

46th
ANNUAL REPORT 2006-2007



HINDUSTAN ORGANIC CHEMICALS LIMITED

**AUDITORS**

M/s. Gala & Gala
Chartered Accountants
Mumbai

M/s Elias George & Co.,
Chartered Accountants
Kochi

COST AUDITORS

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

BANKERS

State Bank of India

REGISTRAR 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**Reg.Office & Rasayani unit :**

P.O. Rasayani, Dist.Raigad, Maharashtra, Pin - 410 207.
Tel : (02192) 250041-47
Fax : (02192) 250050
E-mail : hoclras @ bom3.vsnl.net.in
Website : hocl.gov.com

COCHIN UNIT :

Ambalamugal, Dist. Ernakulam, Pin - 682 302.
Tel : (0484) 2720911 / 2720912 / 13
Fax : (0484) 2720893
E-mail : hoclchin @ md2.vsnl.net.in

Regional & Marketing Offices**BARODA :**

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

MUMBAI :

Harchandrai House, 81, Maharshi Karve Marg,
Mumbai - 400 002.
Tel : (022) 22014269/71/72
Fax : (022) 22059533

DELHI :

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

HYDERABAD :

1402, Babukhan Estate, Bashir Bagh,
Hyderabad - 500 001.
Tel : (040) 3241051 / 3240047
Fax : (040) 23296455

CHENNAI :

D-1, Nelson Chambers, 115, Nelson Manickam Road,
Aminji Karai, Chennai - 600 029.
Tel : (044) 2374 1853

Subsidiary Company :**HINDUSTAN FLUOROCARBONS LTD.**

1402, Babukhan Estate, Bashir Bagh, Hyderabad - 500 001.
Tel : (040) 23241051 / 23237125. Fax : (040) 23296455



BOARD OF DIRECTORS

SHRI A.S.DIDOLKAR	Chairman & Managing Director
SHRI U. SARKAR	Director (Finance)
SHRI R.N. MADANGERI,	Director (Technical) (From 20/6/2007)
SHRI S.V. GANU	Director (Marketing) (From 12/7/2007)
DR. J.S.MAINI, IAS; AS&FA	Director
SHRI K.C. MISRA, IAS;JS	Director
DR. S. DEVOTTA	Director (From 28/5/2007)
DR. B.D. KULKARNI	Director (From 28/5/2007)

MRS. S. S. KULKARNI	Company Secretary
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EXECUTIVE COMMITTEE

SHRI A.S.DIDOLKAR Chairman & Managing Director	SHRI N.B.JOGDAND Dy.General Manager(P&A) (Rasayni Unit l/c)(from 19/01/2007)
SHRI U.SARKAR Director(Finance)	SHRI M.A.PILLAI G.M. (Oper.) (Kochi Unit l/c from 1/5/2007)
SHRI R.N. MADANGERI, Director (Technical)	SHRI K.A.NATHAN G.M.(Engineering) Kochi Unit
SHRI S.V.GANU Director (Marketing)	SHRI R. SHEKHAR Dy. General Manager (Rasayani Unit l/c up to 18/01/2007)
SHRI P.P.JAYAKUMAR Chief General Manager (Kochi Unit l/c up to 30/4/2007)	SMT. S. S. KULKARNI Company Secretary Secretary to the Executive Committee



NOTICE

Notice is hereby given that the 46th Annual General Meeting of the Members of the Company will be held on Friday, the 28th September, 2007 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 1st April, 2006 to 31st March, 2007 and the Audited Balance Sheet as at 31st March, 2007 together with the Directors' Report and the Auditors' Report thereon.
2. To appoint a Director in place of Dr. 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.

SPECIAL BUSINESS

4. To consider and to approve the increase in Authorised Share Capital of the Company from Rs.350 crore to Rs.370 crore, divided into 10 crore of equity shares of Rs.10 each & Rs.27 crore, 8% non cumulative redeemable preference shares of Rs.10 each and make consequential amendments in Memorandum of Association (MOA) and Articles of Association (AOA). If approved pass the following Resolutions as Special Resolutions with or without modification :
 - A) Increase in Authorised Capital and consequential amendment to Clause 6 of Memorandum of Association.
 - (1) "RESOLVED THAT subject to such provisions of the Companies Act, 1956 and the Rules thereof as applicable, the Authorised Share Capital of the Company be and is hereby increased from Rs.350,00,00,000 (Rs. Three Hundred Fifty Crore) divided into 10,00,00,000 (Ten crore) Equity shares of Rs.10 each and 25,00,00,000 (Twenty Five Crore) Preference Shares of Rs. 10/- each to Rs.370,00,00,000 (Rs. Three Hundred and Seventy crore) divided into 10,00,00,000 (Ten crore) Equity shares of Rs.10 each ranking pari-passu with the existing shares in the Company and 27,00,00,000 (Twenty Seven crore) [by additional creation of 2 crore Preference Shares in addition to the existing Preference Shares of 25,00,00,000] 8% non cumulative redeemable preference shares of Rs.10 each, redeemable @20% each year from 4th year onwards.....".
 - (2) "RESOLVED THAT **Clause 6** of the Memorandum of Association of the Company for the words and figures "the share capital of the company is Rs.350,00,00,000 divided into 10,00,00,000 Equity

shares of Rs.10 each and 25 crore Preference Shares of Rs. 10/- each..." the following words and figures shall be substituted :

"The Share Capital of the Company is Rs.370,00,00,000 (Rs. Three Hundred Seventy crore) divided into 10,00,00,000 (Ten crore) Equity shares of Rs.10 each and 27,00,00,000 (twenty Seven crore) 8% non cumulative redeemable preference shares of Rs.10 each, redeemable @20% each year from 4th year onwards....."

- B) Increase in Authorised Capital - Consequential amendment in Article 5 of Articles of Association

"RESOLVED THAT subject to such provisions of the Companies Act, 1956 and the Rules thereof as applicable, in the Articles of Association of the Company the existing **Article No.5** be altered as :

"The Share Capital of the Company is Rs.370,00,00,000 (Rs. Three Hundred Seventy crore) divided into 10,00,00,000 (Ten crore) Equity shares of Rs.10 each and 27,00,00,000 (Twenty Seven crore) 8% non cumulative redeemable Preference Shares of Rs.10 each, redeemable @20% each year from 4th year onwards....."

5. To consider and to approve issue of 2 crore 8% non cumulative Preference Shares of Rs.10 each in pursuance of provisions of Section 80 of the Companies Act 1956, and other applicable provisions if any, of the Act/SEBI, etc., in favour of the President of India, and if approved pass the following Resolution as Special Resolution with or without modification:

"RESOLVED THAT pursuant to the provisions of Section 80 of the Companies Act, 1956 and other applicable provisions, Orders/Guidelines of SEBI etc. if any, the Board of Directors of the Company be and is hereby authorised to issue 2,00,00,000 (Two crores) 8% non cumulative preference shares of Rs.10 each redeemable @20% each year from 4th year onwards in favour of the President of India, as and when the amounts for the purpose are received from the Govt. subject to the terms and conditions therein if any".

By Order of the Board of
Hindustan Organic Chemicals Ltd.

Sd/-
(Mrs.SusheelaS.Kulkarni)
Company Secretary

Place : Rasayani
Date : 24/07/2007

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. An explanatory statement pursuant to Section 173 (2) of the Companies Act is enclosed in respect of Item No. 4 & 5.
4. The Register of Members and the Share Transfer Books of the Company will remain closed from Thursday, the 20th September, 2007 to Friday, the 28th September, 2007 (both days inclusive).
5. Members are requested to intimate immediately any change in their addresses registered with the Company.
6. Members, who hold shares in the dematerialised form, are requested to bring their depository account number for identification.
7. 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. Susheela S.Kulkarni)
Company Secretary

Place : Rasayani
Date : 24/07/2007

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

EXPLANATORY STATEMENT PURSUANT TO SECTION 173(2) OF THE COMPANIES ACT 1956, (As amended from time to time)**ITEM NO. 4 & 5 of the Notice**

1. Subsequent to the approval of the shareholders in the EGM held on 7th July, 2006 and consequent increase in Authorised Share Capital of the Company to Rs. 350 crores – subdivided into 10 crore Equity Shares of Rs. 10/- each and 25 crores Preference Shares of Rs. 10/- each, Company has received Rs. 250 crores from the GOI in the month of Sept. 2006 as Advance Application money towards Preference Capital.
 - 1.1 However, Allotment of Preference Shares to the GOI is not yet made.
2. Further as the Restructuring and Revival of the Company is on and certain Projects such as setting up /revamping of the Caustic Chlorine plant etc. are in the process, subsequently the Administrative Ministry, GOI vide letter No. 51/5/2006-Ch.III dated March 2, 2007 has released Rs. 20 crores to HOCL as investment towards Redeemable non-cumulative preference shares of HOCL.
 - 2.1 As this amount of Rs. 20 crores is also towards investment by the GOI in Preference Capital of HOCL and as at present the Company's Authorised Capital – Preference Capital base is consisting of only 25 crores Preference Shares of Rs. 10 each, in order to accommodate this further investment by the GOI in HOCL Preference Share Capital, the Authorised Capital base as to Preference Share Capital base is required to be enhanced by Rs. 20 crores i.e. from the existing Rs. 250 crores to Rs. 270 crores.
 - 2.2 Accordingly, if the shareholders approve, consequential amendments in **the Clause 6** to the MOA and **Article 5** of the AOA of the Company are required to be made.
3. The Authorised Capital of the company at present is Rs. 350 crore divided into 35 crore equity shares of Rs.10/- each. The present paid up of the company stands at Rs. 67.2689 crore.
4. The proposal for the increase in the Authorised Share Capital as above, is for issue of Rs.2,00,00,000 (Rs. two crore) 8% non cumulative redeemable Preference Shares of Rs. 10 each redeemable @20% each year from the 4th year onwards.
 - 4.1 The Special Resolutions set out in items No. 4 & Item No. 5 in the Notice convening this meeting is intended to obtain approval of the Members in this Meeting and consequential changes in Clause no. 6 and Article no. 5 of the Memorandum and Articles of Association of the Company respectively to reflect the increased Authorised Capital of the Company as contained therein and to issue of 25 crore 8% non cumulative Preference Shares of Rs.10 each in pursuance of provisions of Section 80 of the Companies Act 1956, and other applicable provisions if any, of the Act/SEBI, etc., in favour of the President of India. The Board of Directors recommend the approval of these Resolutions.
5. None of the Directors is concerned or interested in the proposed resolutions except to the extent of the shares held by them in their individual capacity.

By Order of the Board of
Hindustan Organic Chemicals Ltd.

Sd/-

Mrs Susheela. S.Kulkarni
Company Secretary

Place: Rasayani
Date : 24/07/2007
Registered Office :
P.O. Rasayani, Dist. Raigad
Maharashtra 410207



FROM THE CHAIRMAN

Dear Members,

My Colleagues on the Board and I extend warm welcome, and express their gratitude, to all of you present here at this 46th Annual General Meeting of your Company. The Audited Annual Accounts together with the Directors' Report and Auditors' Report of the Company for the year 2006-07 and the 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 which has resulted in a positive performance with a net profit of Rs. 17.04 crore. I must now share with you in brief the status of our company's performance during the year 2006-07.

PERFORMANCE :

HIGHLIGHTS

- The overall positive performance with a net profit of Rs. 17.04 crore.
- The excellent sales turnover resulted in operating profit of Rs.70.60 crore.
- Reduction in interest costs by Rs. 5.90 crore over the year.
- The Profit after tax and adjustments / provisions Rs. 17.04 crore has yielded an earning per share of **Rs. 3** as against Rs.(8) /loss, per share in the previous year.

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

Your Company continued to enjoy support from all its valuable customers during the year 2006-07 due to excellent quality of its products manufactured at Kochi and Rasayani. During the year under review, your Company could achieve high sales valuing Rs. 505.96 crores.

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 further improve.

The company could not export bulk parcels of Phenol during 2006-07 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 :

I am glad to inform you that based on the Government of India sanctioned financial restructuring proposal, our Company has already started the implementation of Rehabilitation Plan for the restructuring of our Company. The brief details of these Revival steps and proposals are contained in Directors' Report. We hope that with the Govt. assistance, the Company would be able to turnaround completely in the near future, by implementing revival measures contemplated.

FUTURE OUTLOOK :

We have already commissioned the setting up/ Re start of its Caustic Soda / Chlorine Plant and its auxiliary. Further, it is now tentatively proposed to commence production in the Caustic Soda Plant by January, 2008. Further, the Company has settled a) the outstanding loan in respect of Bank of Baroda (VRS Loan) and b) approximately 94% of the outstanding dues of the Bond holders as per our approved Restructuring Scheme. The restructuring and repayment of the remaining few Bond holders are expected to be effected and completed during the current year.

Your Company is also proposing to study the new products based on hydrogenation process as suggested by the High Powered Advisory Committee, Ministry of Chemicals and Fertilizers, GOI, for which the Company plans strategy of outsourcing Hydrogen Gas from nearby industry at very economical rate based on the natural gas norms which would enhance the profitability of our Rasayani unit considerably.



Further, with the availability of natural gas, Company also plans to put up Power Plant based on the Furnace Oil/ Natural Gas dual feed arrangement to economize on the operation (other than the possibility of putting up a coal based Power Plant which would be forming part of the best options available at Rasayani).

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.

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. The details of HR activities during the year under report are contained in Directors' 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

CORPORATE GOVERNANCE :

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

HINDUSTAN FLUOROCARBONS LIMITED (HFL) - SUBSIDIARY :

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.

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

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

Arvind Deekar

(A.S. DIDOLKAR)

CHAIRMAN & MANAGING DIRECTOR



DIRECTORS' REPORT

To,

The Shareholders of

HINDUSTAN ORGANIC CHEMICALS LIMITED

Your Directors take great pleasure in presenting the Forty-Sixth Annual Report, the Audited Annual Accounts of the Company for the year ended 31st March, 2007 with positive performance with a **net profit of Rs.17.04 Crore** as compared with the net loss of Rs. 56.61 crore in the previous year. Your Company's **Kochi Unit** in particular, with excellent performance has earned **Profit. Of Rs. 73.75 Crores.**

FINANCIAL HIGHLIGHTS

	Rs.in Lacs	
	Year ended 31/03/2007	Year ended 31/03/2006
Sales	59125.57	45103.24
Operating Profit/(Loss)	7059.74	(40.73)
Less: Interest	2173.16	2762.76
Depreciation	2710.71	2786.32
Profit/(Loss) before tax	2175.87	(5589.81)
Less: Provision for taxation	64.51	12.98
Add: Prior Period adjustments	407.14	58.26
Profit/(Loss) after tax & Prior period adjustments/Provisions.	1704.22	(5661.05)

However, in view of losses of the previous years, as Accumulated losses as at the end of the Financial Year 2006-07 are carried forward, your Directors do not recommend any dividend on equity shares for the year ended 31st March, 2007.

