49700, 6.75% Tax Free US64 Bonds of the face value of Rs.100 each fully paid. Market value Rs.50.54 lakhs(Previous year Rs.52.02 Lakhs)	49.70	49.70	
	<u>49.70</u>	<u>49.70</u>	
Aggregate value of Quoted Investments :			
At Cost price	49.70	49.70	
At Market Price : US64 Bonds/Units of UTI	50.54	52.02	
Transaction of H.F.L.Shares are under suspension in BSE			



SCHEDULE - 8 : INVENTORIES		(Rs. in lacs)	
	As at 31.03.2006	As at 31.03.2005	
<b>(AS TAKEN, VALUED AND CERTIFIED BY THE MANAGEMENT)</b>			
<b>Stores and Spares</b>	2146.65	1926.51	
Less: Provision for obsolescence	<u>305.63</u>	<u>231.79</u>	
	<b>1841.02</b>	<b>1694.72</b>	
<b>Raw Materials</b>	1223.98	1015.56	
<b>Materials-in-transit</b>	<u>458.98</u>	<u>123.42</u>	
	<b>1682.96</b>	<b>1138.98</b>	
<b>Stock-in-Process</b>			
i) For Sale	717.68	521.68	
ii) Finished goods pending inspection			
a) Captive	93.27	131.79	
b) Sale	<u>20.93</u>	<u>18.92</u>	
	<b>831.88</b>	<b>672.39</b>	
<b>Finished Products</b>			
i) For Captive Consumption	1263.82	1550.45	
ii) Main Products for sale	1985.40	1885.76	
iii) By-Products	<u>25.89</u>	<u>16.86</u>	
	<b>3275.11</b>	<b>3453.07</b>	
	<b>7630.97</b>	<b>6959.16</b>	
<b>SCHEDULE - 9 : SUNDRY DEBTORS</b>			
	As at 31.03.2006	As at 31.03.2005	
Debts outstanding for a period exceeding six months	3099.61	3119.12	
Other Debts	<u>3464.46</u>	<u>5242.80</u>	
	<b>6564.07</b>	<b>8361.92</b>	
Less: Provision for Doubtful Debts	<u>3042.03</u>	<u>3063.82</u>	
	<b>3522.04</b>	<b>5298.10</b>	
<b>NOTE:</b>			
Secured-considered good, in respect of which Company holds Bank Guarantees/Letters of Credit	1478.51	1714.70	
Unsecured considered good	2043.53	3583.40	
Unsecured considered Doubtful	<u>3042.03</u>	<u>3063.82</u>	
	<b>6564.07</b>	<b>8361.92</b>	
Less: Provision for Doubtful Debts	<u>3042.03</u>	<u>3063.82</u>	
	<b>3522.04</b>	<b>5298.10</b>	
<b>SCHEDULE - 10 : CASH AND BANK BALANCES</b>			
	As at 31.03.2006	As at 31.03.2005	
Cash including Cheques in hand (Rs.162.81 lacs) (Previous year Rs. 245.66 lacs)	164.44	247.74	
With Scheduled Banks			
In Current Account	405.69	504.07	
In Term Deposit Account	<u>17.76</u>	<u>41.52</u>	
	<b>587.89</b>	<b>793.33</b>	



<b>SCHEDULE - 11 : LOANS AND ADVANCES</b>		(Rs. in lacs)	
	As at 31.03.2006	As at 31.03.2005	
Advances to Subsidiary Company ( Unsecured-considered doubtful)	25.00	0.00	
Advances	2523.93	2523.93	
Less: Provision for doubtful advance	2523.93	2523.93	
	0.00	0.00	
Interest accrued but not received	2347.05	2346.05	
Less:Provision for Interest accrued but not received	2346.05	2346.05	
	1.00	0.00	
Advance to Joint Venture Co. (Unsecured-considered doubtful)			
Advances	1065.43	1065.43	
Less: Provision for doubtful advance	1065.43	1065.43	
	0.00	0.00	
Loans to Public Sector Undertakings (Unsecured-considered doubtful)			
Loans	171.08	171.08	
Less: Provision for doubtful of recovery	171.08	171.08	
	0.00	0.00	
<b>Advances recoverable in cash or in kind or for value to be received :</b>			
Staff Loans			
Secured-considered good	424.24	538.60	
Unsecured-considered good	1847.56	833.11	
Unsecured-considered doubtful	71.91	71.63	
Less: Provision for doubtful advances	71.91	71.63	
	0.00	0.00	
Balances with Customs, Excise,Post Office, Telephones, Electricity etc. (Unsecured-considered good)			
Unsecured-considered doubtful	1.80	1.80	
Less: Provision for doubtful deposits	1.80	1.80	
	0.00	0.00	
	<u>2658.58</u>	<u>1731.75</u>	
Dues from (excluding advances for purchases and expenses for the Company)			
—Directors	-	-	
—Officers	82.33	96.91	
Maximum amount due at any time during the year			
—Directors	-	-	
—Officers	92.37	113.83	
<b>SCHEDULE - 12 : CURRENT LIABILITIES</b>			
	As at 31.03.2006	As at 31.03.2005	
<b>Sundry Creditors</b>			
Dues to Small Scale Industrial Unit *	29.52	36.33	
Dues to Others - other than SSI Units	6059.89	5398.13	
Dues to Employees	411.82	444.62	
Amount due to Customers	634.83	855.67	
Deposits from Contractors and Others	540.73	382.75	
Interest accrued but not due	554.14	545.78	
Other Liabilities	1814.32	1778.15	
Unclaimed Dividend	0.00	8.60	
	<u>10045.25</u>	<u>9450.03</u>	
(*) Includes dues outstanding for more than 30 days, within the agreed terms payable to M/s. Jyoti Industries & Shivsakthi Engineering Co.			



<b>SCHEDULE - 13 : PROVISIONS</b>			(Rs. in lacs)
	As at 31.03.2006	As at 31.03.2005	
For Taxation	1.55	1.55	
For water charges from Grampanchayats	165.08	165.08	
For leave encashment	1449.35	1267.66	
For Wage Settlement	0.00	45.91	
For Accumulated Gratuity	1290.10	1129.18	
For Statutory Claims	114.77	114.77	
	<u>3020.85</u>	<u>2724.15</u>	
<b>SCHEDULES FORMING PART OF PROFIT &amp; LOSS ACCOUNT</b>			
<b>SCHEDULE-14 : OTHER INCOME</b>			
	Year End 31st March, 2006	Year Ended 31st March, 2005	
<b>INTEREST:</b>			
On Call and Term Deposits (Gross), (Tax deducted at source Rs. 0.07 lac) (Previous Rs. 0.14 lac)	3.67	4.18	
On Advances and Deposits with MIDC, MSEB and others (Tax deducted at source Rs. 1.83 lacs (Previous year Rs. 1.16 lacs)	38.73	58.49	
On loan to the Subsidiary Co., M/s. HFL (Tax deducted at source Rs. Nil) (Previous year Rs. Nil)	1.00	-	
	<u>43.40</u>	<u>62.67</u>	
<b>OTHERS :</b>			
Estate Rent (Tax deducted at source Rs.0.60 lac)	70.71	56.61	
Transport, Water, Electricity, etc.	69.46	70.40	
Exchange Rate difference	2.39	37.91	
Import Duty Benefit	88.76	87.79	
Delayed payment charges	130.84	185.26	
Miscellaneous Income (Tax deducted at source Rs. NIL) (Previous year Rs. 0.07 Lacs)	1005.32	69.99	
	<u>1367.48</u>	<u>507.96</u>	
	<u>1410.88</u>	<u>570.63</u>	
<b>SCHEDULE-15 : INCREASE / (DECREASE) IN STOCK IN TRADE AND IN PROCESS</b>			
	Year End 31st March, 2006	Year Ended 31st March, 2005	
<b>OPENING STOCK</b>			
Stock-in-Process	672.39	551.63	
Stock for Captive Consumption	1550.45	824.99	
Finished Products (including Rs. 7.05 lacs By-products) (Previous year Rs. 3.88 lacs)	1902.62	1792.86	
Less: VAT Credit available on Opening Stock	<u>-150.27</u>	<u>0.00</u>	
	<u>3975.19</u>	<u>3169.48</u>	
<b>CLOSING STOCK</b>			
Stock-in-Process	831.88	672.39	
Stock for Captive Consumption	1263.82	1550.45	
Finished Products (including Rs. 10.34 lacs By-products) (Previous year Rs. 7.05 lacs)	2011.29	1902.62	
	<u>4106.99</u>	<u>4125.46</u>	
	<u>131.80</u>	<u>955.98</u>	



<b>SCHEDULE-16 : MATERIALS CONSUMED</b>		(Rs. in lacs)	
	<b>Year Endend 31st March, 2006</b>		<b>Year Ended 31st March, 2005</b>
	MT	MT	
<b>A RAW MATERIALS</b>			
Sulphur	11140	565.57	13613 696.22
Benzene	40327	14525.60	62930 27842.25
Methanol	13186	2121.44	14091 2315.50
Nitric acid	1235	99.10	4312 352.14
Toluene	1926	644.94	2442 846.52
Naphtha	4281	1041.36	5266 1106.23
Ammonia	3222	480.20	2810 412.65
Acetic Acid	209	70.88	722 240.60
Poly Urethane Systems		0.00	45.46
Liquified Petroleum Gas	15414	4581.03	26330 6583.68
Cumene	0	0.00	0 0.00
Hydrogen (MT)	78	83.16	267 294.09
Other Raw Materials		333.18	316.96
		<u>24546.46</u>	<u>41052.30</u>
<b>B.Stores and Spare Parts</b> (Including catalyst consumed)		1188.77	1245.67
		<u>25735.23</u>	<u>42297.97</u>
<b>SCHEDULE - 17 EMPLOYEES' REMUNERATION AND BENEFITS</b>			
	<b>Year Endend 31st March, 2006</b>		<b>Year Ended 31st March, 2005</b>
Salary, Wages, Bonus, Incentives and Allowances includes Rs. 244.42 lacs(Previous year Rs. 244.42 lacs) being amortisation of VRS expenses.	3998.24		3794.96
Company's contribution to Provident Fund Family Pension Fund and other Funds	368.54		354.44
Gratuity payments including premium for Group Gratuity-cum-Life Insurance Scheme (Includes Rs.98.98 lacs (Previous year Rs.158.93 lacs) being amortisation of Gratuity paid to employees on VRS.)	280.00		244.27
Provision for leave encashment	181.69		154.22
<b>Employees Welfare Expenses</b>			
Medical Amenities	177.38		155.78
Educational Amenities	122.20		132.73
Canteen and Nutrition Amenities	357.16		343.43
Other Welfare Expenses	124.65		73.35
<b>Directors' Remuneration</b>			
Salary and Allowances (including Leave Travel Allowance, Leave Encashment and Medical Expenses)	10.50	10.51	
Company's contribution to Provident Fund	1.00	0.92	
Gratuity payment including Premium for Group Gratuity-cum-Life Insurance Scheme	0.79	12.29	0.58 12.01
		<u>5622.15</u>	<u>5265.19</u>