PERFORMANCE HIGHLIGHTS

You will be happy to note that your company has come out with excellent performance during the year under report, setting the records such as:

- The overall positive performance with a net profit of Rs. 17.04 crore.
- In particular, the Company's Kochi unit has earned a profit of Rs. 73.75 crore.
- The excellent sales turnover resulted in operating profit of Rs.70.60 crore.
- The company has earned Profit before tax Rs.21.76 crore as compared to the loss before tax of Rs. 55.90 crore in the previous year.
- Reduction in interest costs by Rs. 5.90 crore over the year.
- The Profit after tax and adjustments / provisions Rs. 17.04 crore has yielded an earning per share of **Rs. 3** as against Rs.(8) /loss, per share in the previous year.

OPERATIONS

Your Directors are pleased to inform that your company has completed a successful year in the process of its revival with a step to attempt to come out of BIFR net. During the year under Report, your Company's **Kochi unit**, achieved a rare distinction of higher turnover of **77543 MTs** valuing **41,200.48 Lacs** as against 56834 MTs valuing 24,898.21 Lacs of the previous year.

With the production of **207110 MTs** (main products) during the year 2006-07 as against the production of 216224 MTs (main products) , your Company could achieve an overall capacity utilisation of **51%** during the year. Your Company has recorded the sale of **128244.56 MTs** during the year (last year 138431.72 MTs) valuing **Rs.50596.22 lacs** (last year Rs. 38604.67 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 and in order

to be competitive and improve performance and profitability.

During the year, your Company has set up Hydrogen bottling facility at plant at Rasayani Unit at a cost of Rs. 65.02 lacs to sell the surplus Hydrogen available from its plant for captive use, in the neighbouring industries at prevailing market rates.

PRODUCTION :

Cochin Unit

During the Year, your Company's Cochin Unit could achieve **157473MTs** of production as against 115644 MTs of the previous year. It is **36% more** than the last year's production. This was mainly due to continuous operation of the plant through out , optimally to the fullest capacity.

Rasayani Unit

During the Year, Rasayani Unit of your Company could achieve only 66226.18 MTs of production as against 123558.47 MTs production of the previous year, 46% less than the previous year's production. This has been mainly due to shut down during the year, of Sulphuric Acid plant and other major plants for technical and maintenance reasons, during the year.

MARKETING:

HOC continued to enjoy support from all its valuable customers during the year 2006-07 due to excellent quality of its products manufactured at Kochi and Rasayani. It has achieved sales turnover of **Rs. 505.96 Crores** (net of excise duty) as against Rs. 386.04 crores (net of excise duty) of the previous year. The sales volume during year 2006-07 was 1,28,244.56 MTs against 1,38,431.72 MTs for the year 2005-06. Though, during the year under review, the sales in terms of volume has come down as compared to that of the previous year, your Company could achieve high sales valuing **Rs.505.96 crores** mainly due to better price realisation.

The company could not export bulk parcels of Phenol during 2006-07 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.

FINANCE:

You will be pleased to know that the better price realisation resulted in increased sales value and good performance on all the fronts, has enabled the company to earn net profit for the year after provision for taxes and adjustments of Rs.17.04 crore, recording the turnaround of the company as against the losses in the previous year. Your company could pay off the overdue outstanding Bond / Fixed Deposit holders under restructured scheme apart from the paying off of the BOB VRS Loan.(Loan Rs. 31.0 crore with interest thereon).

TURNAROUND PROGRAMME

Your Company has already started the implementation of Rehabilitation Plan (as approved by the Government) for the restructuring of our Company. In this regard, you may take on record the following:-

1. As a part of Restructuring, your Company is in the process of setting up/ Re start of its Caustic Soda /Chlorine Plant and its auxiliary, for which Engineering & Project Management Consultants have been appointed, orders have been processed for procurement of Imported Spares, consumable parts. Further, the Plant is already commissioned and is now tentatively proposed to commence production in the Caustic Soda Plant by January, 2008.
2. Further, as a part of implementation of Revival Package, the Company has settled **a)** the outstanding loan in respect of Bank of Baroda (VRS Loan) and **b)** approximately **94%** of the outstanding dues of the Bond holders as per our approved Restructuring Scheme. The restructuring and repayment of the remaining few



Bond holders are expected to be effected and completed during the current year.

- The Company has introduced Voluntary Retirement Scheme (VRS) for its employees during the year under review. However, the response was moderate as only 69 employees opted for the scheme. Your Company is proposing to study the new products based on hydrogenation process as suggested by the High Powered Advisory Committee, Ministry of Chemicals and Fertilizers, GOI, for which the Company plans strategy of outsourcing Hydrogen Gas from nearby industry at very economical rate based on the natural gas norms which would enhance the profitability of our Rasayani unit considerably.
- Further, with the availability of natural gas, Company also plans to put up Power Plant based on the Furnace Oil/ Natural Gas duel feed arrangement to economise on the operation (other than the possibility of putting up a coal based Power Plant which would be forming part of the best options available at Rasayani).

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 attaches great importance to human resource development, the main objective of which is to enhance skills knowledge and competence. Our thrust has been to **empower, enable & enhance** the capability of employees to meet the requirement of the changing business environment. Your Company takes care to train and develop employees, so that they can perform at their best in the present – competitive business environment. To meet the challenges of global competitive environment, the company is upgrading the skills of their employees by systematically identifying training needs of employees by using skill inventory matrix. For this purpose, internal faculties as well as external faculties are used in the Incompany Training programmes. During the year under report, HRD initiatives your Company has taken mainly in respect of :

- 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.

- 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 . During the year 2006-07 at Rasayani Unit, in all 55 Training programmes were conducted, 1784 mandays were trained during in company training programmes, 81 mandays were trained through sponsorship (outside) training and 162 mandays were trained through on the job training. i.e.

Total Mandays Trained = 2027. At Kochi Unit 360 Mandays were trained through Internal training programme and 352 Mandays were trained through external training. In all 712 Training Mandays were achieved at Kochi Unit. Further, 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.

Mandays trained during the year was (2739/1458) 1.90 Training Mandays/Employee.

- External Training Programmes :** Approx. 57 Executives (157 man days) were nominated to (approx) 57 External training Programmes during the year.
- 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.
- 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.
- Company has Suggestion Scheme in both the Units i.e. Rasayani & Kochi. All employees are eligible to participate in the scheme. Suggestions received are evaluated by the competent committee. Good and practical suggestions are implemented and also rewarded.
- In order to attain the twin objectives of reducing manpower and increasing the productivity, company has initiated the process of rationalization and restructuring of human resources for optimum utilization of available manpower. Company is also engaged in finding out ways and means to develop, retain and deploy the work force so as to meet with confidence, the new challenges and opportunities due to globalization and liberalization.

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 2006-07 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 Chief Vigilance Officer on deputation from Govt. of India continued to play a pivotal role. A major emphasis of the department has been towards system study, improvement and to ensure the implementation of laid-down procedures, policies, rules and regulations, etc. of the company and the Central Vigilance Commission's guidelines. As a result of Vigilance initiatives, web tendering above a threshold value of Rs.50,000/- has become an established practice. The department took prompt action regarding complaint received, followed by investigations/ actions based on departmental recommendations. Periodic and Surprise inspections continued to support the department's activities towards system improvements. 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; in relations with these agencies.

CORPORATE SOCIAL RESPONSIBILITY

Recognizing the obligation to the society both in the areas of environment protection and social development, your Company has taken up several initiatives towards implementing welfare schemes for uplifting the quality of living of the community surrounding the Factory area. 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 extend 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. Babaseheb 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.
- Company's Kochi unit has donated a DG set costing Rs. 4.04 lacs to the Govt. Taluk Headquarters Hospital, Tripunithura to benefit the poor patients visiting the Hospital.

ENVIRONMENT MANAGEMENT :

- Your Company has adopted sound environment management practices. This means that your Company has adopted cleaner technologies and also inculcated culture of pollution prevention. Hazardous wastes are disposed off to the satisfaction of MPCB/ KPCB.
- The Units could maintain through out the year, the quality of treated effluent, stack emission and ambient air quality well within limits set by the statutory authorities.
- The Company has been in the forefront in the management of Health, Hygiene and Environment.
- As HOC is a signatory to the "Responsible Care Movement", we are committed to the concept of self – reliance and improvement in all aspects of Health, Hygiene and Environment protection and always try to achieve the goals and objectives of the movement.
- Based on the toxicity of chemicals periodic medical examination of all the employees are carried out by doctors specially trained in occupational health and hygiene at company's occupational Health centre. Individual medical history is tabulated and analyzed to check for deleterious effects if any on the workers' physiological functions. Biochemical monitoring is carried out to estimate the extent of exposure of employees to various chemicals through urine, breath and blood samples.
- State-of-the-art Industrial Hygiene and Environment Laboratory is in operation and manned by qualified scientist. To safeguard the working conditions, monitoring and analysis of various chemicals is performed utilizing unique technique of thermal desorption and gas chromatography. It is observed that the concentration of chemicals was well below the prescribed limits set by the statutory authorities.
- As per the requirement of Central Pollution Control Board, ambient air monitoring and analysis is carried out for sulphur dioxide, Oxides

of Nitrogen and suspended particulate matter at various locations, including sensitive area like Karnala Bird Sanctuary 10 Km. away from factory premises. Reports are submitted on regular basis to concerned authorities.

- The concentration of sulphur dioxide, Oxides of Nitrogen and particulate matter emitted from stacks of Boiler, Nitric Acid and Sulphuric Acid Plant is analyzed and maintained well below the prescribed consent limits.
- Company has its own effluent treatment facility and the treated effluent meets the prescribed standards. The quality of effluent is checked for various consent parameters like pH, COD, BOD etc. before discharging to designated point.
- In-addition to above activities, we provide expertise to CPCB, MPCB/KPCB and near by industries. We have also carried out methodology development for monitoring and analysis of vehicular pollution in metro cities.

SAFETY :

Your Company pay special attention to ensure safety of the Factories and workers employed therein.

- 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. Various Cash Incentive Schemes have been introduced in the Company. Hindi Workshops are being conducted regularly. Official Language Implementation Committee meetings are arranged every quarter. Comprehensive programme like HINDI FORTNIGHT was organized at both Rasayani and Kochi and in the Corporate office in Mumbai during September, 2006. Several periodical meetings, training programmes, workshops, essays writings, noting and drafting competitions were organized to propagate the use of HINDI. During September, 2006 Kavi Sammelan was arranged in Rasayani Unit. For this programme renowned poet Shri Sunil Sawra, Shri Dinesh Bawra, Dr. Rajnikant and Smt. Rajni Dube were invited. All documents coming under Sec.3(3) of the Official Language Act, 1963 are issued in bilingual form.

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 : 22004 standard (Environment Management System) and re-certified and also obtained re-certification for ISO9001 : 2000 (Quality Management System) 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. 1163.60 lakhs (Pr.Yr.Rs. 107.08 lakhs) worth deposits had matured and have been paid. The total deposits outstanding as on 31-3-2007 was Rs.1082.54 lakhs (42 Nos.) (Pr.Yr.Rs. . 2246.14 lakhs (73Nos.))

DEPOSITORY SYSTEM

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

MANAGEMENT DISCUSSION AND ANALYSIS REPORT

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

CORPORATE GOVERNANCE

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

RESPONSIBILITY STATEMENT

The Directors confirm:

- that in the preparation of the annual accounts, the applicable accounting standards have been followed and that no material departures have been made from the same;
- that they have selected such accounting policies and applied them consistently and made 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;
- that they have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956, for safeguarding the assets of the company and for preventing and detecting fraud and other irregularities;
- that they have prepared the annual accounts on a going concern basis.

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 245 MTs as against 228 MTs in the previous year, thus achieving a sales turnover of Rs. 1657lakhs (Pr.Yr. 1,804 lakhs.) The total income for the year 2006-07 was Rs.1657lakhs as against Rs. 1804 lakhs for the year 2005-06. Consequently even at the operating level, HFL made a loss of Rs.246 Lakhs for 06-07 as compared to operating loss of Rs. 397.00 lakhs in the year 05-06. Due to its vigorous efforts, HFL was successful in imposing anti dumping duty on imports from Russia and China. The Company has selected the technology and provider of turnkey project of CDM. It is expected that Registration of the project and accruing of the CER Credits will commence in the coming financial year..

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)/47 dated 26/6/2006 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. Elias George & Co., Cochin as branch auditors to audit the accounts of Cochin unit for the year ended 31st March, 2007.

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.Talati & Co. as the Cost Auditors for Sulphuric Acid for 2006-2007.

DIRECTORS

Dr. Sukumar Devotta, Director NEERI, Nagpur and Dr. B.D.Kulkarni, Acting Director, NCL, Pune , have been appointed by the Government as Non-Official, Independent Directors on the Board of our Company w.e.f. 28-05-2007.

Shri R.N. Madangeri has been appointed by the Government as Director (Technical) of our Company w.e.f. 20-06-2007.

Shri S.V. Ganu has been appointed by the Government as Director (Marketing) of our Company w.e.f. 12-07-2007.