<b>SCHEDULE- 18 : MANUFACTURING , ADMINISTRATION AND SELLING EXPENSES</b>			(Rs. in lacs)
	Year End 31st March, 2006		Year Ended 31st March, 2005
Power	2610.93		1741.58
Fuel	3063.47		4447.96
Water	208.51		238.24
<b>Repairs and Maintenance to :</b>			
Buildings	62.48	54.87	
Plant and Machinery	285.51	301.39	
Other Assets	256.74	251.97	
	<u>604.73</u>		608.23
Research and Development	1.92		0.93
Consultancy Charges	60.66		77.74
Rent	140.41		25.48
Rates and Taxes	40.69		48.31
Insurance	221.06		245.39
Exchange Rate Difference-Loss	0.89		8.53
Payment to Auditors			
Audit Fees	3.83	3.78	
Fees for Certification work	0.91	1.51	
Out of pocket expenses (including service tax)	0.40	0.40	
Tax Audit Fees	0.84	0.77	6.46
	<u>5.98</u>		
Other Expenses including Directors' Travelling Rs.14.14 lakhs (Previous Year Rs.14.38 lakhs)	1379.06		1796.04
Rebate & Discount on Sales	532.90		880.55
Expenditure on export	2.92		32.20
Sales promotion and Publicity	2.14		3.49
	<u>8876.27</u>		<u>10161.13</u>
<b>SCHEDULE - 19 : INTEREST</b>			
	Year End 31st March, 2006		Year Ended 31st March, 2005
On Fixed Loans	2350.86		2750.62
On Other Loans	411.90		686.48
	<u>2762.76</u>		<u>3437.10</u>
<b>SCHEDULE - 20 : PROVISIONS</b>			
	Year End 31st March, 2006		Year Ended 31st March, 2005
For Stores Obsolescence	74.92		203.90
For Doubtful debts	2.79		791.61
For Impairment of Assets	0.00		24.21
For Doubtful of Advance/Receivables	0.29		48.75
For Doubtful recovery of Advance to HOC-Chematur	0.00		0.03
For Statutory Claims	0.00		114.77
	<u>78.00</u>		<u>1183.27</u>



**SCHEDULE - 21 : RESERVE/PROVISION NO LONGER REQUIRED/PRIOR PERIOD AND EXTRA ORDINARY ITEMS** (Rs. in lacs)

	Year End 31st March, 2006	Year Ended 31st March, 2005
<b>1. PRIOR YEAR ADJUSTMENTS :</b>		
<b>INCOME</b>		
Miscellaneous income	11.32	0.00
Others income	0.09	62.62
<b>EXPENDITURE</b>		
Sales	7.43	4.18
Raw Material	12.27	0.00
Salaries arrears, incentives & other benefits	11.51	0.00
General Expenses	(1.36)	36.94
Interest	0.00	3.95
Depreciation	0.00	65.38
Sales Tax	0.00	54.22
Rent, Rates & Taxes	(12.52)	352.88
	5.92	454.93
<b>2. EXCESS PROVISION / RESERVE WRITTEN BACK</b>		
Gratuity provision written back	0.00	238.43
Obsolescence and others	1.08	0.00
Bad Debt provision written back	24.58	2.72
	25.66	241.15
<b>3. EXTRA ORDINARY ITEMS</b>		
Write off- EDC of Feasibility Study of Phenol capacity Expansion	0.00	171.48
	0.00	171.48
	-19.74	385.26

**SCHEDULE 22**

**NOTES ON ACCOUNTS**

**PART A :**

**SIGNIFICANT ACCOUNTING POLICIES**

**1. Basis of Preparation of Financial Statements.**

**Accounting Convention**

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

**2. FIXED ASSETS**

- a) Fixed Assets are stated at historical cost less depreciation.
- b) The constructed/fabricated capital assets are capitalized as and when the same are installed in the plants.
- c) Machinery spares which are procured for use in connection with particular machinery/equipment and stand by equipments which are identified to a particular item of Fixed asset and having irregular use are capitalized and written off over the remaining useful life of the machinery/ equipment.
- d) In respect of Plant & Machinery, significant expenditure on Repairs, Renewals and Replacement having a separate identity and is capable of being used after the existing assets is 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 Profit & Loss Account under "Repairs & Maintenance".

**e) Impairment of Assets**

An asset is treated as impaired when the carrying cost of assets exceeds its recoverable value. An impairment loss is charged to the Profit and Loss Account in the year in which an asset is identified as impaired. The impairment loss recognised in prior accounting periods is reversed if there has been a change in the estimate of recoverable amount.

**3. DEPRECIATION :**

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

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



<p>ii. acquired from 2.4.1987 onwards and in existence as on 1.4.1993, depreciation is provided on straight line method at old rates prescribed in the then Schedule XIV of the Companies Act, 1956.</p> <p>iii. acquired after 1.4.1993 Depreciation is provided on straight line method as per the rates given in the revised Schedule XIV to the Companies Act, 1956. Or on the basis of estimated life of the assets, whichever is higher.</p> <p>c) Lease premium paid on leasehold land is amortised over the life of lease.</p> <p><b>4. EXPENDITURE DURING CONSTRUCTION PERIOD</b> All revenue expenses including interest incurred on the funds used/incurred for acquiring, erecting and commissioning Fixed Assets are transferred to "Expenditure during Construction", which is allocated to capital cost of respective assets on their completion, except in case of assets held for disposal. All indirect revenue expenditures are apportioned as determined by the Management.</p> <p><b>5. INVENTORIES :</b></p> <p>a) Inventories are valued at lower of cost and net realizable value except in case of ;</p> <p>i. Stores and spares, which are valued at cost, determined as per weighted average cost method,</p> <p>ii. By-products which are valued at estimated net realizable value, and</p> <p>iii. Intermediate products which are valued at cost of production or net realizable value whichever is lower where cost is determined as per average cost of production.</p> <p>b) For the purpose of valuation of stock-in-process and stock of finished goods pending inspection, the same is converted into equivalent units of finished products depending upon stage of completion.</p> <p>c) The cost of Catalyst is amortised over their estimated useful lives. Balance unamortised portion has been shown under the head "Stores and Spares"</p> <p><b>6. REVENUE RECOGNITION</b></p> <p>a) The "Sales" are stated on the basis of invoices net of sales tax and trade discounts.</p> <p>b) Revenue from sale of Scrap and obsolete stores is accounted for at the time of disposal.</p> <p>c) Delayed payment charges due from customers other than Government Companies/Departments are accrued as income where Management is certain about its recoverability.</p> <p>d) Claims for delayed payment charges in case of Government Companies/Departments are referred to the Arbitrators as prescribed by the Government of India and revenue is recognized upon receipts of award from the Arbitrators.</p> <p>e) Interest income is recognized when no significant uncertainty as to its realization exists.</p> <p>f) Benefit of Duty Credit are accounted for on the basis of actual utilization or transfer of credit.</p> <p><b>7. FOREIGN CURRENCY TRANSACTIONS</b> 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 Profit &amp; Loss Account.</p> <p><b>8. BOND ISSUE EXPENSES</b> Bond Issue Expenses are being charged off against Securities Premium Account as per the provisions of the Companies Act, 1956.</p> <p><b>9. VRS EXPENDITURE</b> The expenditure incurred including gratuity (net of Grant-in-aid, if any) on Voluntary Retirement of employees, as per the Voluntary Retirement Scheme is treated as deferred revenue expenditure and is amortised over a period of 5 years and is accounted based on the actual payment made on the date of relieving of the employees.</p> <p><b>10. RETIREMENT BENEFITS.</b></p> <p>a) Company's contribution to provident fund is accounted for on accrual basis.</p> <p>b) Liability on Account of Gratuity and leave encashment to the employees at the end of the year is provided for on the basis of Actuarial Valuation every year.</p>	<p><b>11. BONUS</b> Bonus has been provided under the Payment of Bonus Act, 1965, on the basis of profitability of each Unit.</p> <p><b>12. INVESTMENTS</b></p> <p>a) Long term investments are stated at cost less decline, if any, other than temporary in value on individual investment basis.</p> <p>b) Investments intended to be held for not more than one year from the date of acquisition are classified as current investments and are carried at lower of cost or fair value determined on individual investment basis.</p> <p><b>13. PRIOR PERIOD/PREPAID EXPENSES</b> Prepaid/prior period expenses not exceeding Rs. 10,000/- in respect of each item, is accounted for under appropriate heads, at the time of payment.</p> <p><b>14. CONTINGENT LIABILITIES.</b> Claims against the Company not acknowledged as debts relating to normal business transactions and show cause notices and demands raised by tax authorities disputed by the Company are treated as Contingent Liabilities and disclosure is made in accordance with AS -4.</p> <p><b>PART B :</b></p> <p><b>NOTES ON ACCOUNT</b></p> <p><b>1. SCHEDULE 3 – SECURED LOANS</b></p> <p>a) Interest on bonds, which are live at the year end is provided at the contracted rate.</p> <p>b) Pursuance to consistent efforts during last few years certain Bond holders agreed to settle their dues having restricted the interest claim till the date of maturity. Accordingly, on overdue bonds worth Rs.176.45 lacs, the reduction in liability on account of reversal of interest for earlier years amounting to Rs.88.34 lacs is credited to miscellaneous income. Interest on overdue principle of balance bonds amounting to Rs.3713.87 lacs (previous year Rs.4000.28 lacs) has been provided @7.50% (previous year @ 7.50%) in view of prevailing market rate and ongoing settlement process, as against the coupon rate of 17.5%.</p> <p><b>2. SCHEDULE 4 – UNSECURED LOANS</b></p> <p>a) Interest on Bonds/Fixed Deposits, which are live at the year end is provided at the contracted rate.</p> <p>b) Consequent upon continuous efforts during last few years certain investors agreed to settle the dues having restricted their interest claim upto the date of maturity. Accordingly, on such overdue bonds of Rs.3290.83 lacs and on Public Deposit of Rs.120 lacs, the reduction in liability on account of reversal of interest for earlier years amounting to Rs.778.27 lacs on bonds and Rs.46.78 lacs of Public Deposits is credited to the miscellaneous income. In other cases, interest for delayed period payable on principle amount of overdue bonds of Rs.5423.00 lacs (previous year Rs.9898.25 lacs) and overdue Fixed Deposit of Rs.2126.14 lacs (previous year Rs.2326.44 lacs) is provided @ 7.50% (previous year @ 7.50%) in view of prevailing market rate and ongoing settlement process, as against the coupon rate varying from 12.50% to 14.50% in the case of bonds and interest rate varying from 10.50% to 12.50% on Public Deposits.</p> <p>c. Other Loans and Advances comprises of the following :</p> <table border="1"> <thead> <tr> <th></th> <th style="text-align: right;">31.3.2006 (Rs. in lacs)</th> <th style="text-align: right;">31.3.2005 (Rs. in lacs)</th> </tr> </thead> <tbody> <tr> <td>LIC HFL (Refinance)</td> <td style="text-align: right;">361.75</td> <td style="text-align: right;">385.50</td> </tr> <tr> <td>HDFC (Corporate Housing loans)</td> <td style="text-align: right;">135.94</td> <td style="text-align: right;">169.54</td> </tr> <tr> <td>CANARA BANK (Housing loans)</td> <td style="text-align: right;">144.19</td> <td style="text-align: right;">167.39</td> </tr> </tbody> </table> <p>d) The Company has not made any provision towards penal interest amounting to Rs.12.31 lacs on overdue principle amount of loan granted by the Government of India till 31<sup>st</sup> March, 2005 as per terms of Financial Restructuring Scheme sanctioned by Govt. of India in the meeting of Cabinet Committee on Economic Affairs (CCEA) dated March 9, 2006 and for the current year, no provision has been made for penal interest amounting to Rs.14.43 lacs (excluding interest on interest) on overdue principle amount of loan since the same are leviable at the discretion of Govt. of India. The company has not received any such demand.</p>		31.3.2006 (Rs. in lacs)	31.3.2005 (Rs. in lacs)	LIC HFL (Refinance)	361.75	385.50	HDFC (Corporate Housing loans)	135.94	169.54	CANARA BANK (Housing loans)	144.19	167.39
	31.3.2006 (Rs. in lacs)	31.3.2005 (Rs. in lacs)											
LIC HFL (Refinance)	361.75	385.50											
HDFC (Corporate Housing loans)	135.94	169.54											
CANARA BANK (Housing loans)	144.19	167.39											



**3. SCHEDULE 5 – FIXED ASSETS**

- a) Land in possession of the Company at Rasayani admeasuring 455.69 hectares (previous year 455.69 hectares) has been given free of cost for use, by the Government of Maharashtra, against which a nominal value of Re.1/- is included in "Land and Land development" by creating "Capital Reserve". Land at Panvel amounting to Rs.0.80 lac (previous year Rs.0.80 lac) included in "Land & Land development" has been given by the Government of Maharashtra for the purpose of constructing staff quarters.
- b) i) Lease hold land Written Down Value (WDV) Rs.15.26 lacs (previous year Rs.18.59 lacs) relates to land at JNPT Tank Farm Project in respect of which lease deed is yet to be executed by the Port authorities for certain unresolved issues with all allottees. The settlement process between JNPT Authorities and Association of Tank Farm owners has been initiated and the matter has been referred to Arbitrators, as mutually agreed.
- ii) Capital Work-in-Progress and Expenditure during Construction Rs.2945.11 lacs (previous year Rs.2945.11 lacs) relates to cost of JNPT Tank Farm project wherein Management had decided to suspend further construction. However, the Company has initiated the process of restarting the construction work including upgradation and enhancement of capacity through Build, Operate and Transfer (BOT) arrangement. The assets is carried at cost in view of the decision.
- c) Hydrogen Ph.-I, Dinitrobenzene, Formaldehyde-I, Butendiol, Acetyldehyde, Plants having WDV at Rs.151.58 lacs (previous year Rs.168.83 lacs) are held for disposal. These assets have been carried at lower of net book value and Net Realisable Value ascertained on the basis of technical assessment made by the management.
- d) Certain plants viz. Caustic Soda, PUSH, MCB & NCB, having Gross Block Rs.14912.19 lacs (previous year Rs.14912.19 lacs), Net Block Rs.7049.83 lacs (previous year Rs.7808.05 lacs) which are not in active use on the ground of temporary uneconomical operating condition are carried at cost. However, decision has been taken to restart the Caustic Soda plant (Gross value Rs.8993.93 lacs) after a detailed feasibility study conducted by outside expert. Similar actions for other closed plants are under consideration.
- e) i) As there is no further impairment of assets no provision for impairment loss made during the year.
- ii) During the year, one generator out of two at Kochi unit was damaged due to an accident in Captive Power Plant, the written down value of the said assets is Rs.147.36 lacs as on 31<sup>st</sup> March, 2006. The asset is covered under the Fire Insurance for replacement value of Rs.1304.00 lacs. The said generator can be restored to original operating efficiency after repair and replacement of some parts as assessed by a Technical team which was confirmed by the original equipment manufacturer. The Insurance Company has, in principle, agreed to compensate the expenses likely to be incurred to reinstate the assets in operating condition. No provision either for repairing and replacement or for impairment of assets has been made in view of the above mentioned facts.
- iii) Similarly, due to heavy rain in Raigad District of Maharashtra on 26<sup>th</sup> and 27<sup>th</sup> of July, 2005, some of the assets at Rasayani unit were affected. As per the technical assessment, the said assets/facilities can be restored to original condition after repairing and replacement, these assets were covered by insurance policy and the insurance company, in principle, agreed to compensate the expenses towards repair and replacement of such assets. The underwriters, in fact, released ad-hoc payment of Rs.112.92 lacs during the year. The balance amount would be paid by the insurance companies in due time. Hence, no provision towards repairs and replacement for flood damage assets has been made.

**4. SCHEDULE 6 - CAPITAL WORK IN PROGRESS - ADVANCE FOR LAND**

The Company has paid an amount of Rs.308.66 lacs to CIDCO towards purchase of land in the year 1995. The Company has received allotment letter from M/s. CIDCO, terms of possession have been finalized and possession of the land will be taken over by the company shortly.

**5. SCHEDULE 7 – INVESTMENTS**

- a) The Company had an investment of Rs.1106 lacs (previous year Rs.1106 lacs) in the subsidiary company M/s. Hindustan Fluorocarbons Ltd. (HFL) which was under BIFR since 1994. BIFR had ordered sale of assets of HFL to outside party, an appeal was filed by the Company to AAIFR against the decision. The transactions of HFL Shares in all Stock Exchanges remain suspended since 1998. The company made a suitable provision for the entire investment in the books during the year 2003-04. There is no significant change in the status of the company, therefore, the provision is maintained.
- b) The company had invested Rs.3.00 lacs in the Equity of M/s. HOC Chematur Ltd. by way of joint venture as a co-promoter, the company's total equity stake in the joint venture company shall be restricted to 30.60% of the total equity. Thus, its investment in HOC Chematur Ltd. as on 31<sup>st</sup> March, 2006, though, exceeded 51%, the company does not considered the said investment "Investment in subsidiary company". HOC Chematur Ltd had undertaken certain project which were not completed. In view of the uncertainties involved in completion of the project, the company made provision for the investment in earlier year, there is no change in the status of HOC Chematur and the provision against the investment is continued.

**6. SCHEDULE 8 – INVENTORIES**

- a) The stock in process includes the stock of Eutectic Oil 22.725 MT (previous year 22.725 MT) in NT plant valued at its net realisable value of Rs.1.43 lacs (previous year Rs.1.44 lacs).
- b) Inventories include items not moved for last more than five years Rs.546.76 lacs (previous year Rs.554.77 lacs). An ad-hoc provision of Rs.305.63 lacs (previous year Rs.231.79 lacs) has been made in the Accounts for obsolescence.

**7. SCHEDULE 11 – LOANS AND ADVANCES**

- a) As per audited accounts of the subsidiary company as received, Hindustan Fluorocarbons Ltd., is having accumulated loss of Rs.8327.54 lacs (previous year Rs.7340.23 lacs), since the net worth of the subsidiary had fully eroded the company made a provision for doubtful advances during the earlier years against an advance of Rs.2523.93 lacs (Net of Interest). After reviewing the latest financial position of the subsidiary the provision for doubtful advances is maintained. During the year company has given further loan of Rs.25.00 lacs as a short term loan. No provision is made against the same, as the same is considered good.
- b) Expenses amounting to Rs.1065.43 lacs (previous year Rs.1065.43 lacs) including amount paid to M/s Chematur Engg. A.B. Rs.664.71 lacs had been allocated as advances to joint venture M/s HOC- Chematur Ltd. In view of uncertainties involved in recovery/completion of the project a provision for doubtful advance of equivalent amount was made during the earlier years. Since there is no improvement in the status of the joint venture project the provision for doubtful advances is maintained.
- c) During the year 2001-2002, a case of misappropriation of Company's funds to the tune of Rs.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. Based on the report of the Vigilance Dept., a civil suit has been filed for recovery of the amount involved from the concerned employee who has been dismissed from the services of the Company. Since in the opinion of the Management the value of assets seized 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.



**8. PROVISION FOR ARREARS WAGES**

No provision made for the liability towards wage revision of employees (other than Kochi Unit) for the period January 1, 1997 to December 31, 2000 amounting to Rs.2308.08 lacs, (previous year Rs.2308.08 lacs) since the arrears are payable only with the prior approval of administrative Ministry and when the company generates adequate surplus.

**9. REFERENCE TO BIFR**

As at 31<sup>st</sup> March 2004, the accumulated losses of the company exceeded the shareholders fund, thus attracting the provisions of the Sick Industrial Companies (special provision) Act 1985 (SICA). A reference towards sickness of the company had been filed in the office of the Board of Industrial and Financial Reconstruction (BIFR) on 6<sup>th</sup> January 2005 which was registered on 11<sup>th</sup> February 2005. The company has been declared as Sick Industrial Company by BIFR on 25<sup>th</sup> November, 2005 and State Bank of India (SBI) has been appointed as Operating Agency (OA) with direction to prepare a revival scheme for it, if feasible, based on the rehabilitation proposal prepared by the company.