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 valuable guidance and support extended by 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 : 24th July, 2007


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 :Extent of holding in the subsidiary	1,10,60,000 Equity Shares of Rs.10/- each fully paid up.56.43%
3.	Net aggregate amount of the subsidiary's Profit/(Loss) so far as it concerns members of the holding company & is not dealt with in the company's accounts :	
	i) For 2006-2007	(526.31)
	ii) For Previous financial year	(565.55)
	iii) Cumulative Total	(5302.89)
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 2006-2007	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 Unit :

- Boiler feed water pump at hydrogen phase II plant was replaced with optimum and more efficient size. This has resulted in power saving of Rs. 1.25 lakhs per annum.
- Old and in efficient boiler feed water pump at Aniline phase II plant was replaced for power saving. This has resulted in saving of Rs. 3.00 lakhs per annum.
- Higher size electrical motor of cooling tower was replaced with proper sized motor achieving a saving of Rs. 6.50 lakhs per annum.
- Electrical motor of nitric acid pump was replaced with efficient motor and a saving of Rs. 1.00 lakhs per annum was achieved.
- Motor of raw acid pump of nitric acid was replaced with efficient motor to achieve a saving of Rs. 1.25 lakhs per annum.

B. Kochi Unit:

- Energy audit was conducted at Kochi unit through outside agency. Measures suggested will be implemented in the future.
- Implementation of Energy Management Information system connecting all HT loads at Kochi unit.
- Installation of one Variable Frequency Drive on the raw water pump at Kochi unit to save electrical energy. About 16,000 kwh of energy saved in the current year. Total expected saving is about 65,000 kwh per year.

Future Plans (Rasayani & Kochi Units):

- More Variable Frequency Drives will be installed at boiler feed water pump, hydrogenation feed pump, tempered water cooler fan and raw water pump to reduce consumption of electrical energy at Kochi unit and cooling tower pumps at Rasayani unit will further reduce the power consumption.
- Re start of concentrated nitric acid plant at Rasayani unit with replacement and modification in the inter stage coolers will bring down the power consumption in nitric acid plant substantially.
- Depending upon the product mix of Rasayani unit's operation, further optimisation of transformers operation and monitoring of lighting load in various plants will save electrical energy.
- Effective measures to reduce pressure drop in the transportation of the effluent from the lagoons to disposal point that is about 8 kilometers away at Rasayani unit have been completed. The system is ready for operation. This will reduce the power consumption in the transportation of the effluent.
- With the re start of caustic soda plant in the year 2007-08, capacitor bank's management is being reviewed to ascertain the unit power factor at Rasayani unit.

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

	Current Year 2006-07	Previous Year 2005-06
1. Electricity		
a) Purchased (unit)	7,64,57,120	7,42,78,156
Total amount (Rs.)	28,60,40,713	26,70,49,761
Rate per unit (Rs.)	3.74	3.60
b) Own generation		
i) Through LSHS	NIL	45,38,910
units per litre of LSHS	NIL	4.81
Cost per unit (Rs.)	-	4.16
ii) Through steam generation	NIL	NIL
Units per litre of fuel oil	-	-
Cost per unit (Rs.)	-	-
2. Coal	NIL	NIL
3. Furnace Oil/ LSHS		
Quantity (MT)	23,173	19,951
Total Amount (Rs.)	37,92,82,807	30,60,62,896
Average rate (Rs.)	16,367	15,341
4. Others/ Internal Generation	NIL	NIL
(a) Others- Diesel (KL)	3,890	8
(b) Internal Generation	NIL	NIL



Consumption per unit of Production

Product	Standard		2006-07		2005-06	
	power consumption (kwh/MT)	Prod. (MT)	Power consumption	Prod. (MT)	power consumption (kwh/MT)	
Nitrobenzene	56	11945	20	19393	18	
Hydrogen	570	527	656	859	504	
Aniline	280	7100	244	12355	222	
Acetanilide	60	-	-	434	43	
Sulfuric acid	70	12417	97	29413	95	
Formaldehyde	100	22626	130	30373	102	
Nitrotoluene	170	607	139	2641	172	
Conc. Nitric Acid	840	1365	1755	10641	940	
Propylene	30	25587	26	18896	26	
Phenol/Acetone	599	66196	505	47007	600	
Hy. Peroxide - 50%	2711	8822	2611	7331	2138	

Note:

- Higher power consumption in hydrogen production is because of the lower capacity utilisation.
- Higher power consumption in nitric acid plant is due to the damage of inter stage coolers and lower capacity utilisation.

ANNEXURE III

Consolidated Report as on 31-03-2007 (SC/ST/WOMEN) Rasayani & Kochi Unit.

Group	Total	SC	ST	Women
A	428	66	18	21
B	338	52	13	17
C	602	82	28	75
D	52	12	4	4
Total :	1420	212	63	117

ANNEXURE IV

Reply of the Directors on the Statutory Auditors' Report to the Members for the Financial Year 2006-07:

- 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. (Ref: Auditor's Report-Para 4-vii-a).
- The company has implemented wage revision to the employees with effect from 1st January, 2001. Though wage revision is effective from 1st January 1997, the arrears from 1st January 1997 to 31st March, 2000 is payable only when the company will generate adequate surplus. The company is under BIFR and continued with accumulated loss, the operating agency, appointed by BIFR, recommended freezing of arrears payment shown as contingent liabilities as on 31st March, 2006, accordingly, no provision for arrears for the above mentioned period has been made. (Ref: Auditor's Report-Para 4-vii-b).
- 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.(Ref: Auditor's Report-Para 4-vii-c).

- The company offered One Time Settlement scheme (OTS) to Bond/FD holders in consonance with rehabilitation scheme proposed by State Bank of India, Operating Agency, appointed by BIFR and most of the Bond/FD holders accepted the payment under OTS. Hence, management finds no difficulty in settling the dues of remaining Bond/FD holders as per ongoing OTS during the current year. The matter has been adequately disclosed in notes as referred by the Auditors. (Ref: Auditor's Report-Para 4-viii-a)
- Adequate disclosure has been made at note No.18, which forms part of the accounts regarding pending confirmation. (Ref: Auditor's Report-Para 4-viii-b)
- 49.700 US\$64 Bonds of UTI is held more than 3 years though it has been categorized under current investment. The diminution in value is insignificant (minuscule) hence is not considered. The company is hopeful to recover the investment in full on maturity without conceding any loss. (Ref: Auditor's Report-Para 4-ix)
- Identification of assets and location of each at Rasayani are in final stage, the Assets register will be in order within current financial year. (Ref: Annexure to Auditor's Report- Para-i-a).
- The suggestion of the auditors has been noted for compliance. (Ref: Annexure to Auditor's Report- Para-i-b).
- The Internal Audit scope has been enlarged in the financial year 2006-07 for Rasayani unit. The scope of Audit is reviewed continuously for further action, if required. (Ref: Annexure to Auditor's Report- Para-vii).

For and on behalf of the Board of
Hindustan Organic Chemicals Limited,
Sd/-

Place: Mumbai
Date : 24th July, 2007

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 is 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 ended 31/3/07			Year ended 31/3/06		
	Target	Product	Percentage	Target	Product	Percentage
	MT	MT	Achieved	MT	MT	
Chemicals	216225	207110	95.78%	265584	179147	67%

PRODUCTWISE PERFORMANCE (MAIN PRODUCTS)

Cumulative for the year-2006-07		
Product	Target	Actual
Quantity (MT)		
Nitrobenzene Products	31500	12552
Aniline	22000	7100
Phenol	42000	40733
Acetone	26040	25463
H2O2	5225	4411

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.

During the year, the Company has set up Hydrogen bottling facility at plant at Rasayani Unit to sell the surplus Hydrogen available from its plant for captive use, in the neighbouring industries at prevailing market rates.

Further, as a part of Restructuring, the Company is in the process of setting up/ Re start of its Caustic Soda /Chlorine Plant and its auxiliary and is now tentatively proposed to commence production in the Caustic Soda Plant by January, 2008.

The Management is also planned to start up of NB-I and AN-I plants at Rasayani as per the restructuring plan for improving the financial liabilities of Rasayani unit. Retirement of high cost matured bonds is almost achieved as planned resulted into reduction in the interest burden substantially. As regards Kochi unit, de-bottlenecking of Hydrogen Peroxide along with Phenol/Acetone plant and technology upgrade for Cummin manufacture from conventional Solid phosphoric acid to zeolite is scheduled.

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 beginning, 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.

Present day Information Technology facilitates to explore various options such as modernization, process automation and integration of various business applications for business benefits and & effective services. Company has deployed effective information systems for its business needs. To meet present & future challenges and to keep pace with the technological development, company endeavour to explore various IT initiatives which includes ERP Package, Web based application, Upgrading IT Infrastructure, Networking etc. Company also committed to initiate and implement various IT standards and policies for security of information systems.

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 the Audit Committee which was not in existence in the year 2006-07 has been reconstituted w.e.f. May 2007. Further the Finance Dept. under the leadership of CFO viz. Director (Finance) periodically reviews 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. 505.96 crores against Rs. 451.03 crores for the previous year showing an increase of 12%. Other income was Rs. 36.21 crores against Rs. 14.10 crores for the previous year. There was an Operating Profit before interest and depreciation of Rs. 70.60 crores against the Operating Loss of Rs. 0.41 crores for the previous year. Company incurred an Interest expenditure of Rs. 21.73 crores against Rs. 27.63 crores for the previous year, showing an improving trend in the cost reduction..

The outlook for the future appears to be good with the revival of economic growth. The Accumulated losses are likely to go down further substantially during the year in view of proposed implementation of several improvement plans for Rasayani and Kochi Units, complete restructuring of Debts of Bond / Fixed Deposit holders and repayment thereof as per the restructuring package for the revival of the Company as 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 downturn in the chemical industry - global or domestic or both, significant changes in political and economic environment in India or key markets abroad, tax laws, litigation, labour relations, exchange rate fluctuations, interest and other costs.



Report on Corporate Governance (Annexure VI to Directors' Report) (As on 31-03-2007)

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

1. Corporate Philosophy/ Main Objective on Code of Governance:

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

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

2. Board of Directors

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

a) Composition of the Board :

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

As on 31-03-07 the Board of HOCL consisted 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.

Further, during April 2007, GOI has appointed 2 Independent Non-Official Directors Viz. Dr. Sukumar Devotta, Director, National Environmental Engineering Research Institute (NEERI) & Dr. B.D. Kulkarni, Acting Director, National Chemicals Laboratory (NCL), on the Board of our Company.

Subsequently the GOI has appointed Shri R.N. Madangeri as whole-time Director (Technical) w.e.f. 20/6/2007 and Shri S.V. Ganu as whole-time Director (Marketing) w.e.f. 12/7/2007 on the Board of our Company. Accordingly, currently as on 24/7/07, the Board of HOCL consist of 8 Directors.

With the above position of the Directors, the Company could comply the provisions of Clause 49 of the Listing Agreement with Stock Exchanges, on appointment of new Independent Directors, with effect from April 2007.

The constitution of the Board is given below :

Details of the Board of Directors during the year 2006-07 were as under:-

Sr.No.	Director	Category Of Director	No. of Other	MemberShip in
ChairmanShip in	(ED,NED, NEID)	DirectorShips	Other BoardCommittees	Other Board Committees
1.	Shri A.S.Didolkar ,	(ED)CMD	3	5
2.	Shri U.Sarkar	(ED)D(Finance)	4	-
3.	Dr. J.S. Maini, IAS,AS&FA	NEDGovt. Nominee	1	-
4.	Shri K. C. Misra, IAS, JS	NED-Govt. Nominee	-	-

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

Changes in the Board of Directors.

1. Dr. Sukumar Devotta, Director, NEERI, Nagpur, has been appointed as Non Official Independent Director on HOCL Board with effect from 28/05/2007.

2. Dr. B.D. Kulkarni, Director, NCL, Pune, has been appointed as Non Official Independent Director on HOCL Board with effect from 28/05/2007.

3. Shri R.N. Madangeri, Director (Technical) has been appointed on HOCL Board with effect from 20/06/2007.

4. Shri S.V. Ganu, Director (Marketing) has been appointed on HOCL Board with effect from 12/07/2007.

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

Dr. Sukumar Devotta

Qualifications : B.Tech Chem Engg., M.Tech Chem. Engg., Ph. D. from University of M.Sc. Chem. Engg. From University of Salford England.

Business/Occupation: Govt. Service, Director, NEERI, Nagpur

Varied experience & other Directorships: (a) NEERI, Nagpur. Member of various National & International Committees Viz.(i) GOI Steering & Technology & Finance committee on Montreal Protocol. (ii) Co-ordinating Lead auditor: Intergovernmental Panel on Climate Change (IPCC) and on Technology Transfer (iii)Regional Editor – Applied Thermal Engineering, Elsevier, UK (iv) Editorial Board Member – Int. Journal of Refrigeration of IIR, Elsevier, UK & (v) member 1st IPCC/ TEAP lead authors meeting. The Hague, The Netherlands, 2003.

Dr. B.D. Kulkarni

Qualifications : B. Tech Chem. Engg., M.Tech. Chem. Engg., Ph. D. Chemical Engineering

Business/Occupation: Govt. Service, Acting Director, NCL, Pune

Shri R.N. Madangeri

Qualifications : BE(Mech.) - Karnataka University, DMS (Post graduate Diploma in Management Studies from Mumbai University)

Business / Occupation : Director (Technical) in HOCL w.e.f. 20/06/2007.

Other Directorships : NIL



Experience : 32 years of varied experience from Design & Drawing, maintenance, commissioning of Chemicals Plants, In-charge of Commercial Department at HOC. Managing Director of HFL a Subsidiary Company of HOC for a period of 3 ½ years.

Shri S.V. Ganu

Qualifications : BE(Elect.) - Nagpur University, Member of the Institute of Engg. India and also a life member of Indian Institute of Chemicals Engineers.

Business / Occupation : Director (Marketing) in HOCL w.e.f. 12/07/2007.
Other Directorships : NIL

Experience : 35 years of experience in a Fertiliser & Chemical Industry. He has been worked in a large Chemical & Fertilizer Company, Viz. Rashtriya Chemicals and Fertilizers (RCF), in different functional areas such as maintenance, operations, project, commercial, P&A etc.

c) Meetings of the Board :

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

Board Agenda and Material :

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

The Board of the Company met 6 times during the financial year 2006-07 on the following dates :

26/05/2006	28/06/2006	31/07/2006	27/10/2006
11/01/2007	23/01/2007		

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

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

The attendance of the Board Meetings and Annual General Meetings were as under:

For the year 2006-07.