**10. FINANCIAL RESTRUCTURING**

The Government of India came forward to bailout the company from sickness and approved the Financial Restructuring Proposal on 9<sup>th</sup> March, 2006, submitted by the company earlier to the Department of Chemicals & Petrochemicals, Ministry of Chemicals & Fertilizers. The approved restructuring scheme includes the following :-

- i) Broadening the Capital base of the company through infusion of fresh fund amounting to Rs.250 crore as 8% non-cumulative Redeemable Preference shares.
- ii) Extending the validity of existing Government of India Guarantee for Rs.100 crore, valid upto August 28, 2006 by a further period of 5 years.
- iii) Waiver of penal interest and interest on interest upto 31<sup>st</sup> March, 2005 on overdue installments of Term Loan sanctioned from 2001 onward.

The financial restructuring scheme will be submitted to BIFR through Operating Agency (SBI) as a part of the revival programme of the company.

**11. DEFERRED REVENUE EXPENDITURE :**

Unamortized VRS expenditure (including gratuity paid on VRS) amounting to Rs.343.39 lacs (previous year Rs.403.35 lacs) has been charged to the Profit & Loss Account and the balance amount of Rs.6.20 lacs (previous year Rs.349.59 lacs) is carried forward and shown under deferred revenue expenditure in accordance with the policy followed by the company consistently.

**12. DEPRECIATION BASED ON TECHNICAL ASSESSMENT**

In the case of three items of assets (2 Nos. of secured landfills of 100 M3 and 500 M3 capacity and Revamp of Boiler K 479 & K 480) capitalised during 2005-06 at Kochi Unit, depreciation have been provided based on the technical assessment of useful life of assets and additional amount provided towards depreciation, in effect, during the year is Rs.22.76 lacs.

**13. EARNING PER SHARE**

Earnings per share has been calculated as follows :

Net loss after Tax & Adjustment	Rs.5661.05 lacs
Weighted average number of equity shares	67366100
Nominal Value of Weighted average number of equity shares	Rs.10/-
Earning per share	Rs. (8.40)

**14. SEGMENT REPORTING.**

Since the company is dealing only in Chemicals, there are no separate reportable primary and secondary segments and all the chemicals dealt with 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.

**15. RELATED PARTY DISCLOSURE AS PER AS-18**

a) **Related Parties**

The company is a state controlled enterprises therefore the disclosures as per Accounting Standard 18 are not considered applicable.

b) **Key Management Personnel**

- i) A. S. Didolkar, (Chairman & Managing Director)
- ii) U. Sarkar, (Director Finance)

**16. ACCOUNTING FOR TAXES ON INCOME**

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 as accumulated losses mounted up continuously over a period. This decision is followed this year also in view of Accounting Standard interpretation issued by the Institute of Chartered Accountants of India.

**17. BALANCE CONFIRMATION**

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

**18. CONTINGENT LIABILITIES**

(Rs. in lacs)

	2005-2006	2004-2005
<b>1 a) Contingent Liabilities</b>		
Claims against the Company not Acknowledged as debts :		
i) Income Tax Claims	-	13.88
ii) Sales Tax Claims	-	-
iii) Differential Tax on account of concessional forms in respect of concessional sales	710.35	1897.59
iv) Excise Claims	224.43	300.94
v) Customs claim	10.80	10.80
vi) Other Claims *	2873.13	2995.99
b) Letters of Credit opened, cheques and bills of exchange discounted with the bankers and remaining outstanding	46.40	-
c) Counter guarantees given against bank guarantees	84.77	72.77
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.	2153.97	2153.97
<b>2</b> Estimated amount of contracts remaining to be executed on capital account and not provided for (Net of advances)	1.36	29.49

\* Other claims include contingent claims towards JNPT Tank Farm project Rs.1424.39 lacs (previous year Rs.1193.88 lacs) in which minimum guaranteed throughput charges Rs.787.50 lacs (previous year Rs.562.50 lacs) are included. Though these charges are being accumulated on periodic basis, negotiation with JNPT authorities for waiver of these charges is in progress. Pending settlement the claim is carried in contingent liabilities.



**19. QUANTITATIVE INFORMATION**

**(A) (Capacity, Production, Stock and Sales) (Pending reconciliation with records)**

Sl. No.	Particulars	Licenced Capacity		Installed Capacity		Production*		Opening Stock		Closing Stock++		Sales **	
		TPA @	TPA @	MT	MT	Value (Rs. lacs)	MT	Value (Rs. lacs)	MT	Value (Rs. lacs)			
1.	Nitroproducts	37380	55430	22034	391.89	189.89	455.94	243.70	5404.91	2026.02			
	Previous year	37380	55430	26241	461.43	206.70	391.89	189.89	4883.07	2042.44			
2.	Hydrogen	1200	1600	859	0.00	0.00	0.00	0.00	0.00	0.00			
	Previous year	1200	1600	1108	0.00	0.00	0.00	0.00	0.00	0.00			
3.	Aniline	12000	25100	12355	67.20	51.83	195.63	139.67	11922.46	7824.93			
	Previous year	12000	25100	15977	84.35	41.88	67.20	51.83	14990.34	10102.50			
4.	Acetanilide	4000	3000	434	9.10	7.53	0.65	0.43	442.35	292.24			
	Previous year	4000	3000	1456	66.70	32.25	9.10	7.53	1513.30	1017.08			
5.	Acids	73800	63000	40054	1183.87	55.54	1907.17	87.41	16868.80	439.99			
	Previous year	73800	63000	48701	1928.13	59.76	1183.87	55.54	24112.94	489.34			
6.	Formaldehyde	15000	33000	30373	425.69	46.69	646.00	67.62	30151.58	2626.75			
	Previous year	15000	33000	32820	903.57	57.83	425.69	46.69	33297.45	2693.23			
7.	Chlorobenzene	4400	15650	0	3.89	0.38	0.00	0.00	0.00	0.00			
	Previous year	4400	15650	0	4.19	0.33	3.89	0.38	0.00	0.00			
8.	Acetyl Products	10500	6330	0	0.00	0.00	0.00	0.00	0.00	0.00			
	Previous year	10500	6330	0	0.00	0.00	0.00	0.00	0.00	0.00			
9.	Caustic Soda	62700	36000	0	0.00	0.00	0.00	0.00	0.00	0.00			
	Previous year	62700	36000	0	0.00	0.00	0.00	0.00	0.00	0.00			
10.	Phenol	40000	40000	28754	2214.00	1234.11	2618.00	1458.34	28350.00	14805.51			
	Previous year	40000	40000	48403	2924.00	1209.77	2214.00	1272.35	49101.00	30724.88			
11.	Acetone	24640	24640	18253	910.00	359.91	256.00	109.86	18908.00	7647.95			
	Previous year	24640	24640	30277	849.00	270.35	910.00	382.81	30217.00	13434.27			
12.	Hydro Peroxide	5225	5225	3666	93.00	39.50	19.00	8.55	3740.00	1429.24			
	Previous year	5225	5225	4980	11.00	4.05	93.00	39.93	4898.00	1720.11			
13.	Propylene	7000	29000	18896	111.00	28.80	143.00	47.21	0.00	0.00			
	Previous year	7000	29000	32684	135.00	31.40	111.00	29.78	0.00	0.00			
14.	Cumene	0	54000	40546	3179.00	1293.96	2676.00	1085.35	325.00	162.37			
	Previous year	0	54000	70788	2437.00	685.68	3179.00	1357.78	2886.00	1337.33			
15.	Other Chemicals	1800	10750	0	7.55	1.68	7.54	0.69	0.01	0.01			
	Previous year	1800	10750	25	8.06	2.35	7.55	1.68	25.72	13.11			
<b>Total Main Products</b>		<b>299645</b>	<b>402725</b>	<b>216224</b>	<b>8596.18</b>	<b>3309.84</b>	<b>8928.82</b>	<b>3249.22</b>	<b>116113.11</b>	<b>37255.02</b>			
Previous year		299645	402725	313460	9812.43	2602.35	8596.18	3436.22	165924.82	63574.29			
By Products		0	0	22979	939.22	16.86	1579.74	25.89	22318.61	1349.65			
Previous year		0	0	29210	770.22	15.02	939.22	16.86	28986.85	1180.91			
<b>GRAND TOTAL :</b>		<b>299645</b>	<b>402725</b>	<b>239202</b>	<b>9535.40</b>	<b>3326.70</b>	<b>10508.55</b>	<b>3275.12</b>	<b>138431.72</b>	<b>38604.67</b>			
Previous year		299645	402725	342670	10582.65	2617.37	9535.40	3453.07	194911.67	64755.21			

# Includes 18864 Mt(32708 Mt) for Captive Consumption.

\* Includes products used for captive consumption.

++ Closing stocks are arrived after adjustments for captive consumption, shortage and surplus.

@ As certified by the management and relied upon by the Auditors.

\$ Includes 40724 Mt (67160 Mt) for Captive Consumption.

Note : Difference in value of closing stock as on 31.03.05 and op.stock as on 01.04.05 is on account of input tax credit of Rs.126.37 lakhs availed on opening stock.