Directors	No. of Board Meetings- Attendance	Attended At The Last Agm
Shri A.S.Didolkar	6	Yes
Shri U.Sarkar	6	Yes
Dr. J.S. Maini	6	No
Shri K.C. Misra	3	No

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, 2007 are as follows :

DETAILS OF REMUNERATION PAID TO THE DIRECTORS FOR THE YEAR 2006-07

NameDirectors	Salary including Perks (Rs.)	Arrears	Retirement benefits	Sitting Fees & OPE	Amt.In Rs.
					Total Rs.
Shri A.S.Didolkar, CMD	6,47,469.00	Nil	1,01,451.00	-	7,48,920.00
Shri U.Sarkar , DF	5,33,731.00	Nil	85,432.00	-	6,19,163.00
Dr.J.S.Maini,Director, AS&FA	N.A.				
Shri K.C. Misra, Director, JS	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 5 Committees - Viz. Audit Committee of Directors, Executive Committee, Share Transfer/ Shareholders'/Investors' Grievance Committee Bonds Sub-Committee of Directors and R&D Committee.

I. Audit Committee of the Directors : (Not in existence during 06-07):

The Audit Committee (which was constituted as per Cl. 49 of Listing Agreement in the earlier years) was unable to meet during the year due to non-appointment of Independent Directors on the Board of the Company in the year 2006-07. The representatives of Statutory Auditors were invited, as a transparent Corporate Governance Policy as and when required by the Board.

The Committee reconstituted in July, 2007 consisting of the following Directors as its members :

- Shri K.C. Misra, Director (Chairman of the Committee) ,
- Dr. Sukumar Devotta & Dr. B.D. Kulkarni, Directors as its Members and
- Mrs. S.S. Kulkarni, as Secretary to the Committee.

- 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.

The Committee reconstituted in July, 2007 consisting of followings as Members:

- Chairman & Managing Director, Shri A.S. Didolkar
- Director (Finance), Shri U. Sarkar,
- Director (Technical), Shri R.N. Madangeri,
- Director (Marketing), Shri S.V. Ganu,
- GM (Ops) Kochi Unit I/c, Shri M.A. Pillai,
- DGM(P&A) (Rasayani



Unit I/c), Shri N.B. Jogdand(g) GM (Engg.) Kochi Unit, Shri K.A. Nathan and (h) Company Secretary, Smt. S.S. Kulkarni.

III. R&D Sub-Committee:

All matters pertaining to Technical, R&D and other issues relating to various projects and products of our Company are referred to the R&D sub-committee for discussion and for decisions. Some items needing Board approval are referred for recommendations of the Committee.

The Committee reconstituted w.e.f. May, 2007 consisting of the members as:

(a) Dr. B.D. Kulkarni, Director, (Chairman of the Committee) (b) Shri A.S. Didolkar, Chairman & Managing Director, (c) Shri R.N. Madangeri, Director (Technical), (d) Shri A.M. Sathe, DGM(R&D), (e) Dr. B. S. Shinde, DGM(R&D), (f) Dr. D.D. Nikalje, CM(R&D), (g) Shri Ramakrishna, Addl. CM(R&D), (h) Unit Incharge of Rasayani Unit/or Kochi Unit (as may be relevant).

IV. Share Transfer / Shareholders / Investor' 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:

10/04/06, 26/04/06, 10/05/06, 26/05/06, 12/06/06, 26/06/06, 17/07/06, 31/07/06, 16/08/06, 5/09/06, 18/09/06, 7/10/06, 27/10/06, 14/11/06, 05/12/06, 18/12/06, 05/01/07, 23/01/07, 06/02/2007, 26/02/07 & 12/03/07.

Summarised information on complaints received and resolved during 1st April 2006 to 31st March, 2007

Sr.No.	Nature of Complaint	Received	Redressed	Pending as on 31/3/07
DIRECT:				
1.	Non receipt of dividends/ Warrants	-	-	-
2.	Non receipt of share Certificates	-	-	-
3.	Miscellaneous	1	1	-
SEBI				
4.	Non receipt of dividend warrants	1	1	-
5.	Non receipt of share certificates	15	15	-
6.	Miscellaneous	1	1	-

No. of Pending Share Transfers

As on 31st March, 2007 there are 63 Nos. of Share transfer cases

pending consisting of 7800 shares. These transfers were already approved within the prescribed time in the month of April 2007.

5. 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.

6. Annual General Meetings

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

Particulars	FY 2003-2004	FY 2004-2005	FY 2005-2006
Date and Time	29-12-2004 11 a.m.	29-09-2005 3.00 p.m.	25-09-2006 3.00 p.m.
Venue	Rasarang Hall Dr.Kasbekar Park At PO :Rasayani, Dist.Raigad - 410207	Rasarang Hall Dr.Kasbekar Park 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.

7. 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) or SEBI Regulations or provisions of Listing Agreement (except Clause 49II) or any other Statutory Authority. Further, these authorities have never passed any strictures or imposed any penalties on the Company on any matter related to capital markets, during the last three years ;
- It is affirmed that no personnel has been denied access to the audit committee (when it existed) ;
- Details of compliance with mandatory requirements and adoption of the non-mandatory requirements of this clause - are provided in this report;

8. Means of Communication

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

9. 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 410 207.


a) Annual General Meeting :

Date & Time : September 28, 2007 at 3.00 p.m.
Venue : At Rasarang Hall,
Dr.Kasbekar Park,
Rasayani, Dist.Raigad 410207

b) Financial Calender :

The Company follows April - March as its Financial Year. The Results for every quarter beginning from April, are 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 20/9/2007 to 28/09/2007 (both days inclusive).

d) Dividend payment date : Not Applicable

e) Listing on Stock Exchanges :

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

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

f) Stock Code at BSE : 500449

g) Registrar & Share Transfer Agents :

M/s Sharepro Services (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 2006-07 was as follows:

Month	Monthly Highest	Monthly Lowest
April, 2006	44.50	35.30
May, 2006	46.75	31.50
June, 2006	33.00	20.35
July, 2006	25.90	19.70
August, 2006	28.30	21.75
September, 2006	28.90	23.45
October, 2006	26.40	21.70
November, 2006	34.90	21.85
December, 2006	26.60	22.00
January, 2007	44.00	23.00
February, 2007	65.25	39.10
March, 2007	40.00	30.15

b) High/Low of market price of the equity shares traded on the **Bombay Stock Exchange Ltd.**, Mumbai for the year 2006-07 was as follows:

Month	Monthly Highest	Monthly Lowest
April, 2006	44.20	35.60
May, 2006	44.30	32.05
June, 2006	30.55	21.25
July, 2006	25.55	20.05
August, 2006	27.85	22.40
September, 2006	27.30	23.80
October, 2006	24.80	22.00
November, 2006	32.20	23.10
December, 2006	25.85	22.45
January, 2007	43.20	23.50
February, 2007	60.60	39.20
March, 2007	38.70	31.00

j) Distribution Of Shareholding

The distribution of holdings as on March 31, 2007 was as follows:

Description	Holders(s) Folios	% Shares	Holding(s) %
Less than 500	51285	89.98	7620307 11.31
501 - 1000	2952	05.18	2585993 03.84
1001 - 2000	1334	02.34	2151896 03.19
2001 - 3000	473	00.83	1238550 01.84
3001 - 4000	175	00.31	642492 00.95
4001 - 5000	226	00.40	1085744 01.61
5001 - 10000	292	00.51	2204027 03.27
10001 and Above	256	00.45	49837091 73.98
	56993	100.00	67366100 100.00

k) Shareholding Pattern as on 31st March, 2007 was as under:

Category	No. of Shares held	Percentage of Shareholding
A PRESIDENT OF INDIA & NOMINEES	39481500	58.61
B NON-RESIDENT	-	-
1 Foreign Collaborators	-	-
2 Non-domestic Companies	1100	00.00
3 Overseas Corporate Bodies	-	-
4 Foreign Institutional Investors	1900	00.00
5 Individual (Repatriation)	841009	01.25
6 Individual (Non-Repatriation)	214245	00.32
C RESIDENT		
1 Financial Institutions	1542000	02.29
2 Nationalised Banks	589854	00.88
3 Mutual Funds	11300	00.02
4 Bodies Corporate	5262082	07.81
5 NSDL shares in Transit	-	-
6 Others :	19422210	28.82
GRAND TOTAL (1 + 4)	67366100	100.00

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. 95.35% of the share capital of the Company has been dematerialised as on 31st March, 2007.

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

1. Investor Relation Centre:

912, Raheja Centre, Free Press Journal Road,
Nariman Point, Mumbai 21

2. Registered Office :

Satam Indl. Estate, 3rd Floor, Above Bank of Baroda,
Cardinal Gracious Road, Chakala, Andheri (E), Mumbai 99.

10. CFO Certification of the Company :

Shri U. Sarkar, Director (Finance), CFO certified that as on 31-3-2007 :

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



- (i) these statements do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading.
- (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) We accept responsibility for establishing and maintaining internal controls and that have evaluated the effectiveness of the internal control systems of the Company and they have disclosed to the auditors and the Audit Committee, deficiencies in the design or operation of internal controls, if any, of which they are aware and the steps they have taken or propose to take to rectify these deficiencies.
- (d) We have indicated to the Auditors and the Audit Committee (when existing)
 - (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.

11. Secretary's Responsibility Statement

The Company Secretary confirms that as on 31/03/2007, 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 is 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.

12. 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 to Directors' Report.

13. 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 46th Annual General Meeting of the Company and are eligible for reappointment as per the directions of the Govt.

ANNEXURE VII CERTIFICATE**To the Members of**

Hindustan Organic Chemicals Limited.

1. We have examined the compliance of conditions of Corporate Governance by Hindustan Organic Chemicals Limited for the year ended 31st March 2007 as stipulated in Clause 49 of the Listing Agreement of the Company with the Stock Exchanges.
2. The compliance of conditions of Corporate Governance is the responsibility of the management. Our examination has been limited to review of procedures and implementation thereof adopted by the Company for ensuring compliance with the conditions of the Corporate Governance as stipulated in the said Clause. It is neither an audit nor an expression of opinion on the financial statements of the Company.
3. During the year Company does not have 50% of Independent directors on the board. Hence, the requirement of sub clause I (A) of clause 49 of the Listing Agreement, regarding the number of independent directors on the Board in case Chairman of the Board is an Executive Director to be at least 50% is not complied with.
4. The Audit Committee was 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 based on the representations made by the Directors and the Management, we certify that the Company has complied with the conditions of Corporate Governance as stipulated in Clause 49 of the above mentioned Listing Agreement.
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 and Share Transfer Agents of the Company, as on 31st March 2007 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
Sd/-

(Rajesh Chheda)

Partner Membership No. 104748

Mumbai
Dated : 01-09-2007

**COMMENTS OF THE COMPTROLLER AND AUDITOR GENERAL OF INDIA UNDER SECTION 619(4) OF THE COMPANIES ACT, 1956 ON THE ACCOUNTS OF HINDUSTAN ORGANIC CHEMICALS LIMITED FOR THE YEAR ENDED 31 MARCH 2007.**

The preparation of financial statements of Hindustan Organic Chemicals Limited for the year ended 31 March, 2007 in accordance with the financial reporting framework prescribed under the Companies Act, 1956 is the responsibility of the management of the company. The statutory auditors appointed by the Comptroller and Auditor General of India under section 619(2) of the Companies Act, 1956 are responsible for expressing opinion on these financial statements under section 227 of the Companies Act, 1956 based on independent audit in accordance with the auditing and assurance standards prescribed by their professional body the Institute of Chartered Accountants of India. This is stated to have been done by them vide their Audit Report dated 20 June 2007.

I on the behalf of the Comptroller and Auditor General of India have conducted a supplementary audit under section 619(3)(b) of the Companies Act, 1956 of the financial statement of Hindustan Organic Chemicals Limited for the year ended 31 March 2007. This supplementary audit has been carried out independently without access to the working papers of the statutory auditors and is limited primarily to inquiries of the statutory auditors and company personnel and a selective examination of some of the accounting records. On the basis of my audit nothing significant has come to my knowledge which would give rise to any comment upon or supplement to Statutory Auditors report under section 619(4) of the Companies Act, 1956.

For and on the behalf of the
Comptroller and Auditor General of India
Sd/-

(SUSHAMA V. DABAK)

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

Place : Mumbai

Date : 31 August 2007

AUDITOR'S REPORT**To the Members of****Hindustan Organic Chemicals Limited**

1. We have audited the attached Balance Sheet of Hindustan Organic Chemicals Limited as at 31st March 2007, the Profit and Loss Account and also the 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. 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 enclose in the Annexure a statement on the matters specified in the paragraphs 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 those 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, 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 - 13 - Accounting for Investments' - regarding non-provision of diminution in the value of Current Investments.
- v. As per Notification No. GSR 829(E) dated 21.10.2003, provisions of section 274(1)(g) of the Companies Act, 1956 regarding disqualification of the directors are not applicable to the Company 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 for Industrial and 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 the Profit and Loss Account:**
 - a. Note no. 2(c) regarding penal interest of Rs. 36.60 lakhs on overdue loan from Government 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. 19(1)(a)(iv) regarding Claims of JNPT which include minimum guaranteed throughput charges of Rs. 1012.50 lakhs payable to JNPT authorities.
- viii. **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 the Profit and Loss Account could not be ascertained for the reasons stated therein:**
 - (a) Note no. 1(b) and 2(a) regarding non-provision of 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 the Profit for the year.
 - (b) Note no. 18 regarding pending confirmations and reconciliation of balances of Sundry Debtors, Sundry Creditors, Loans and Advances and other debit/credit balances.
- ix. We further report that the Company has not made the



provision for diminution in the value of Current Investment as on 31.03.2007 of Rs. 0.20 Lakh as required by 'Accounting Standard – 13 - Accounting for Investments'.

- 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(viii) and 4(ix) above could not be determined and had the provision been made for the items referred in para 4(vii) and para 4(ix) above, Profit for the year would have been lower by Rs. 3357.38 lakhs and Accumulated loss as at the year end would be higher by the same amount. Further, the Current Liabilities would have been higher by Rs. 3357.38 Lakhs.
- 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 31st March, 2007;
 - ii) in the case of Profit and Loss Account, of the profit for the year ended on that date; and
 - iii) in the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

For Gala & Gala
Chartered Accountants
Sd/-

Mumbai.
Dated : 20th June, 2007.

(Rajesh Chheda)
Partner
Membership No. 104748

ANNEXURE TO THE AUDITOR'S REPORT

(Referred to in paragraph 3 of the Auditors' Report to the members of the Hindustan Organic Chemicals Limited on the accounts for the year ended on 31st March 2007)

- 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 the 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 there under, 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. We have not, however, made a detailed examination of records with a view to determine whether they are accurate or complete.
- 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 31st March, 2007 for a period of more than six months from the date they became payable.
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 below.



Sl. No.	Name of Statute	Nature of Dues	Period to which disputes relates	Amount of Dispute (Rs. in lakhs)	Forum where Dispute is pending
Rasayani Unit					
1.	Customs Act	Customs Duty		10.80	Customs, Excise and Service Tax Appellate Tribunal
Total				10.80	
1.	Central Excise Act	Molten Sulphur Classification	1994-95	15.53	Customs, Excise and Service Tax Appellate Tribunal
2.	Central Excise Act	Molten Sulphur Classification	1999-00	7.62	Commissionerate
3.	Central Excise Act	Shortage of Inputs	2002-03	6.82	Commissionerate
4.	Central Excise Act	Clearance of SSA to fertilizer manufacturing unit	2005-06	112.78	High Court
5.	Central Excise Act	Clearance of SSA to fertilizer manufacturing unit	2003-04	1.54	Customs, Excise and Service Tax Appellate Tribunal
6.	Central Excise Act	Wrong availment of CENVAT	2003-04	2.5	Customs, Excise and Service Tax Appellate Tribunal
7.	Central Excise Act	Reversal of Cenvat Credit availed on Inputs lost in Flood	2006-07	18.66	Commissionerate
8.	Central Excise Act	Incorrect availment of Exemption of Taxable Service provided by Goods Transport Agency.	2006-07	13.42	Commissionerate
Total				178.87	
Kochi Unit					
1.	Central Sales Tax Act	Differential Sales Tax on account of disallowance of discount and non-submission of statutory forms etc.	1988-89	9.94	Deputy Commissioner (Appeals)
2.	Central Sales Tax Act	Differential Sales Tax on account of non-submission of statutory forms etc.	1989-90	44.74	Sales Tax Appellate Tribunal
3.	Central Sales Tax Act	Differential Sales Tax on account of non-submission of statutory forms etc.	1990-91	10.85	Assistant Commissioner
4.	Central Sales Tax Act	Differential Sales Tax on account of non-submission of statutory forms etc.	1994-95	0.55	Assistant Commissioner
5.	Central Sales Tax Act	Interest	1995-96	7.61	Sales Tax Appellate Tribunal
6.	Central Sales Tax Act	Differential Sales Tax on account of non-submission of statutory forms and interest.	1997-98	3.56	Deputy Commissioner
7.	Central Sales Tax Act	Differential Sales Tax on account of non-submission of statutory forms and interest.	1992-93	8.27	Deputy Commissioner
8.	Kerala General Sales Tax Act	Differential Sales Tax on account of non-submission of statutory forms etc.	1990-91	2.86	Assistant Commissioner
9.	Kerala General Sales Tax Act	Tax payable on second sales of scrap items.	1992-93	19.44	Assistant Commissioner
10.	Kerala General Sales Tax Act	Tax payable on second sales of scrap items.	1993-94	17.36	Assistant Commissioner
11.	Kerala General Sales Tax Act	Interest	1996-97	2.60	Assistant Commissioner
12.	Kerala General Sales Tax Act	Differential Sales Tax on account of non-submission of statutory forms and interest.	1997-98	6.99	Deputy Commissioner
13.	Kerala General Sales Tax Act	8% KGST demanded for water purchased from KWA.	2000-01	3.84	Deputy Commissioner (Appeals)
Total				138.61	
14.	Central Excise Act	Disallowance of CENVAT Credit	2004-05	52.15	Customs, Excise and Service Tax Appellate Tribunal
15.	Central Excise Act	Disallowance of CENVAT Credit	10/04 to 05/05	0.72	Assistant Commissioner of Central Excise
Total				52.87	
16.	Customs Act	Refund of Customs duty paid in excess on import of Cumin Appeal filed by to set Commissioner of Customs, Mangalore aside the OIA passed by the Commissioner of Customs (Appeals), Bangalore	2002-03	11.73	Customs, Excise and Service Tax Appellate Tribunal
Total				11.73	



- x During the year, the Company has not incurred cash losses. However, it has 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 declared sick under the Sick Industrial Companies (Special Provisions) Act, 1985.
- xi The Company has defaulted in repayment of dues to financial institution, banks and bondholders, the details of which are given below:

Bond Series	Amount of Default (Rs. In Lacs)
Bond Series – I	898.82
Bond Series – II	544.89
Bond Series – VI	469.54
Bond Series – VII (I)	488.42
Bond Series – VIII (I)	429.62
Bond Series – IX	175.91

- 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, provisions of clause 4(xiv) of the Order are not applicable to the Company.
- xv The Company has given a guarantee of Rs. 1577.00 lakhs to the 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 According to information and explanations given to us, term loan raised during the year by the Company have been applied for the purpose for which the said loan was obtained.

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. 100 Crore by way of issuing Bonds during the year, in respect of which Security is created. However, in respect of following bonds issued in earlier years, for which the Company has not created securities.

Particulars of Bonds	Series	Maturity Date	Principal O/s. as on 31 st March, 2007(Rs. In Lacs)
14.50% taxable Secured bonds	II	07.08.02	350.00
13.50% taxable Secured bonds	VI	29.06.02	283.00
13.50% taxable Secured bonds	VII (I)	14.12.02	290.00
13.50% taxable Secured bonds	VIII (I)	30.07.04	260.00
13.50% taxable Secured bonds	IX	30.06.05	125.00

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

Mumbai.

Dated : 20th June, 2007.

Sd/-
(Rajesh Chheda)
Partner
Membership No. 104748


BALANCE SHEET AS AT 31ST MARCH, 2007

(Rs.in lacs)

	Schedule No.	As at 31.03.2007	As at 31.03.2006
SOURCES OF FUNDS			
1. Share holders' Funds			
a. Capital	1	6726.89	6726.89
b. Share Application Money		27000.00	0.00
c. Reserves and Surplus	2	8015.54	8064.50
		41742.43	14791.39
2. Loan Funds			
a. Secured Loans	3	12651.55	23128.19
b. Unsecured Loans	4	8969.52	20558.42
		21621.07	43686.61
		63363.50	58478.00
APPLICATION OF FUNDS			
1. Fixed Assets			
a. Gross block		67551.47	66768.76
b. Less: Depreciation		43710.67	41003.83
c. Net block	5	23840.80	25764.93
d. Capital Work-in-progress	6	3147.07	3290.47
		26987.87	29055.40
2. Investments	7	49.70	49.70
3. Current Assets, Loans and Advances			
a. Inventories	8	6266.45	7630.97
b. Sundry Debtors	9	5426.04	3522.04
c. Cash and Bank Balances	10	9107.07	587.89
d. Other Current Assets		948.64	916.41
e. Loans and Advances	11	3064.04	2658.58
		24812.24	15315.89
Less: Current Liabilities and Provisions			
a. Liabilities	12	10586.66	10057.85
b. Provisions	13	3776.26	3020.85
		14362.92	13078.70
Net Current Assets		10449.32	2237.19
4. Miscellaneous Expenditure			
(to the extent not written off or adjusted)			
- Deferred Revenue Expenditure		321.04	6.20
- Preliminary Expenses		130.28	-
5. Profit and Loss Account		25425.29	27129.51
		63363.50	58478.00
Significant Accounting Policies and Notes on Accounts	22	-	-

As per our report of even date attached

For **Gala & Gala**

Chartered Accountants

Sd/-

(Rajesh Chheda)
Partner

For and on behalf of the Board of Directors

Sd/-

(A.S.Didolkar)
Chairman & Managing Director

Sd/-

(U.Sarkar)
Director (Finance)

Sd/-

(Mrs.S.S.Kulkarni)
Company Secretary

Place : Mumbai
Date : 20-06-2007

Place : Mumbai
Date : 20-06-2007


PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH,2007

(Rs.in lacs)

	Schedule No.	Year ended 31st March 2007	Year ended 31st March 2006
INCO ME:			
Sales (Gross)		59125.57	45103.24
Less: Excise duty		8529.35	6498.57
Net Sales		50596.22	38604.67
Sale of Trading Goods		10.84	9.49
Other Income	14	3621.09	1410.88
Profit on Sale of Assets		1.28	6.39
Increase/(Decrease) in Stock-in-Trade	15	(745.09)	131.80
		53484.34	40163.23
EXPENDITURE:			
Materials Consumed	16	30888.75	25735.23
Excise duty		101.15	(45.35)
Purchase of Trading Goods		10.84	8.92
Employees' Remuneration and Benefits	17	6123.61	5622.15
Manufacturing,Administrative and Selling Expenses	18	9299.58	8876.27
Interest	19	2173.16	2762.76
Depreciation		2710.71	2786.32
Provisions	20	405.36	78.00
Loss on sale/disposal of Assets		0.67	6.74
		51713.83	45831.04
Profit/(Loss) for the year before Tax		1770.51	(5667.81)
Less:Provision for Taxation		-	-
Less:Provision for Fringe Benefit Tax for 2006-07		38.20	12.98
Less:Short Provision of Fringe Benefit Tax for 2005-06		26.31	-
Profit/(Loss) After Tax		1706.00	(5680.79)
Less:- Reserve/Provision no longer required, Prior period & extra ordinary items	21	1.78	(19.74)
Profit/(Loss) after Tax & Adjustments		1704.22	(5661.05)
Add:Opening Balance of Profit and Loss Account		(27129.51)	(21468.46)
Balance carried to Balance Sheet		(25425.29)	(27129.51)
Earnings per Share		2.53	(8.40)
Significant Accounting Policies and Notes on Accounts	22		

As per our report of even date attached

For **Gala & Gala**

Chartered Accountants

Sd/-

(Rajesh Chheda)
Partner

For and on behalf of the Board of Directors

Sd/-

(A.S.Didolkar)
Chairman & Managing Director

Sd/-

(U.Sarkar)
Director (Finance)

Sd/-

(Mrs.S.S.Kulkarni)
Company Secretary

Place : Mumbai

Date : 20-06-2007

Place : Mumbai

Date : 20-06-2007


SCHEDULES FORMING PART OF THE BALANCE SHEET

(Rs.in lacs)

	Schedule No.	As at 31.03.2007	As at 31.03.2006
SCHEDULE-1: SHARE CAPITAL			
AUTHORISED			
100000000 (700000000) Equity Shares of Rs.10/- each		10000.00	7000.00
250000000 (Nil) 8% Non-cumulative Redeemable Preference Shares of Rs.10/- each.		25000.00	0.00
		<u>35000.00</u>	<u>7000.00</u>
ISSUED, SUBSCRIBED AND PAID-UP			
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.		6736.61	6736.61
Less: Unpaid Allotment Money :			
Directors		-	-
Others		9.72	9.72
		<u>6726.89</u>	<u>6726.89</u>
Share Application Money		27000.00	0.00
		<u>27000.00</u>	<u>0.00</u>
SCHEDULE -2: RESERVES & SURPLUS			
Capital Reserve			
Nominal value of Freehold land Re.1/- (Previous Year Re.1/-)		-	-
Securities Premium Account	7014.49	7051.95	
(Exclusive of Securities Premium receivable on unpaid Allotment money (others) Rs.38.88 lacs) (Previous year Rs.38.88 lacs)			
Less:Bond Issue Expenses	48.95	37.45	
		<u>6965.54</u>	7014.50
Bond Redemption Reserve			
Balance as per last Balance Sheet		1050.00	1050.00
		<u>8015.54</u>	<u>8064.50</u>
		<u>8015.54</u>	<u>8064.50</u>
	Note	As at 31.03.2007	As at 31.03.2006
SCHEDULE-3: SECURED LOANS			
624.18750 (3890.32422) 17.5% Taxable Secured Bonds of Rs.1,00,000 each (overdue Rs.624.19 lacs (Previous Year Rs.3890.32 lacs) matured on 30.09.2001))	1	624.19	3890.32
Add : Interest overdue		274.63	1737.80
		<u>898.82</u>	5628.12
5500 (Nil) Secured Taxable Bonds of Rs.1,00,000/- each Floating Rate (Mibor+240 bps) redeemable at end of one year with yearly interest payment (due on 28.8.2007)	2	5500.00	0.00
4500 (Nil) Secured 8.5% Taxable Bonds of Rs.1,00,000/- each redeemable at the end of one year with yearly interest payment (due on 28.8.2007)	2	4500.00	0.00
Nil (9500) Secured 7% Taxable Bonds of Rs.1,00,000 each, redeemable within one year Rs.9500 lacs.	2	0.00	9500.00


SCHEDULES FORMING PART OF THE BALANCE SHEET

(Rs.in lacs)

Note	As at 31.03.2007	As at 31.03.2006
From Bank on Cash Credit Account	3	1748.52
From Bank of Baroda VRS Loan Account	0.00	3063.78
Add : Interest overdue	0.00	93.94
	0.00	3157.72
From HDFC Bank & ICICI Bank Vehicle Loan	4	4.21
	12651.55	23128.19

- Note: 1. 17.5% Taxable 624.18750 (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).
2. 10000 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 Guarantee is effective for a period of one year from 28.08.2006 i.e.date of allotment. The Registration of charge with ROC is in progress.
3. Loan from bank on cash credit account is secured by :
- a. Hypothecation of the Company's entire stock of raw materials, finished goods, stock-in-process, consumable stores and spares and book debts in favour of the bank to the extent of Rs.15500 lacs.
- b. Equitable mortgage conveying 1st Pari Passu charge over all immovable assets at factory and township situated at Ambalamugal, Dist : Ernakulam and 2nd Pari Passu charge over the immovable properties specified in (1) hereinabove.
4. Loan from HDFC Bank & ICICI Bank are secured against hypothecation of vehicles purchased.