**(B) Details of Trading Goods**

**(Rs. in lacs)**

Sl. No.	Product	Opening Stock		Purchase		Sales		Closing Stock		Shortage
		MT	Value	MT	Value	MT	Value	MT	Value	
1	SULPHURIC ACOD	0	0	0	0	0	0	0	0	0
	(Previous year)	0	0	0	0	0	0	0	0	0
2	T D I	0	0	0	0	0	0	0	0	0
	(Previous year)	0	0	0	0	0	0	0	0	0
3	Methanol	0	0	0	0	0	0	0	0	0
	(Previous year)	0	0	0	0	0	0	0	0	0
4	Others	0	0	200	8.92	200	9.49	0	0	0
	(Previous year)	0	0	0	0	0	0	0	0	0
<b>Total :</b>		<b>0</b>	<b>0</b>	<b>200</b>	<b>8.92</b>	<b>200</b>	<b>9.49</b>	<b>0</b>	<b>0</b>	<b>0</b>
(Previous year)		0	0	0	0	0	0	0	0	0



20 Value of Imports (on CIF basis)

	(Rs. in lacs) 2005-06	(Rs. in lacs) 2004-05
Component & Spare Parts	143.21	370.28
Raw Materials & Trading Goods	37.91	34.39
Capital Goods	0	27.76

21 Consumption of Indigenous/Imported

	2005-06		2004-05	
	Value	Consumption %	Value	Consumption %
<b>Materials</b>				
A) Raw Materials				
Imported	10.21	0.04	19.22	0.05
Indigenous	24536.25	99.96	41033.08	99.95
	<b>24546.46</b>	<b>100</b>	<b>41052.3</b>	<b>100</b>
B) Component & Spare Parts				
Imported	152.74	12.85	149.10	11.97
Indigenous	1036.03	87.15	1096.57	88.03
	<b>1188.77</b>	<b>100.00</b>	<b>1245.67</b>	<b>100.00</b>
<b>Grand Total</b>	<b>25735.23</b>		<b>42297.97</b>	

22 Expenditure incurred in foreign currency

A) Foreign Travelling	0	0
B) Know-how Engineering and Consultancy	0	0
C) On Account of site supervision	0	0
d) Others	1.92	1.36

23 The Company has not paid any dividends in foreign currencies during the year to Non-Resident Shareholders. 0 0

24 Earnings in foreign currency  
FOB value of goods exported 125.48 2608.30

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

As per our report of even dated attached For and on behalf of Board of Directors  
For and on behalf of

M/s. Gala & Gala  
Chartered Accountants

Sd/-  
A. S. Didolkar  
Chairman & Managing Director

Sd/-  
U. Sarkar  
Director Finance

Vasant N. Bheda  
Partner

Sd/-  
N. Satheesan  
Manager (Finance)

Sd/-  
Mrs. S. S. Kulkarni  
Company Secretary

Place : Mumbai  
Date : 27 July 2006

Place : Mumbai  
Date : 28-06-06

Balance Sheet Abstract and Companies General Business Profile:

I Registration Details

Registration No.	11895	State Code	11
Balance Sheet Date	31 03 2006	Date	Month Year

II Capital Raised During The Year (Amount in Rs. Thousands)

Public Issue	Right Issue
NIL	NIL
Bonus Issue	Private Placement
NIL	NIL

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

Total Liability	Total Assets
5849060	5849060

Sources of Funds

Paid up Capital	Reserve & Surplus
672689	806450
Secured Loans	Unsecured Loans
2312819	2057102

Application of Funds

Net Fixed Assets	Investment
2905540	4970
Net Current Assets	Misc. Expenditure
224979	620
Accumulated Losses	Deferred Tax Asset
2712951	0

IV Performance of Company ( Amount in Rs.Thousands)

Turnover ( Income)	Total Expenditure
4016323	4583104
+ - Profit/Loss Before Tax	Profit/Loss After Tax
<input checked="" type="checkbox"/> 102549	568079
+ - Earning per share in Rs.	Dividend @ %
<input checked="" type="checkbox"/> 8.40	NIL

V Generic Names of Three Principal Products/Services of Company

(As per monetary terms.)	Product Description
Item code No. (ITC Code) 290711.01	PHENOL
Item code No. (ITC Code) 291411.00	ACETONE
Item code No. (ITC Code) 292141.01	ANILINE

As per our report of even dated attached  
For and on behalf of  
M/s. Gala & Gala  
Chartered Accountants

Sd/-  
A. S. Didolkar  
Chairman & Managing Director

Sd/-  
U. Sarkar  
Director Finance

Vasant N. Bheda  
Partner

Sd/-  
N. Satheesan  
Manager (Finance)

Sd/-  
Mrs. S. S. Kulkarni  
Company Secretary

Place : Mumbai  
Date : 27 July 2006

Place : Mumbai  
Date : 28-06-06



**CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH, 2006**

(Rs. in Lacs)

	2005-06	2004-05
<b>1. CASH FLOW FROM OPERATING ACTIVITIES:</b>		
Net profit before tax and extraordinary items	<b>(5648.07)</b>	640.23
Adjustments for:		
Depreciation	2786.32	2823.73
Loss on sale of Assets/ discarded assets w/off	6.74	19.09
Profit on sale of Assets/ discarded assets w/off	(6.39)	(4.52)
Interest paid	2762.76	3437.10
Provisions	234.02	1147.33
Interest received from subsidiary	(1.00)	0
Interest Received (SCHEDULE-14)	(42.40)	(62.67)
Dividend Received	0	0
Misc. Expenditure(amortised)	0	0
Misc. Exp. paid(BOND ISSUE EXP.)	(37.45)	(33.39)
	<b>5,702.60</b>	7,326.67
Operating Profit Before Extra Ordinary Items	54.53	7,966.90
Add:- Extra Ordinary Items	343.60	1,118.73
<b>OPERATING PROFIT BEFORE WORKING CAPITAL CHANGES</b>	<b>398.13</b>	<b>9,085.63</b>
Adjustments for:		
Trade & Other Receivables	1797.85	(847.96)
Inventory	(745.65)	(1620.70)
Current liability & provisions	701.87	(161.96)
Loans & Advances	(927.11)	304.79
	<b>826.96</b>	(2,325.83)
<b>CASH GENERATED FROM OPERATING ACTIVITIES</b>	<b>1,225.09</b>	<b>6,759.80</b>
Direct Taxes (Net)	12.98	
DEPRECIATION WRITTEN BACK	0	20.67
		20.67
<b>NET CASH FROM OPERATING ACTIVITIES (A)</b>	<b>1,212.11</b>	<b>6780.47</b>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>		
Capital expenditure	(168.42)	(285.51)
Sale of Fixed Assets	8.35	15.99
Purchase of Investment		
Sale of Investment	0	0
Interest Received	39.59	59.31
Dividend Received		
<b>NET CASH USED IN INVESTING ACTIVITIES (B)</b>	<b>(120.48)</b>	<b>(210.21)</b>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>		
Long Term Borrowings(Net)	(1,642.11)	(579.16)
Bank Borrowings(Net)	3,089.28	(3,776.17)
Interest paid	(2,744.24)	(1812.41)
<b>NET CASH FROM FINANCING ACTIVITIES (C)</b>	<b>(1,297.07)</b>	<b>(6,167.74)</b>
<b>NET INCREASE IN CASH &amp; CASH EQUIVALENTS (A+B+C)</b>	<b>(205.44)</b>	<b>402.52</b>
<b>CASH &amp; CASH EQUIVALENTS AS AT 01.04.05 (OP.BAL.)</b>	<b>793.33</b>	<b>390.81</b>
<b>CASH &amp; CASH EQUIVALENTS AS AT 31.03.06 (CL.BAL.)</b>	<b>587.89</b>	<b>793.33</b>

Note : 1. Figures in brackets represents outflows.

2. "Purchase of Fixed Assets" includes expenses capitalised.

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

By order of the Board of Directors

(A.S. Didolkar) (U. Sarkar) (N. Satheesan) (Mrs. S.S. Kulkarni)  
Chairman & Managing Director Director(Finance) Manager (Finance) Company Secretary

Mumbai  
Date:28-06-06

**AUDITOR'S CERTIFICATE**

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

We have examined the attached Cash Flow Statement of Hindustan Organic Chemicals Limited for the year ended 31st March, 2006, which has been identified by us on 27th July, 2006. The statement is the responsibility of the management, our responsibility is to express an opinion based on our examination. The Statement of cash flow has been prepared by the Company in accordance with the requirements of clause 32 of the listing agreement with various Stock Exchange where the shares of the company are listed. The statement has been based on and in agreement with the corresponding Balance Sheet and Profit and Loss account of the Company covered by our report to the members of the Company.

For Gala & Gala  
Chartered Accountants  
Sd/-  
(Vasant N. Bheda)  
Partner

Place : Mumbai  
Date : 27.07.2006

**BALANCE SHEET AS AT 31st MARCH 2006**

SCH	AS AT 31-03-2006		AS AT 31-03-2005	
	Rs.in Lacs	Rs.in Lacs	Rs.in Lacs	Rs.in Lacs
<b>1 SOURCES OF FUNDS</b>				
a. Share Capital	1	1,961.46		1,961.46
b. Reserves & Surplus	2	0.00		17.57
		<b>1,961.46</b>		<b>1,979.03</b>
<b>2 Loan Funds</b>				
a. Secured Loans	3	2,020.22		1,921.31
b. Unsecured Loans	4	5,417.99		5,130.95
		<b>7,438.21</b>		<b>7,052.26</b>
<b>TOTAL</b>		<b>9,399.67</b>		<b>9,031.29</b>
<b>APPLICATION OF FUNDS</b>				
<b>1 Fixed Assets</b>				
a. Gross Block	5	5,201.78		5,175.05
Less: Depreciation		4,616.87		4,442.03
Net Block		<b>584.91</b>		733.02
b. Capital work in progress		114.96		173.22
<b>2 CURRENT ASSETS, LOANS &amp; ADVANCES</b>				
a. Inventories	6	462.05		733.95
b. Sundry Debtors	7	103.92		225.59
c. Cash & Bank balances	8	42.34		27.53
d. Loans & Advances	9	445.28		444.21
		<b>1,053.59</b>		<b>1,431.28</b>
<b>Less: Current Liabilities &amp; Provisions</b>				
a. Current Liabilities	10	557.23		496.79
b. Provisions		124.26		149.67
<b>NET CURRENT ASSETS</b>		<b>372.10</b>		<b>784.82</b>
<b>3 Profit &amp; Loss Account</b>		<b>8,327.70</b>		<b>7,340.23</b>
<b>TOTAL</b>		<b>9,399.67</b>		<b>9,031.29</b>

Notes to Accounts 20

As per our report attached  
for **RB KABRA & CO**  
Chartered AccountantsSd/-  
**A S DIDOLKAR**  
ChairmanBy order of the Board  
Sd/-  
**RAVIMADANGERI**  
Managing DirectorSd/-  
**KISHORE KUMAR KABRA**  
PartnerSd/-  
**E SURYA RAO**  
Chief Manager (Finance)PLACE : HYDERABAD  
Date : 27-06-2006**PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31st MARCH 2006**

SCH	YEAR ENDED 31-03-2006		YEAR ENDED 31-03-2005	
	Rs.in Lacs	Rs.in Lacs	Rs.in Lacs	Rs.in Lacs
<b>INCOME</b>				
Sales	11	1,803.95		1757.01
Other Income	12	60.58		48.99
Accretion/(Decretion) in stocks	13	(256.96)		6.71
		<b>1,607.57</b>		<b>1812.71</b>
<b>Expenditure</b>				
Materials consumed	14	992.06		1022.53
Employees remuneration and benefits	15	420.60		399.62
Manufacturing, Admn. And Selling exp.	16	592.34		596.73
Interest and financial charges	17	392.53		392.22
Depreciation	5	174.86		173.51
		<b>2,572.39</b>		<b>2584.61</b>
Loss on Impairment of assets	5	34.25		38.92
Loss on deleted/discarded assets	18	0.00		1.18
		<b>(999.07)</b>		<b>(812.00)</b>
Add: Prior period adjustments (net)	19	3.15		5.81
Loss before Taxes		<b>(1,002.22)</b>		<b>(817.81)</b>
Provision for Fringe Benefit Tax (FBT)		2.82		0.00
		<b>(1,005.04)</b>		<b>(817.81)</b>
Less: Transfer from reserve		17.57		55.59
<b>Loss</b>		<b>(987.47)</b>		<b>(762.22)</b>
Balance brought forward from the prev. year		<b>(7,340.23)</b>		<b>(6578.01)</b>
Balance of Loss carried to Balance sheet		<b>(8,327.70)</b>		<b>(7,340.23)</b>

Notes to the accounts 20

As per our report attached  
for **RB KABRA & CO**  
Chartered AccountantsSd/-  
**A S DIDOLKAR**  
ChairmanBy order of the Board  
Sd/-  
**RAVIMADANGERI**  
Managing DirectorSd/-  
**KISHORE KUMAR KABRA**  
PartnerSd/-  
**E SURYA RAO**  
Chief Manager (Finance)PLACE : HYDERABAD  
Date : 27-06-2006



Rs. in Lacs				Rs. in Lacs							
As at 31-03-2006		As at 31-03-2005		As at 31-03-2006		As at 31-03-2005					
<b>SCHEDULE - 1 : SHARE CAPITAL</b>				<b>SCHEDULE - 3 : SECURED LOANS</b>							
<b>Authorised</b>				From State Bank of Hyderabad							
2,10,00,000 Equity shares of Rs.10/- each	2,100.00		2,100.00	Cash Credit	226.44		224.19				
<b>Issued</b>				From Other- Financial Institutions							
1,96,30,000 Equity shares of Rs. 10/- each	1,963.00		1,963.00	Term Loans	411.13		411.13				
<b>Subscribed</b>				Funded Interest							
1,95,99,100 of Rs.10/- each fully paid	1,959.91		1,959.91	Interest accrued and due	1091.41		994.75				
Shares forfeited (amount originally paid)	1.55		1.55								
	<u>1,961.46</u>		<u>1,961.46</u>		<u>2020.22</u>		<u>1921.31</u>				
Note: of the above 1,10,65,200 Equity shares are held by M/s HOC the Holding company.				<b>SCHEDULE - 4 UNSECURED LOANS</b>							
<b>SCHEDULE - 2 RESERVES AND SURPLUS</b>				Hindustan Organics chemicals ltd (Holding Co)							
Investment allowance as per last balance sheet	17.57		73.16	Interest accrued and due	2634.72		2609.72				
Less: Transferred to Profit & Loss Account	17.57		55.59		<u>2783.27</u>		<u>2521.23</u>				
	<u>0.00</u>		<u>17.57</u>		<u>5417.99</u>		<u>5130.95</u>				
<b>SCHEDULE - 5 : FIXED ASSETS AND CAPITAL WORK IN PROGRESS</b>				Rs.in lacs							
<b>GROSS BLOCK (AT COST)</b>				<b>DEPRECIATION</b>				<b>NET BLOCK</b>			
Particulars	As At 31-03-2005	Additions	Deletions	As At 31-03-2006	Upto 31-03-2005	For The Year	Adjust Ments	Upto 31-03-2006	As At 31-03-2006	As At 31-03-2005	
<b>FIXED ASSETS</b>											
Land	68.42	0.00	0.00	68.42	0.00	0.00	0.00	0.00	68.42	68.42	
Factory Buildings	79.49	0.00	0.00	79.49	44.86	2.66	0.00	47.52	31.97	34.63	
Non-Factory Buildings	68.49	0.00	0.00	68.49	19.38	1.11	0.00	20.49	48.00	49.10	
Fencing and compound wall	11.09	0.00	0.00	11.09	11.09	0.00	0.00	11.09	0.00	0.00	
Plant and Machinery	4,567.92	25.57	0.00	4,593.49	4,061.88	152.21	0.00	4,214.09	379.40	506.00	
Electrical Installations & equipment.	300.11	0.00	0.00	300.11	249.89	14.26	0.00	264.15	35.96	50.25	
Furniture & Fixtures & other equipment	79.53	1.16	0.00	80.69	54.91	4.62	0.00	59.53	21.16	24.62	
<b>TOTAL</b>	<b>5,175.05</b>	<b>26.73</b>	<b>0.00</b>	<b>5,201.78</b>	<b>4,442.01</b>	<b>174.86</b>	<b>0.00</b>	<b>4,616.87</b>	<b>584.91</b>	<b>733.02</b>	
<b>Capital WIP</b>	<b>249.18</b>	<b>0.00</b>	<b>(24.01)</b>	<b>225.17</b>	<b>75.96</b>	<b>34.25</b>	<b>0.00</b>	<b>110.21</b>	<b>114.96</b>	<b>173.22</b>	
<b>GRAND TOTAL</b>	<b>5,424.23</b>	<b>26.73</b>	<b>(24.01)</b>	<b>5,426.95</b>	<b>4,517.97</b>	<b>209.11</b>	<b>0.00</b>	<b>4,727.08</b>	<b>699.87</b>	<b>906.24</b>	
<b>Previous Year Figures</b>	<b>5,414.22</b>	<b>18.22</b>	<b>(8.21)</b>	<b>5,424.23</b>	<b>4,311.37</b>	<b>212.42</b>	<b>(5.81)</b>	<b>4,517.98</b>	<b>906.25</b>	<b>1,102.86</b>	
<b>SCHEDULE - 6 : INVENTORIES (AS TAKEN, VALUED AND CERTIFIED BY THE MANAGEMENT)</b>				<b>SCHEDULE - 10 CURRENT LIABILITIES AND PROVISIONS</b>							
Stores and Spares	139.48			139.63	<b>A. CURRENT LIABILITIES</b>						
Raw Materials	54.72			32.27	<b>1. Sundry Creditors</b>						
Materials in transit	27.62			21.14	- SSI Units						
Stock-in-process	86.04			75.03	- Capital Goods						
Finished Products	154.19			465.88	- Other Creditors						
	<u>462.05</u>			<u>733.95</u>	5.52						
<b>SCHEDULE - 7 SUNDRY DEBTORS (Unsecured)</b>				396.30							
Exceeding Six Months				103.69							
- Considered good				5.38							
- Considered doubtful				505.37							
Others				19.49							
- Considered good				28.11							
				2.77							
				1.49							
				557.23							
Less: Provision for doubtful debts				124.26							
				124.26							
				149.67							
				149.67							
<b>SCHEDULE - 8 CASH AND BANK BALANCES</b>				<b>SCHEDULE - 11 SALES</b>							
Cash Balance on Hand	0.02		0.19	Year ended 31-03-2006 Year ended 31-03-2005							
Stamps on Hand	0.00		0.10	<b>SCHEDULE - 11 SALES</b>							
<b>Bank Balances</b>				Sale of PTFE							
With Scheduled Banks	42.32		27.24	2034.54							
	<u>42.34</u>		<u>27.53</u>	Less: Excise Duty							
				214.08							
				Less: Sales Tax							
				72.52							
				Less: Trade Discount							
				435.63							
				1312.31							
				0.00							
				1349.78							
				0.53							
				34.62							
				Less: Excise Duty							
				4.65							
				Less: Sales Tax							
				1.47							
				Less: Trade Discount							
				0.00							
				28.50							
				33.81							
				560.36							
				Sale of CFM							
				Less: Excise Duty							
				75.58							
				Less: Sales Tax							
				21.64							
				463.14							
				1803.95							
				372.89							
				1757.01							
<b>SCHEDULE - 9 LOANS AND ADVANCES (Unsecured)</b>											
Advances recoverable in cash or in kind or for value to be received				22.49							
Less: Considered for doubtful advance				0.91							
				21.58							
				28.57							
				0.91							
				27.66							
Balance with Excise Authorities				2.16							
TDS (APTRANSO)				1.89							
Prepaid Expenses				10.62							
Deposits				80.65							
E S I				8.00							
Deposit with IDBI (OA)				316.00							
Insurance Claim Receivable				3.39							
VAT Transitional Receivable				0.99							
				445.28							
				444.21							