	As at 31.03.2007	As at 31.03.2006
SCHEDULE - 4: UNSECURED LOANS		
Nil (150) 13% Taxable Unsecured Bonds of Rs.1,00,000 each, matured on 31.03.2002.	0.00	150.00
Add: Interest overdue	0.00	72.75
	0.00	222.75
283 (1998.58) 13.5% Taxable Unsecured Bonds of Rs.1,00,000 each, overdue Rs.283.00 lacs (Previous Year Rs.1998.58 lacs) matured on 29.06.2002.	283.00	1998.58
Add: Interest overdue	186.54	551.56
	469.54	2550.14
125 (220) 13.5% Taxable Unsecured Bonds of Rs.1,00,000 each, overdue Rs.125.00 lacs (Previous Year Rs. 220 lacs) matured on 30.06.2005	125.00	220.00
Add: Interest overdue	50.91	94.73
	175.91	314.73
Nil (250) 12.5% Taxable Secured	0.00	250.00
* Bonds of Rs.1,00,000 each, matured on 15.11.2000.	0.00	64.25
Add: Interest overdue	0.00	314.25
Nil (189.84) 13.60% Taxable Secured	0.00	189.84
* Bonds of Rs.1,00,000 each matured on 30.07.2001.	0.00	34.17
Add: Interest overdue	0.00	224.01
350 (2132.88) 14.5% Taxable Secured * Bonds of Rs.1,00,000 each, overdue Rs.350 lacs (Previous Year Rs.2132.88 lacs) matured on 07.08.2002.	350.00	2132.88
Add: Interest overdue	194.89	978.10
	544.89	3110.98
290 (1693.10) 13.50% Taxable Secured * Bonds of Rs.1,00,000 each, overdue Rs.290 lacs(Previous Year Rs.1693.10 lacs) matured on 14.12.2002.	290.00	1693.10
Add: Interest overdue	198.42	757.11
	488.42	2450.21


SCHEDULES FORMING PART OF THE BALANCE SHEET

(Rs.in lacs)

	As at 31.03.2007	As at 31.03.2006
SCHEDULE - 4: UNSECURED LOANS (Contd...)		
Nil (Nil) 13% Taxable Secured* Bonds of Rs.1,00,000 each.	0.00	0.00
Add: Interest overdue	0.00	2.02
	0.00	2.02
Nil (159.63) 14.5% Taxable Secured *Bonds of Rs.1,00,000 each, matured on 31.01.2004.	0.00	159.63
Add : Interest overdue	0.00	50.44
	0.00	210.07
260 (1793.80) 13.5% Taxable Secured * Bonds of Rs.1,00,000 each (redeemable at the end of third year with yearly interest payment matured on 30.07.2004).	260.00	1793.80
Add : Interest overdue	169.62	1022.90
	429.62	2816.70
Nil (126) 13 % Taxable 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).	0.00	126.00
Add : Interest overdue	0.00	32.84
	0.00	158.84
* Pending creation of security treated as unsecured		
Fixed Deposits (includes overdue deposits Rs.1082.54 lacs(Previous year Rs.2246.14 lacs))	1082.54	2246.14
Add: Interest overdue	481.02	1013.69
	1563.56	3259.83
From Government of India, includes overdue Rs.1023.80 lacs (Previous Year Rs.695.30 lacs) and payable within one year Rs.328.50 lacs (Previous year Rs.328.50 lacs).	3285.00	3285.00
Add: Interest overdue	1450.15	997.01
	4735.15	4282.01
Other Loans and Advances		
Others, payable within one year Rs.70.08 lacs (Previous year Rs.78.39 lacs).	562.43	641.88
	8969.52	20558.42

SCHEDULE - 5 FIXED ASSETS

Item	Description	GROSSBLOCK				DEPRECIATION					NETBLOCK	
		As at	Additions	Sales	Adjustments	As at	Up to	Sales	Adjustments	Provided	Up to	As on
		01.04.2006				31.03.2007	01.04.2006			during the year	31.03.2007	31.03.2007
1.	Land & Land Development	668.49	331.64	-	-	1000.13	-	-	-	-	-	1000.13
2.	Leasehold Land	50.00	-	-	-	50.00	34.75	-	-	3.34	38.09	11.91
3.	Buildings	3481.48	18.11	-	-	3499.59	1352.18	-	-	67.23	1419.41	2080.18
4.	Drainage, Effluent & Pollution Control System	991.53	-	-	-	991.53	779.70	-	-	23.09	802.79	188.74
5.	Water Supply System	256.70	-	-	-	256.70	135.53	-	-	10.63	146.16	110.54
6.	Chemical & Utility Plant	52607.84	392.71	0.51	(0.18)	52999.86	32540.29	0.48	(0.01)	2274.45	34814.25	18185.61
7.	R & D Plants	153.99	-	-	-	153.99	120.14	-	-	3.35	123.49	30.50
8.	Elect.Inst., AC & Elect. Equipments	4223.19	7.70	-	-	4230.89	2922.03	-	-	186.84	3108.87	1122.02
9.	Furniture, Fixtures & Equipments	3243.95	27.71	4.69	-	3266.97	2208.23	3.38	-	121.43	2326.28	940.69
10.	Railway Sidings	35.53	-	-	-	35.53	33.75	-	-	0.02	33.77	1.76
11.	Vehicles	73.43	10.01	-	-	83.44	50.48	-	-	3.13	53.61	29.83
12.	Library Books	72.88	0.21	-	-	73.09	68.84	-	-	0.25	69.09	4.00
13.	Plants held for disposal	909.75	-	-	-	909.75	757.91	-	-	16.95	774.86	134.89
	Total	66768.76	788.09	5.20	(0.18)	67551.47	41003.83	3.86	(0.01)	2710.71	43710.67	23840.80
	Previous year	66539.10	317.79	63.71	(24.42)	66768.76	38272.52	55.01	-	2786.32	41003.83	25764.93

**SCHEDULES FORMING PART OF THE BALANCE SHEET**

(Rs.in lacs)

	As at 31.03.2007	As at 31.03.2006
SCHEDULE -6: CAPITAL WORK-IN-PROGRESS		
Construction Work in Progress	1664.53	1619.41
EXPENDITURE DURING CONSTRUCTION		
1. J.N.P.T. Tank Terminals	1326.48	1326.48
2. Combined Heat & Power Project	19.33	19.33
3. C N A Plant	136.73	16.59
ADVANCES FOR LAND :		
Unsecured		
Considered good	-	308.66
	3147.07	3290.47

	As at 31.03.2007	As at 31.03.2006
SCHEDULE - 7 : INVESTMENTS (AT COST)		
Long Term Investment - Quoted		
11060000(Previous year 11060000)Equity	1106.00	1106.00
Shares of Rs.10 each fully paid in Hindustan Fluorocarbons Ltd.,a subsidiary Company (Market value are not ascertainable, since these shares though, listed are not traded during the year).		
Less: Provision for diminution of investment	<u>1106.00</u>	<u>1106.00</u>
	0.00	0.00
Long Term Investment - Unquoted		
30000(Previous year 30000)Equity Shares of Rs.10 each fully paid in HOC-Chematur Ltd.,a Joint Venture Company	3.00	3.00
Less: Provision for diminution of investment	<u>3.00</u>	<u>3.00</u>
	0.00	0.00
Current Investment - Quoted		
49700, 6.75% Tax Free US64 Bonds of the face value of Rs.100 each fully paid. Market Value Rs.99.60 Per Unit.	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 of UTI	49.50	50.54
Transaction of H.F.L.Shares are under suspension in BSE		


SCHEDULES FORMING PART OF THE BALANCE SHEET

(Rs.in lacs)

	As at 31.03.2007	As at 31.03.2006
SCHEDULE - 8 : INVENTORIES		
(AS TAKEN, VALUED AND CERTIFIED BY THE MANAGEMENT)		
Stores and Spares	2201.14	2146.65
Less: Provision for obsolescence	408.28	305.63
	1792.86	1841.02
Raw Materials	1076.14	1223.98
Materials-in-transit	35.54	458.98
	1111.68	1682.96
Stock-in-Process		
i) For Sale	679.86	717.68
ii) Finished goods pending inspection		
a) Captive	122.13	93.27
b) Sale	14.21	20.93
	816.20	831.88
Finished Products		
i) For Captive Consumption	457.44	1263.82
ii) Main Products for sale	2062.48	1985.40
iii) By-Products	25.79	25.89
	2545.71	3275.11
	6266.45	7630.97

	As at 31.03.2007	As at 31.03.2006
SCHEDULE - 9 : SUNDRY DEBTORS		
Debts outstanding for a period exceeding six months	3094.80	3099.61
Other Debts	5369.61	3464.46
	8464.41	6564.07
Less: Provision for Doubtful Debts	3038.37	3042.03
	5426.04	3522.04
NOTE:		
Secured-considered good, in respect of which Company holds Bank Guarantees/Letters of Credit	2972.24	1478.51
Unsecured considered good	2453.80	2043.53
Unsecured considered Doubtful	3038.37	3042.03
	8464.41	6564.07
Less: Provision for Doubtful Debts	3038.37	3042.03
	5426.04	3522.04

	As at 31.03.2007	As at 31.03.2006
SCHEDULE - 10 : CASH AND BANK BALANCES		
Cash including Cheques in hand of Rs.320.02 lacs (Previous year Rs.162.81 lacs)	322.91	164.44
With Scheduled Banks		
In Current Account	969.14	348.82
In Saving Bank Account	67.65	56.87
In Term Deposit Account	7747.37	17.76
	9107.07	587.89


SCHEDULES FORMING PART OF THE BALANCE SHEET

(Rs.in lacs)

As at 31.03.2007

As at 31.03.2006

SCHEDULE - 11 : LOANS AND ADVANCES

Advances to Subsidiary Company

M/s.HindustanFluorocarbons Ltd.,

(Unsecured considered good)

Advances 75.00 25.00

Interest accrued but not received 3.73 1.00

78.73 26.00

(Unsecured-considered doubtful)

Advances 2523.93 2523.93

Less: Provision for doubtful advance 2523.93 2523.93

0.00 0.00

Interest accrued but not received 2346.05 2346.05

Less:Provision for Doubtful Interest accrued but not received 2346.05 2346.05

0.00 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 Undertaking

(Unsecured-considered doubtful)

Loans 171.08 171.08

Less: Provision for doubtful of recovery 171.08 171.08

0.00 0.00

Advances recoverable in cash or
in kind or for value to be received :

Staff Loans

Secured-considered good 315.21 424.24

Other Loans

Unsecured-considered good 2144.78 1847.56

Unsecured-considered doubtful 30.83 71.91

Less: Provision for doubtful advances 30.83 71.91

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

3064.04 2658.58

Dues from (excluding advances for
purchases and expenses for the Company)

—Directors - -

—Officers 62.33 82.33

Maximum amount due at any time during
the year

—Directors - -

—Officers 81.04 92.37


SCHEDULES FORMING PART OF THE BALANCE SHEET

(Rs.in lacs)

	As at 31.03.2007	As at 31.03.2006
SCHEDULE - 12 : CURRENT LIABILITIES		
Sundry Creditors		
- Dues to Small Scale Industrial Unit *	43.82	29.52
- Dues to Others	5318.14	6059.89
- Dues to Employees	812.96	401.86
Amount due to Customers	784.23	634.83
Deposits from Contractors and Others	384.43	540.73
Interest accrued but not due	679.69	554.14
Bank Balance - Credit	551.16	0.00
Other Liabilities	2012.23	1836.88
	10586.66	10057.85

(*) Includes dues outstanding for more than 30 days, within the agreed terms payable to M/s.Apollo Plastic Industries, Corofob Chemicals Ltd., Marck & Care Engineers, Safety Equipment Corporation & Sivsakthi Engineering Co.

	As at 31.03.2007	As at 31.03.2006
SCHEDULE - 13 : PROVISIONS		
For Taxation	0.00	1.55
For water charges from Grampanchayats	165.08	165.08
For leave encashment	1634.73	1449.35
For M&R- Fixed Assets	452.55	0.00
For Accumulated Gratuity	1327.04	1290.10
For Statutory Claims	158.66	114.77
For Fringe Benefit Tax	38.20	-
	3776.26	3020.85

SCHEDULES FORMING PART OF THE PROFIT AND LOSS ACCOUNTS

	Year ended 31st March 2007	Year ended 31st March 2006
SCHEDULE - 14: OTHER INCOME		
INTEREST:		
On Call and Term Deposits(Gross),(Tax deducted at source Rs.76.07 lacs) (Previous year Rs.0.07 lac)	342.36	3.67
On Advances and Deposits with MIDC,MSEB and others(Tax deducted at source Rs.1.83 lacs) (Previous year Rs.1.83 lacs)	29.02	38.73
On loan to the Subsidiary Co.,M/s.HFL	2.92	1.00
	374.30	43.40
OTHERS:		
Estate Rent (Tax deducted at source Rs.0.54 lac) (Previous year Rs.0.60 lac)	90.18	70.71
Transport, Water,Electricity,etc.	81.01	69.46
Exchange Rate difference	4.94	2.39
Import Duty Benefit	18.05	88.76
Delayed payment charges	152.86	130.84
Miscellaneous Income (Tax deducted at source Rs.0.02 lac) (Previous year Rs.Nil)	2899.75	1005.32
	3246.79	1367.48
	3621.09	1410.88

**SCHEDULES FORMING PART OF THE PROFIT AND LOSS ACCOUNTS**

(Rs.in lacs)

	Year ended 31st March 2007	Year ended 31st March 2006
SCHEDULE-15 :		
INCREASE/(DECREASE)IN STOCK IN TRADE AND IN PROCESS		
OPENING STOCK		
Stock-in-Process	831.88	672.39
Stock for Captive Consumption	1263.82	1550.45
Finished Products (including Rs.10.34 lacs	2011.29	1902.62
By-products) (Previous year Rs.7.05 lacs)	4106.99	4125.46
Less: VAT Credit available on Opening Stock	0.00	(150.27)
	4106.99	3975.19
CLOSING STOCK		
Stock-in-Process	816.19	831.88
Stock for Captive Consumption	457.44	1263.82
Finished Products (including Rs.1.56 lacs	2088.27	2011.29
By-products) (Previous year Rs.10.34 lacs)		
	3361.90	4106.99
(Decrease) / Increase	(745.09)	131.80