Rs. in Lacs			Rs. in Lacs		
Year ended 31-03-2006			Year ended 31-03-2005		
<b>SCHEDULE -12 : OTHER INCOME</b>			<b>SCHEDULE -17- INTEREST AND FINANCING CHARGES</b>		
Interest received from others (T.D.S)			Interest on Fixed Loans	57.56	57.56
Rs.1.02 lacs previous year Rs.0.74 lacs)	7.01	5.64	Interest on working capital	30.19	28.81
<b>Sale of Hydrochloric acid</b>	<b>30.99</b>	<b>42.32</b>	Interest on funded interest IFI's	39.09	39.09
Miscellaneous Income	22.58	1.03	Interest on Unsecured loan-HOC	262.03	260.97
			Interest on Others	0.06	0.00
			Bank Charges	3.60	5.79
	<u>60.58</u>	<u>48.99</u>		<u>392.53</u>	<u>392.22</u>
<b>SCHEDULE -13 ACCRETION/(DECRETION) IN STOCKS</b>			<b>SCHEDULE -18 - LOSS ON DELETED / DISCARDED ASSETS</b>		
Closing Stock			Graphite column, Hcl Tank etc.	0.00	1.18
Stock-in-process	86.04	75.03		<u>0.00</u>	<u>1.18</u>
Finished Products	154.19	465.89			
	<u>240.23</u>	<u>540.92</u>	<b>SCHEDULE -19 PRIOR PERIOD</b>		
Less: Opening Stock			<b>Prior Period Expenses</b>		
Stock-in-process	75.03	120.81	Repairs & Maintenance	0.00	0.01
Finished Products	465.89	403.72	Rates & Taxes	0.01	0.00
			Cost Auditor's Fee	0.10	0.00
			Audit Fee	0.03	0.01
	<u>540.92</u>	<u>524.53</u>	Trade Discount	0.39	0.00
			Consumption of Raw Materials	2.68	0.41
	<u>(300.69)</u>	<u>16.39</u>	Consumption of Stores & Spares	0.00	1.10
Less:Increase/(Decrease) in Excise duty on Finished Products	(43.73)	9.68	Excise Duty	0.00	4.77
			Tours & travels	0.00	0.12
	<u>(256.96)</u>	<u>6.71</u>	Board Meeting Expenses	0.00	0.13
				<u>3.21</u>	<u>6.55</u>
<b>SCHEDULE -14- MATERIALS CONSUMPTION</b>			<b>Prior Period Income</b>		
Raw Material	976.00	1004.57	Bonus	0.06	0.00
Stores and spares	16.06	17.96	Salary Payable	0.00	0.31
			Depreciation	0.00	0.07
	<u>992.06</u>	<u>1022.53</u>	Sundry Creditors & Debtors	0.00	0.36
				<u>(0.06)</u>	<u>(0.74)</u>
<b>SCHEDULE -15 EMPLOYEES REMUNERATION AND BENEFITS</b>			<b>Prior period net</b>		
Salaries,Wages,Bonus,Gratuity and other Allowances	342.17	335.10		<u>3.15</u>	<u>5.8</u>
Contribution to Provident and Other funds	25.29	24.90			
Contribution to ESI	0.98	0.97			
Workmen and Staff welfare expenses	52.16	38.65			
	<u>420.60</u>	<u>399.62</u>			
<b>SCHEDULE -16 MANUFACTURING,ADMISTRATIVE AND SELLING EXPENSES</b>			<b>SCHEDULE 20: NOTES TO ACCOUNTS:</b>		
Power	246.75	282.71	<b>PART A: SIGNIFICANT ACCOUNTING POLICIES:</b>		
Fuel	70.47	72.54	<b>1. GENERAL.</b>		
Water Charges	35.10	32.12	1.1 The Accounts have been prepared on historical cost basis.		
Rent	4.51	3.47	1.2 All revenues and expenses are accounted on accrual basis except to the extent stated other wise.		
Rates and taxes	6.82	9.39	<b>2. FIXED ASSETS:</b>		
Repairs and Maintainence			2.1 Fixed assets (including capital work-in-progress) are accounted at cost, net of modvat credit.		
To Buildings	0.00	0.48	2.2 Expenditure during construction period including interest on loans borrowed is included in the capital cost.		
To Machinery	31.28	46.85	<b>3. DEPRECIATION</b>		
To Other Assets	3.21	2.35	3.1 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.		
Insurance	17.75	17.97	3.2 Depreciation on assets costing less than Rs.5000/- is provided at 100%.		
Traveling Expenses*	1.94	6.52	3.3 Expenditure not represented by assets is written off over a period of 5 years.		
Conveyance	48.29	42.77	<b>4 SALES</b>		
Auditors Remuneration			Sales are net of trade discount and exclusive of Excise Duty and Sales Tax.		
- Audit fee	0.92	0.70	<b>5 INVENTORIES</b>		
Professional charges	6.01	4.87	5.1 The closing stock of raw materials, stores and spares etc., are valued at cost by adopting weighted average method after giving due credit for VAT. Stock-in-process and finished goods are valued at cost or net realizable value whichever is lower after giving due credit for VAT.		
Printing and stationery	1.71	1.36	5.2 Excise duty payable on finished goods manufactured but not removed is included in the valuation of such stocks.		
Postage,Telephone and Telex charges	5.94	6.71	5.3 Sales of realizable scrap are accounted on receipt basis.		
Security service charges	8.82	10.80	5.4 Insurance claims are accounted on accrual basis on admission of claims.		
Job Work Expenditure	1.82	1.84	<b>6. RETIREMENT BENEFITS</b>		
Other Misc.expenses	4.37	4.67	6.1 In respect of gratuity the company has taken an Insurance Policy with Life Insurance Corporation of India to cover the gratuity that may be payable to employees on retirement. The premium on the policy is being charged to Profit and Loss account.		
Advertisement and Publicity	0.58	0.45	6.2 Leave encashment and other retiral benefits are accounted on accrual basis and charged to P&L A/c.		
Cash Discounts allowed	9.34	29.87	6.3 Contributions to Provident Fund are charged to P& L A/c.		
Entertainment expenses	0.11	0.18			
Provision for bad & doubtful debts	85.40	17.76			
Office Maintance	1.20	0.35			
	<u>592.34</u>	<u>596.73</u>			

\*Includes Directors travel.





**7. MISCELLANEOUS EXPENDITURE NOT WRITTEN OFF**

Preliminary expenditure, Public Issue expenditure and other Deferred Revenue expenditure are amortized from accounting year 1988-89 and written off over a period of ten years,

**8. EXCHANGE FLUCTUATION**

Year-end balance of foreign currency transactions are translated at the year-end rates and the corresponding effects is given in the respective accounts. Transactions completed during the year are adjusted on actual basis.

**PART B:**

**1. OTHERS :**

1. The Company entered into a lease-cum-sale agreement with Andhra Pradesh Industrial Infrastructure Company (APIIC) in April 1986 for the land acquired by APIIC under the Land acquisition act and allotted to the company. The title in respect of the land had been transferred in favour of the company. Out of 146.13 acres; the unutilized land of approx. 84.84 acres is earmarked to Hindustan Organic Chemicals Limited, Holding company for which no advance is received. No adjustment is made in the accounts pending clear demarcation of Land to be transferred and value thereof.

**2. LOANS:**

2.1 The Rupee Term Loans (including funded interest) from Financial Institutions are secured by a joint mortgage by deposit of title deeds in respect of immovable properties and hypothecation of all the Company's movable including movable spares, both present and future ranking paripassu. Cash credit facility from State Bank of Hyderabad is secured by hypothecation of raw materials, stock-in-process, finished goods, and consumable stores and book debts.

2.2 The Term Loans from Indian Financial Institutions and cash credit Limits from State Bank of Hyderabad are guaranteed by the holding company, viz. Hindustan Organic Chemicals.

2.3 The Balance of Term Loans from Indian Financial Institutions are subject to confirmation & reconciliation.

2.4 Interest on term loans from Indian Financial Institutions is being provided as per BIFR revival package of 1991. The excess amounts debited by Indian Financial Institutions until 31-12-2005 are shown in Contingent liabilities (expect ICICI). However IFI's have not confirmed its balances as on 31-03-2006. Assignment of Loan by ICICI In favour of Standard Chartered Bank has not been considered for want of confirmation from the lead Bank i.e. IDBI (OA).

3. An amount of Rs. 5417.99 lacs (Previous year Rs.5130.95 lacs) is due to Hindustan Organic Chemicals Limited (HOCL) including Rs.262.03 lacs (Previous year Rs.260.97lacs) provided during the year as interest on HOC loan.

4. Advances include an amount of Rs. NIL (Previous year Rs. 0.41) due from Managing Director of the Company. Maximum amount outstanding at any point of time during the year is Rs. 0.41 lacs (Previous year Rs. 0.41)

5. Credit has not been taken into account in respect of claims for penalty/damage recoverable from certain suppliers/works contractor's consequent to their non-adherence to the stipulated contractual terms.

6. During the current year finished goods, which have not moved for more than 3 years are valued at Rs.1.00/kg and the consequential difference in value is Rs.0.01 lacs (Previous year Rs.0.04 lacs).

**7. CONTINGENT LIABILITIES NOT PROVIDED FOR:**

	2005-06 Rs.in lacs	2004-05 Rs.in lacs
A Claims against the Company not acknowledged as debts.	12.01	12.01
B Difference of interest on Term Loan from IFI's of there not acceptance of relief package.	1790.88	958.39
C Bank guarantees on behalf of the Company	0.00	10.00
D FLC/ILC Obtained as on 31-03-2006	46.97	7.92
E S I	13.46	13.46
F Salary arrears for Officers	380.00	350.00
G Salary arrears for Non-officers	745.00	662.00
TOTAL	2988.32	2013.78
8 Estimated amount of contracts remaining to be executed on capital account and not provided for (net of advances).	6.19	6.19
9 Expenditure incurred in foreign currency	NIL	NIL
10. The Merger scheme was reviewed by BIFR in July 2000 and declared having failed. Additional six months time was granted to HOCL/HFL for working out an alternative rehabilitation package. However, due to change of management IDBI was directed by BIFR to advertise once again and call for fresh bids in December 2001. Joint meeting to consider the bids received in response to fresh advertisement were held by IDBI in the year 2002 on two occasions, viz. on 12 <sup>th</sup> April and 18 <sup>th</sup> October, 2002. Based on the report received from IDBI, BIFR has circulated DRS (dated 23-03-2003) inviting objections if any, from the concerned parties on which HOCL/HFL have taken appropriate action of (i) filing an appeal in AAIIFR (ii) sending its detailed objections on DRS to BIFR. The hearing of the DRS was held on 13 <sup>th</sup> June 2003 and the decision of BIFR was forwarded to AAIIFR. Since the first bidder has withdrawn their bid, the AAIIFR remanded this case to back to BIFR for reviewing the entire position. HFL has also deposited a sum of Rs.316.00 lacs with IDBI in a 'no lien account' in pursuance of HOCL proposal submitted to IDBI. HOCL parent company has submitted a revival scheme of HFL to BIFR thru IDBI with one time settlement (OTS) and decision from BIFR is awaited.		

11. a) Excise duty on closing finishing goods in respect of goods manufactured by the company amounting to Rs.21.64 lacs (previous year 65.37 lacs) is included in the valuation of such stocks.

b) Import duty payable on goods under clearance as per the company's practice is being charged in the year of clearance of goods. Liabilities on such goods as on 31-03-2006 are NIL. (Previous year NIL).

12. Unpaid overdue amounts due on 31<sup>st</sup> March 2006 to Small Scale/Ancillary Industrial suppliers on account of principal amount together with interest aggregated to Rs.0.00 lacs (Previous year Rs.0.00 lacs). This disclosure is based on information available with the company with regard to the status of the suppliers as defined under interest on delayed payments to Small Scale and Ancillary Industries Undertaking Act, 1993.

13. Balance in Sundry Debtors and Sundry Creditors accounts are subject to confirmation/reconciliation. Further, the amounts include claims, counter claims and interest on overdue payments made by the company and its customers/suppliers.

14. As required by Accounting Standard 28 loss on impairment of incinerator system an amount of Rs.34.25 lacs (Previous year 38.92 lacs) is charged off during the year.