	Year ended 31st March 2007	Year ended 31st March 2006
SCHEDULE-16 :		
MATERIALS CONSUMED		
	MT	MT
A. RAW MATERIALS		
Sulphur	4474	218.47
Benzene	44580	19544.78
Methanol	9856	2138.79
Nitric acid	5040	414.14
Toluene	438	182.58
Naphtha	2700	757.50
Ammonia	472	73.65
Acetic Acid	-	-
Liquified Petroleum Gas	19733	6279.40
Hydrogen (MT)	-	-
Other Raw Materials		300.28
	29909.59	24546.46
B.Stores and Spare Parts		
(Including catalyst consumed)	979.16	1188.77
	30888.75	25735.23


SCHEDULES FORMING PART OF THE PROFIT AND LOSS ACCOUNTS

(Rs.in lacs)

	Year ended 31st March 2007	Year ended 31st March 2006
SCHEDULE - 17 EMPLOYEES' REMUNERATION AND BENEFITS		
Salary, Wages, Bonus, Incentives and Allowances includes Rs.86.46 lacs(Previous year Rs.244.42 lacs) being amortisation of VRS expenses.	4139.21	3998.24
Company's contribution to Provident Fund Family Pension Fund and other Funds	744.92	368.54
Gratuity payments including premium for Group Gratuity-cum-Life Insurance Scheme (Includes Rs. Nil(Previous year Rs.98.98 lacs) being amortisation of Gratuity paid to employees on VRS.)	244.07	280.00
Provision for leave encashment	162.20	181.69
Employees Welfare Expenses		
Medical Amenities	222.81	177.38
Educational Amenities	138.20	122.20
Canteen and Nutrition Amenities	365.27	357.16
Other Welfare Expenses	94.01	124.65
Directors' Remuneration		
Salary and Allowances (including Leave Travel Allowance, Leave Encashment and Medical Expenses)	11.08	10.50
Company's contribution to Provident Fund	1.24	1.00
Gratuity payment including Premium for Group Gratuity-cum-Life Insurance Scheme	0.60	0.79
	12.92	12.29
	6123.61	5622.15

	Year ended 31st March 2007	Year ended 31st March 2006
SCHEDULE- 18 : MANUFACTURING , ADMINISTRATION AND SELLING EXPENSES		
Power	2789.72	2610.93
Fuel	3792.83	3063.47
Water	152.49	208.51
Repairs and Maintenance to :		
Buildings	41.35	62.48
Plant and Machinery	171.52	285.51
Other Assets	162.45	256.74
	375.32	604.73
Research and Development	0.42	1.92
Consultancy Charges	99.21	60.66
Rent	68.19	140.41
Rates and Taxes	40.80	40.69
Insurance	196.42	221.06
Exchange Rate Difference-Loss	5.15	0.89
Payment to Auditors		
As Auditors	3.55	3.83
In Other Capacity		
- Other Matter	3.72	1.75
- Out of pocket expenses	0.40	0.40
	7.67	5.98
Other Expenses including Directors' Travelling Rs.11.18 lacs (Previous Year Rs.14.14 lacs)	1190.64	1379.06
Rebate & Discount on Sales	544.49	532.90
Expenditure on export	0.90	2.92
Sales promotion and Publicity	3.34	2.14
Conversion charges	31.99	-
	9299.58	8876.27

**SCHEDULES FORMING PART OF THE PROFIT AND LOSS ACCOUNTS**

(Rs.in lacs)

	Year ended 31st March 2007	Year ended 31st March 2006
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SCHEDULE - 19 :**INTEREST**

On Fixed Loans	1559.82	2350.86
On Other Loans	613.34	411.90
	<u>2173.16</u>	<u>2762.76</u>

	Year ended 31st March 2007	Year ended 31st March 2006
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SCHEDULE - 20 :**PROVISIONS**

For Stores Obsolescence	102.65	74.92
For Doubtful debts	5.33	2.79
For Maintenance & Repairs	252.55	-
For Doubtful of Advance/Receivables	-	0.29
For Statutory Claims	44.83	-
	<u>405.36</u>	<u>78.00</u>

	Year ended 31st March 2007	Year ended 31st March 2006
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SCHEDULE - 21 :**RESERVE/PROVISION NO LONGER REQUIRED/PRIOR PERIOD AND EXTRA ORDINARY ITEMS****1. PRIOR YEAR ADJUSTMENTS:****INCOME**

Miscellaneous income	12.09	11.32
Other income	1.05	0.09

EXPENDITURE

Sales	-	7.43
Raw Material	(1.82)	12.27
Salaries arrears,incentives & other benefits	-	11.51
General Expenses	0.63	(1.36)
Interest	0.32	-
Depreciation	(0.01)	-
Sales Tax	24.70	-
Interest on other loan	0.10	-
Rent,Rates & Taxes	-	(12.52)
	<u>10.78</u>	<u>5.92</u>

2. EXCESS PROVISION / RESERVE WRITTEN BACK

Obsolescence and others	-	1.08
Bad Debt provision written back	9.00	24.58
	<u>9.00</u>	<u>25.66</u>
	<u>1.78</u>	<u>(19.74)</u>

**SCHEDULE 22****NOTES ON ACCOUNT****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

- Fixed Assets are stated at historical cost less depreciation.
- The constructed/fabricated capital assets are capitalized as and when the same are installed in the plants.
- Machinery spares which are procured for use in connection with particular machinery/equipment and stand by equipments which are identified to a particular item of fixed asset and having irregular use are capitalized and written off over the remaining useful life of the machinery/ equipment.
- In respect of Plant & 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.

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

4. EXPENDITURE DURING CONSTRUCTION PERIOD

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

disposal. All indirect revenue expenditures are apportioned as determined by the Management.

5. INVENTORIES

- Inventories are valued at lower of cost and net realizable value except in case of;
 - Stores and spares, which are valued at cost, determined as per weighted average cost method,
 - By-products which are valued at estimated net realizable value, and
 - Intermediate products which are valued at cost of production or net realizable value whichever is lower where cost is determined as per average cost of production.
- 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.
- The cost of Catalyst is amortised over their estimated useful lives. Balance unamortised portion has been shown under the head "Stores and Spares"

6. REVENUE RECOGNITION

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

7. FOREIGN CURRENCY TRANSACTIONS

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

8. BOND ISSUE EXPENSES

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

9. VRS EXPENDITURE

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.

10. RETIREMENT BENEFITS.

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

11. BONUS

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

12. INVESTMENTS

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

Investments intended to be held for not more than one year from the date of acquisition are classified as current investments and are carried at lower of cost or fair value determined on individual investment basis.

13. PRIOR PERIOD/PREPAID EXPENSES

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.

14. CONTINGENT LIABILITIES.

Claims against the Company not acknowledged as debts relating to normal business transactions and show cause notices and demands raised by tax



authorities disputed by the Company are treated as Contingent Liabilities and disclosure is made in accordance with AS -4.

PART B:

NOTES ON ACCOUNT

1. SCHEDULE 3 – SECURED LOANS

- Interest on bonds, which are live at the year end is provided at the contracted rate.
- Pursuance to consistent efforts during last few years most of the Bond holders agreed to settle their dues having restricted the interest claim till the date of maturity. Accordingly, on overdue bonds worth Rs.3266.14 lacs (Previous year Rs.176.45 lacs), the reduction in liability on account of reversal of interest for earlier years amounting to Rs.1334.74 lacs (Previous year Rs.88.34 lacs) is credited to miscellaneous income. Interest on overdue principal of balance bonds amounting to Rs.624.19 lacs (previous year Rs.3713.87 lacs) has been provided @ 7.50% upto 31.03.2006 in view of then prevailing market rate and ongoing settlement process, as against the coupon rate of 17.50%.

2. SCHEDULE 4 – UNSECURED LOANS

- Consequent upon continuous efforts during last few years most of the investors agreed to settle the dues having restricted their interest claim upto the date of maturity. Accordingly, on such overdue bonds of Rs.7405.82 lacs (Previous year Rs.3290.83 lacs) and on Fixed Deposit of Rs.1163.60 lacs (Previous year Rs.120 lacs), the reduction in liability on account of reversal of interest for earlier years amounting to Rs.1070.67 lacs (Previous year Rs.778.27 lacs) on bonds and Rs.404.96 lacs (Previous year Rs.46.78 lacs) on Fixed Deposits is credited to the miscellaneous income. In other cases, interest for delayed period payable on principal amount of overdue bonds of Rs.1308.00 lacs (previous year Rs.5423.00 lacs) and overdue Fixed Deposit of Rs.1082.54 lacs (previous year Rs.2126.14 lacs) is provided @ 7.50% upto 31.03.2006 in view of then 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 Fixed Deposits.
- Other Loans and Advances comprises of the following :

	31.3.2007 (Rs. in lacs)	31.3.2006 (Rs. in lacs)
LIC Housing Finance Ltd. (Refinance)	336.09	361.75
HDFC (Corporate Housing loans)	106.11	135.94
Canara Bank (Housing loans)	120.24	144.19

- In the view of Financial Restructuring approved by the Government of India, the company is not required to pay any penal interest on overdue principal amount of loan granted by the Government of India upto 31st March, 2005. The company has not made provision for penal interest payable on overdue Government Loan amounting to Rs.36.60 lacs (including Rs.14.43 lacs for the year 2005-2006) since the same are leviable at the discretion of Government of India. The company has not received any such demand.

3. SCHEDULE 5 – FIXED ASSETS

- 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.
- Lease hold land having Written Down Value (WDV) of Rs.11.93 lacs (previous year Rs. 15.26 lacs) relates to land at JNPT Tank Farm Project in respect of which lease deed is yet to be executed by the Port authorities as certain issues are yet to be resolved 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.
 - Capital Work-in-Progress and Expenditure during Construction Rs.2962.21 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 are carried at cost in view of the decision.

- Hydrogen Ph.-I, Dinitrobenzene, Formaldehyde-I, Butendiol, Acetyldehyde, Plants having WDV at Rs.134.90 lacs (previous year Rs. 151.58 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 and outside expert.
- Certain plants viz. Caustic Soda, PUSH, MCB & NCB, having Gross Block Rs.14912.19 lacs (previous year Rs. 14912.19 lacs), Net Block Rs.6317.59 lacs (previous year Rs.7049.83 lacs) which are not in active use on the ground of temporary uneconomical operating condition are carried at cost. After a detailed feasibility study conducted by outside expert during the year, actions have been initiated to restart the Caustic Soda plant (Gross value Rs.8993.83 lacs). The plant is expected to be recommissioned by the end of the financial year 2007-2008. Similarly actions for other closed plants are under consideration.
- As there is no further impairment of assets no provision for impairment loss is made during the year.
 - During the year 2005-06 one generator out of two at Kochi Unit was damaged due to an accident in Captive Power Plant. The asset is covered under the Fire Insurance. 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. Provision for repair amounting to Rs. 452.55 lacs has been made on the basis of amount estimated as per technical assessment. Insurance claim received during the year, Rupees Two Crores, has been credited to the above provision, and the net amount of Rs. 252.55 lacs has been shown as Provision for M & R – Fixed Assets in the Profit & Loss Account.
 - Some of the assets at Rasayani were affected due to heavy rains in Raigad District of Maharashtra during the financial year 2005-06. As per the technical assessment, the said assets/facilities could be restored to original condition after repairing and replacement, these assets were covered under insurance policy and the insurance company, in principle, agreed to consider the claim towards expenses for repairs and replacement of such assets. Expenses amounting to Rs.192.15 lacs have been incurred towards reinstatement of some assets, the underwriters had released an adhoc payment of Rs.112.92 lacs earlier, the balance amount of Rs.79.23 lacs is shown as insurance claim receivable. Any further expenditure towards repairing of other affected assets will be claimed from insurance company, hence neither any provision towards repairing nor any claim from insurance company has been considered in the accounts.

4. SCHEDULE 7 – INVESTMENTS

- 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 M/s. Guarniflon, Italy, however, the order subsequently became inoperative due to withdrawal of the party from their acquisition plan. The transactions of HFL shares in stock exchanges remains suspended since 1998, hence, the company made 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.
- 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 31st March, 2007, though, exceeded 51%, the company does not considered the said investment "Investment in subsidiary company". HOC Chematur Ltd. had initiated the process of implementing the project, however, abandoned subsequently due to inadequate support from financial institutions. In view of such uncertainties involved in implementing the project, the company made provision for the investment in earlier years. There is no change in the status of M/s HOC- Chematur Ltd., the provision against investment is continued.

5. SCHEDULE 8 – INVENTORIES

Inventories include items not moved for last more than five years Rs.595.29 lacs (previous year Rs. 546.76 lacs). An adhoc provision of Rs.408.28 lacs (previous year Rs.305.63 lacs) has been made in the Accounts for obsolescence.



6. SCHEDULE 11 – LOANS AND ADVANCES

- As per audited accounts of the subsidiary company as received, Hindustan Fluorocarbons Ltd., is having accumulated loss of Rs.9258.46 lacs as on 31st March, 2007 (previous year Rs.8327.54 lacs), since the net worth of the subsidiary had fully eroded the company made a provision for doubtful advances against an advance of Rs.2523.93 lacs (Net of Interest) during earlier years. Since there is no significant improvement in the financial status of the company the provision is maintained.
- BIFR had directed HOC to submit a fresh rehabilitation proposal for HFL consequent upon withdrawal of M/s. Guarniflon. The new rehabilitation proposal for the subsidiary has been submitted considering the emerging opportunities for trading of Carbon Credit in international market. Additional short term loan amounting to Rs.50 lacs (last year Rs.25 lacs) has been sanctioned to meet the working capital need of HFL. The new loan is considered to be recoverable with interest in view of ongoing process of Carbon Credit activities being monitored by the company, hence no provision for new loan is considered necessary.
- 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.
- 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. The case is at present under investigation of CBI. In the meantime, based on the report of the Vigilance Dept., a civil suit has been filed for recovery of the amount involved from the concerned employee who was dismissed from the services of the Company. Since in the opinion of the Management the value of assets seized by CBI is sufficient to cover the losses occurred on account of fraud, no provision in the accounts is made and the amount is shown as recoverable.

7. SCHEDULE 12 – CURRENT LIABILITIES – SUNDRY CREDITORS

In absence of required information with the company about the micro, small and medium enterprises/suppliers, the information about the amount due to them and remaining outstanding more than 45 days could not be provided.