15. As required by Accounting Standard 20 issued by the Institute of Chartered Accountants of India, the reporting in respect of Earning per Share (EPS) is as follows :

	2005-2006 Rs.in lacs	2004-2005 Rs.in lacs
Profit / Loss available to equity shareholders	(987.47)	(765.22)
Weighted average no of equity share for basic EPSNo.	19599100	No. 19599100
Normal value of equity shares	Rs.10.00	Rs.10.00
Basic earning per equity share	Rs.(5.04)	Rs.(3.90)

16. As per Section 72 and 32(2) of Income tax Act 1961, at present, the company has unabsorbed carry forward business losses at around Rs.2835.46 lacs (Previous year Rs.2228.01 lacs) and unabsorbed depreciation at around Rs.3799.35 lacs (Previous year 3777.29 lacs). As per AS 22 the company has not accounted the related tax on them in its books as deferred tax assets, as no sufficient income is available to realize them. Company shall recognize related tax on them, as deferred tax assets in succeeding years only when there is certainty that sufficient taxable income will be available.

17. Auditors remuneration includes Statutory Audit fee and Limited review.

18. Quantitative details regarding consumption of Raw Materials:

	2005-2006		2004-2005	
	Qty MT.	Value Rs.in lacs	Qty MT.	Value Rs.in lacs
a. AHF	464.60	295.39	562.78	311.78
b. Chloroform	1302.63	588.97	1591.92	578.62
c. RM-258	0.33	45.63	0.495	70.35
d. Others	-	46.01	-	43.82
TOTAL		976.00		1004.57

19. Consumption of Raw Materials:

	2005-2006		2004-2005	
	Rs. in lacs	% of Total Consumptions	Rs. in lacs	% of Total Consumptions
a. Imported	13.91	1.43	6.60	0.66
b. Indigenous	962.09	98.57	997.97	99.34
Total	976.00	100.00	1004.57	100.00

20. Quantitative information about capacity, production, stock and sales:

	2005-2006		2004-2005	
	Qty. MT	Value Rs. in Lacs	Qty MT	Value Rs. in Lacs
A. PTFE				
Licensed capacity	500TPA*	-	500TPA	-
Installed capacity	500TPA*	-	500TPA	-
Opening stock	111.793	465.88	102.112	403.73
Production	228.440	-	350.719	-
Captive Consumption	-	-	0.575	-
Sales	308.257	1312.31	340.463	1350.31
Closing Stock	32.000	154.26	111.793	465.88
B. CFM-22				
Licensed capacity	1265 TPA*	-	1265 TPA	-
Installed capacity	1265 TPA *	-	1265 TPA	-
Opening stock	21.200	22.98	38.040	43.25
Production	828.000	-	1017.95	-
Captive Consumption	664.122	-	887.323	-
Sales	176.616	463.14	147.467	372.89
Closing Stock	8.462	11.50	21.200	22.98

\* As certified by the Management and relied upon by the auditors, being a technical matter.



	2005-2006 Rs. in lacs	2004-2005 Rs. in lacs	CASH FLOW STATEMENT FOR THE YEAR ENDING 31ST MARCH, 2006	
			2005-2006 Rs. in lacs	2004-2005 Rs. in lacs
21. a) CIF value of imports of Raw materials and Stores and Spares.	20.99	11.52		
b) FOB Values of Exports	0.00	0.53		
22. Managerial remuneration included in employee's remuneration and benefits				
Managing Director				
Salary	4.00	3.86		
Rental accommodation	1.16	0.47		
Medical reimbursement	0.04	0.04		
Company Contribution to PF	0.39	0.38		
Encashment of Earned leave	0.39	0.00		
Total	5.98	4.75		
23. Previous year figures have been regrouped/reclassified/recast wherever necessary to conform to current year's classification.				
As per our report attached for R B KABRA & CO Chartered Accountants	Sd/- <b>A S DIDOLKAR</b> Chairman	By order of the Board Sd/- <b>RAVI MADANGERI</b> Managing Director		
	Sd/- <b>KISHORE KUMAR KABRA</b> Partner PLACE : HYDERABAD Date : 27-06-2006	Sd/- <b>E SURYA RAO</b> Chief Manager (Finance)		
24. Information as required under Part-IV of the Schedule VI to the Companies Act, 1956. Balance Sheet Abstract and Companies General Business Profile:				
<b>I. Registration Details:</b>	Registration No. 01-4037 State Code 01 Balance Sheet 31 03 2006 Date Month Year			
<b>II. Capital Raised during the year (Amount in Rs.Thousands)</b>	Public Issue NIL Rights Issue NIL Bonus Issue NIL Private Placement NIL			
<b>III. Position of Mobilisation and Deployment of Funds (Amount in Rs.Thousands)</b>	Total Liabilities 939967 Total Assets 939967 <b>Sources of Funds</b> Paid-up Capital 196146 Reserves & Surplus NIL Secured Loans 202022 Unsecured Loans 541799 <b>Application of Funds</b> Net Fixed Assets 69987 Investments NIL Net current Assets 37210 Misc.Expenditure NIL Accumulated Losses 832770			
<b>IV. Performance of Company (Amount in Rs.Thousands).</b>	Turnover 186453 Total Expenditure 261261 Loss Before Tax 98747 Loss After Tax 98747			
<b>V. Earning per Share in Rs.</b> (5.04) <b>Dividend Rate %</b> NIL				
<b>VI. Generic Names of Three Principal Products/Services of the Company (as per monetary terms)</b>	Item Code No (ITC Code) : 0039046000 Product description : FLUOROPOLYMERS (PTFE etc.,)			
By Order of the Board.	Sd/- <b>A S DIDOLKAR</b> Chairman	Sd/- <b>RAVI MADANGERI</b> Managing Director		
PLACE: HYDERABAD DATE : 27-06-2006		Sd/- <b>E SURYA RAO</b> Chief Manager (Finance)		
			<b>A</b>	
			<b>CASH FLOW FROM OPERATING ACTIVITIES:</b>	
			Net Profit before taxation and Extraordinary items	(999.07) (812.00)
			Adjustments for :	
			Depreciation	174.86 173.51
			Interest	388.93 386.43
			Provision for doubtful debts/advances (Net)	66.08 17.76
			Loss on deleted / discarded assets	0.00 1.18
			Loss on Impairment of assets	34.25 38.92
			<b>Operating Profit before working capital changes</b>	<b>(334.95) (194.20)</b>
			Adjustments for	
			(Increase)/Decrease in Loans & Advances	(1.07) 22.52
			(Increase)/Decrease in Trade receivables	55.59 91.85
			(Increase)/Decrease in Inventories	271.90 30.78
			Increase/(Decrease) in working capital borrowings	2.25 24.53
			Increase/(Decrease) in Trade payables	35.03 9.24
			<b>Cash generated from operations</b>	<b>28.75 (15.28)</b>
			Interest paid	(30.25) (28.81)
			Direct taxes paid (FBT)	(2.82) 0.00
			Cash flow before extraordinary items	(4.32) (44.09)
			Less:Prior period expenses	(3.15) (5.81)
			Add:Depreciation	0.00 (0.07)
			<b>Net Cash flow from Operating activities</b>	<b>(7.47) (49.97)</b>
			<b>B CASH FLOW FROM INVESTING ACTIVITIES :</b>	
			Purchase of fixed assets	(2.72) (16.92)
			<b>C CASH FLOW FROM FINANCING ACTIVITIES:</b>	
			Increase in Unsecured Loans	25.00 0.88
			Net cash used in financing activities	25.00 0.88
			Net increase in cash and cash equivalents	14.81 (66.01)
			Cash and cash equivalents at the beginning of period	27.53 93.54
			Cash and cash equivalents at the ending of period	42.34 27.53
			Previous year figures have been regrouped / reclassified wherever necessary to conform to current year's classification.	
			Sd/- <b>A. S. DIDOLKAR</b> Chairman	Sd/- <b>RAVI MADANGERI</b> Managing Director
			Place : HYDERABAD Date : 27-06.2006	Sd/- <b>E SURYA RAO</b> Chief Manager (Finance)
			<b>AUDITORS' REPORT</b>	
			We have examined the attached cash flow statement of M/s Hindustan Fluorocarbons Limited for the year ended on 31st March 2006. The statement has been prepared by the company in accordance with the requirement of clause 32 of the listing agreement with Hyderabad stock exchange and is based on and in agreement with the corresponding Profit and Loss A/c and Balance Sheet of the company covered by our report Dt. 27-06-2006 to the members of the Company.	
			for R B KABRA & CO Chartered Accountants Sd/- <b>(KISHORE KUMAR KABRA)</b> Partner	
			PLACE : HYDERABAD DATE : 27-062006	



## HINDUSTAN ORGANIC CHEMICALS LIMITED

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

### ATTENDENCE SLIP

45th Annual General Meeting, on Monday, the 25<sup>th</sup> September, 2006

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

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

I certify that I am a Registered Member/proxy for the Registered Member of the Company. I hereby record my presence at the FORTY-FIFTH ANNUAL GENERAL MEETING of the Company at RASRANG HALL, Dr. Kasbekar Park, Rasayani at 3.00 p.m. on Monday, 25th September, 2006.

\_\_\_\_\_  
(Member's Proxy's Name)

\_\_\_\_\_  
Member's / Proxy's Signature

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

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## HINDUSTAN ORGANIC CHEMICALS LIMITED

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

### FORM OF PROXY

45th Annual General Meeting, on Monday, the 25<sup>th</sup> September, 2006.

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

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

I/We \_\_\_\_\_ of \_\_\_\_\_ being a Member(s) of the above named Company, hereby appoint Shri/Smt. \_\_\_\_\_ as my/our proxy to vote for me/us behalf of the FORTY-FIFTH ANNUAL GENERAL MEETING of the Company to be held at RASRANG HALL, Dr.Kasbekar Park, Rasayani at 3.00 p.m. on Monday, 25th September, 2006.

Signed \_\_\_\_\_ day of \_\_\_\_\_ 2006.

Signature \_\_\_\_\_

Affix  
Re 1/-  
Revenue  
Stamp

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

**BOOK-POST**

To,



If undelivered, please return to :  
**SHAREPRO SERVICES (INDIA) PVT. LTD.**  
Unit : Hindustan Organic Chemicals Limited  
Satam Estate, 3rd Floor,  
Above Bank of Baroda, Chakala,  
Andheri (E), Mumbai - 400 099.