8. PROVISION FOR ARREARS WAGES

No provision has been made for the liability towards wage revision of employees (other than Kochi Unit) for the period January 1, 1997 to December 31, 2000 amounting to 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

The company was declared as Sick Industrial Company by BIFR on 25th November, 2005 and State Bank of India (SBI) was 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. SBI submitted the revival scheme for the company which is pending with BIFR for consideration.

10. FINANCIAL RESTRUCTURING

The Government of India has approved financial restructuring scheme on 9th March, 2006. Accordingly the Government released Rs.250.00 crores for allotment of 8% Non-Cumulative Redeemable Preference Shares for broadening the capital base as per the scheme approved. The Government further released Rs.20.00 crores for repairing and replacement of Caustic Soda Plant for re-commissioning production. The Government has released this amount of Rs.20.00 crores for allotment of additional 8% Non-Cumulative Redeemable Preference Shares to be redeemed from sales proceeds of free hold land at Panvel near Rasayani. This amount of Rs.270.00 crores is shown as Share Application Money pending allotment of shares.

11. DEFERRED REVENUE EXPENDITURE :

The company has paid an amount of Rs.401.30 lacs as benefit towards Voluntary Retirement Scheme (VRS) introduced at Rasayani Unit during the year as part of its approved financial restructuring scheme which is to be amortised over a period of 5 years as per the policy of the company. An amount of Rs.80.26 lacs has been charged to Profit & Loss account during the year in addition to Rs.6.20 lacs, the residual amount of expenditure incurred earlier towards VRS and the balance amount of Rs.321.04 lacs is carried forward and shown under deferred revenue expenditure.

12. PRELIMINARY EXPENDITURE

Stamp Duty and ROC filing fees of Rs.195.42 lacs paid for increase in Authorised Share Capital is amortised over a period of 3 years. Accordingly Rs.65.14 lacs has been charged to Profit and Loss Account during the year and balance amount of Rs.130.28 lacs is carried forward and shown under Miscellaneous Expenditure- Preliminary Expenditure to the extent not written off.

13. DEPRECIATION BASED ON TECHNICAL ASSESSMENT

In the case of the following items of assets capitalized during the year at Kochi Unit, depreciation has been provided based on the technical assessment of the useful life of assets.

- Electrolyser for Hydrogen Plant capitalized amounting to Rs.326.32 lacs, the life of the asset has been estimated as 6 years and depreciation have been charged @ 16.67% p.a. on Straight Line Basis in the accounts.
- Demester pad for Vent Gas Scrubber in Cumox Unit capitalized at Rs.5.71 lacs has been fully depreciated because the whole Vent Gas Scrubber has already been fully depreciated.
The additional amount provided towards depreciation, in effect, during the year is Rs.25.96 lacs.

14. EARNING PER SHARE

Earnings per share has been calculated as follows:

Net Profit after Tax & Adjustment	Rs.1704.22 lacs
Weighted average number of equity shares	67366100
Nominal Value of Weighted average number of equity shares	Rs.10/-
Earning per share	Rs. 2.53

15. SEGMENT REPORTING.

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

16. RELATED PARTY DISCLOSURE AS PER AS-18

a) Related Parties

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

b) Key Management Personnel

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

17. ACCOUNTING FOR TAXES ON INCOME

The company had reviewed its net deferred tax assets as at 31st March, 2004 and decided not to carry forward such assets due to uncertainty of realizing 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.

18. BALANCE CONFIRMATION

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

19. CONTINGENT LIABILITIES

	(Rs.in lacs)	
	2006-07	2005-06
1 a) Contingent Liabilities		
Claims against the Company not Acknowledged as debts :		
i) Differential Tax on account of concessional forms in respect of concessional sales	197.50	710.35
ii) Excise Claims	178.97	224.43
iii) Customs claim	10.80	10.80
iv) Other Claims *	2790.97	2873.13
b) Letters of Credit opened, cheques and bills of exchange discounted with the bankers and remaining outstanding	337.18	46.40
c) Counter guarantees given against bank guarantees	117.30	84.77
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.	1577.00	2153.97



2 Estimated amount of contracts remaining to be executed on capital account and not provided for (Net of advances) **33.78** 1.36

* Other claims include contingent claims towards JNPT Tank Farm project Rs.1659.20 lacs (previous year Rs.1424.39 lacs). In which minimum guaranteed

throughput charges Rs.1012.50 lacs (Previous Year Rs. 787.50 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.

20 QUANTITATIVE INFORMATION

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

Sl. No.	Particulars	Licenced Capacity TPA @	Installed Capacity TPA @	Production * MT	Opening Stock		Closing Stock ++		Sales **	
					MT	Value Rs.lacs	MT	Value Rs.lacs	MT	Value Rs.lacs
1.	Nitroproducts	37380	55430	12552	455.94	243.70	362.07	200.28	3088.84	1315.64
	Previous year	37380	55430	22034	391.89	189.89	455.94	243.7	5404.91	2026.02
2.	Hydrogen	1200	1600	526.61	0.00	0.00	0.00	0.00	6.47	16.63
	Previous year	1200	1600	859.02	0.00	0.00	0.00	0.00	0.00	0.00
3.	Aniline	12000	25100	7100	195.63	139.67	67.70	57.01	7228.36	5006.52
	Previous year	12000	25100	12355	67.2	51.83	195.63	139.67	11922.46	7824.93
4.	Acetanilide	4000	3000	0	0.65	0.43	0.05	0.01	0.60	0.38
	Previous year	4000	3000	434	9.10	7.53	0.65	0.43	442.35	292.24
5.	Acids	73800	63000	13782	1907.17	87.41	1642.49	86.04	7248.15	147.32
	Previous year	73800	63000	40054	1183.87	55.54	1907.17	87.41	16868.80	439.99
6.	Formaldehyde	15000	33000	22626	646.00	67.62	695.78	87.39	22577.32	2688.58
	Previous year	15000	33000	30373	425.69	46.69	646.00	67.62	30151.58	2626.75
7.	Chlorobenzene	4400	15650	0	3.89	0.38	3.89	0.38	0.00	0.00
	Previous year	4400	15650	0	3.89	0.38	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	40733	2618.00	1458.34	2307.00	1544.70	41043.00	27938.29
	Previous year	40000	40000	28754	2214.00	1234.11	2618.00	1458.34	28350.00	14805.51
11.	Acetone	24640	24640	25463	256.00	109.86	655.00	256.26	25065.00	10336.86
	Previous year	24640	24640	18253	910.00	359.91	256.00	109.86	18908.00	7647.95
12.	Hydro.Peroxide	5225	5225	4411	19.00	8.55	55.00	23.85	4376.00	1676.22
	Previous year	5225	5225	3666	93.00	39.50	19.00	8.55	3740.00	1429.24
			#							
13.	Propylene	7000	29000	25587	143.00	47.21	157.00	53.59	0.00	0.00
	Previous year	7000	29000	18896	111.00	28.80	143.00	47.21	0.00	0.00
			\$							
14.	Cumene	0	54000	54329	2676.00	1085.35	460.00	209.75	171.00	94.24
	Previous year	0	54000	40546	3179.00	1293.96	2676.00	1085.35	325.00	162.37
15.	Other Chemicals	1800	10750	0	7.54	0.69	7.54	0.66	0.00	0.00
	Previous year	1800	10750	0	7.55	1.68	7.54	0.69	0.01	0.01
	Total Main Products	299645	402725	207110	8928.82	3249.22	6413.51	2519.92	110804.74	49220.68
	Previous year	299645	402725	216224	8596.18	3309.82	8928.82	3249.22	116113.11	37255.02
	By Products	0	0	16589	1579.74	25.89	490.20	25.79	17439.82	1375.54
	Previous year	0	(0.00)	22979	939.22	16.86	1579.74	25.89	22318.61	1349.65
	GRAND TOTAL :	299645	402725	223699	10508.56	3275.11	6903.71	2545.71	128244.56	50596.22
	Previous year	299645	402725	239203	9535.40	3326.68	10508.56	3275.11	138431.72	38604.68

Includes 25573 Mt(18864 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 56374 Mt (40724 Mt) for Captive Consumption.

B) Details of Trading Goods

(Rupees in lacs)

Sr. No.	Product	Opening Stock		Purchase Value	Sales MT	Closing Stock		Value	MT	Value
		MT	Value			MT	Value			
1	Others	0	0		216.79	10.84	216.79	10.84	0	0
	(Previous year)	0	0		200.00	8.92	200.00	9.49	0	0
	Total :	0	0		216.79	10.84	216.79	10.84	0	0
	(Previous year)	0	0		200.00	8.92	200.00	9.49	0	0



HINDUSTAN ORGANIC CHEMICALS LIMITED

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21 Value of Imports (on CIF basis)

	2006-2007	(Rs.in lakhs) 2005-2006
Component & Spare Parts	301.34	143.21
Raw Materials & Trading Goods	148.04	37.91
Capital Goods	394.10	0.00

22 Consumption of Indigenous/Imported Materials

	2006-2007		2005-2006
	Value Consumption	Value	Consumption
	%		%
A) Raw Materials			
Imported	165.37	0.55	10.21
Indigenous	29744.22	99.45	24536.25
	29909.59	100	24546.46
B) Component & Spare Parts			
Imported	160.88	16.43	152.74
Indigenous	818.28	83.57	1036.03
	979.16	100	1188.77
Grand Total	30888.75		25735.23

23 Expenditure incurred in foreign currency

A) Foreign Travelling	0.00	0.00
B) Know-how Engineering and Consultancy	0.00	0.00
C) On Account of site supervision	0.00	0.00
d) Others	1.98	1.92

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

0.00 0.00

25 Earnings in foreign currency FOB value of goods exported

30.96 125.48

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

27. Previous year's figures are shown in bracket.

As per our report of even date attached

For and on behalf of M/s. Gala & Gala Chartered Accountants

Sd/- (Rajesh Chheda) Partner
Sd/- (A. S. Didolkar) Chairman & Managing Director
Sd/- (U. Sarkar) Director Finance
Sd/- (Mrs. S. S. Kulkarni) Company Secretary

Place : Mumbai
Date : 20-06-2007

Place : Mumbai
Date : 20-06-2007

Balance Sheet Abstract and Companies General Business Profile:

I Registration Details

Registration No. 11895 State Code 11

CIN L99999MH1960GOI 011895

Balance Sheet Date 31 3 2007
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
6336350 6336350

Sources of Funds
Paid up Capital Share Application Money
672689 2700000

Reserves & Surplus Secured Loans
801554 1265155

Unsecured Loans
896952

Application of Funds
Net Fixed Assets Investment
2698787 4970

Net Current Assets Misc. Expenditure
1044932 45132

Accumulated Losses Deferred Tax Asset
2542529 0

IV Performance of Company (Amount in Rs.Thousands)

Turnover (Income) Total Expenditure
5348434 5171383

+ - Profit/Loss Before Tax + - Profit/Loss After Tax
177051 170600

+ - Earning per share in Rs. Dividend @ %
2.53 NIL

V Generic Names of Three Principal Products/Services of Company

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

As per our report of even date attached

For and on behalf of M/s. Gala & Gala Chartered Accountants

Sd/- (Rajesh Chheda) Partner
Sd/- (A. S. Didolkar) Chairman & Managing Director
Sd/- (U. Sarkar) Director Finance
Sd/- (Mrs. S. S. Kulkarni) Company Secretary

Place : Mumbai
Date : 20-06-2007

Place : Mumbai
Date : 20-06-2007


CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH, 2007

(Rs. In lacs)

	2006-07	2005-06
CASH FLOW FROM OPERATING ACTIVITIES:		
Net profit before tax and extraordinary items	1,768.73	(5,648.07)
Adjustments for:		
Depreciation	2,710.71	2,786.32
Loss on sale of Assets/ discarded assets w/off	0.67	6.74
Profit on sale of Assets/ discarded assets w/off	(1.28)	(6.39)
Interest paid	2,173.16	2,762.76
Provisions	243.29	234.02
Interest received from subsidiary	(2.92)	(1.00)
Interest Received (SCHEDULE-14)	(371.38)	(42.40)
Dividend Received		
Misc. Expenditure(amortised)	-	-
Misc. Exp. paid(BOND ISSUE EXP.)	(48.95)	(37.45)
	4,703.30	5,702.60
Operating Profit Before Extra Ordinary Items	6,472.03	54.53
Add:- Extra Ordinary Items	(444.95)	343.60
OPERATING PROFIT BEFORE WORKING CAPITAL CHANGES	6,027.08	343.60
Adjustments for:		
Trade & Other Receivables	(1,900.34)	1,797.85
Inventory	1,261.87	(745.65)
Current liability & provisions	973.29	701.87
Loans & Advances	(364.38)	(927.11)
	(29.56)	826.96
CASH GENERATED FROM OPERATING ACTIVITIES	5,997.52	1,225.09
Direct Taxes (Net)	64.51	12.98
DEPRECIATION WRITTEN BACK	-	-
NET CASH FROM OPERATING ACTIVITIES (A)	5,933.01	1,212.11
CASH FLOW FROM INVESTING ACTIVITIES		
Capital expenditure	(644.69)	(168.42)
Sale of Fixed Assets	1.94	8.35
Purchase of Investment		
Sale of Investment	-	-
Interest Received	342.07	39.59
Dividend Received		
NET CASH USED IN INVESTING ACTIVITIES (B)	(300.68)	(120.48)
CASH FLOW FROM FINANCING ACTIVITIES		
Share application Money Received	27,000.00	
Long Term Borrowings(Net)	(14,480.17)	(1,642.11)
Bank Borrowings(Net)	(3,088.04)	3,089.28
Interest paid	(6,544.94)	(2,744.24)
NET CASH FROM FINANCING ACTIVITIES (C)	2,886.85	(1,297.07)
NET INCREASE IN CASH & CASH EQUIVALENTS (A+B+C)	8,519.18	(205.44)
CASH & CASH EQUIVALENTS AS AT 01.04.05 (OP.BAL.)	587.89	793.33
CASH & CASH EQUIVALENTS AS AT 31.03.06 (CL.BAL.)	9,107.07	587.89

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

Mumbai	Sd/-	Sd/-	Sd/-
Date: 20-06-2007	(A.S. Didolkar)	(U. Sarkar)	(Mrs. S.S. Kulkarni)
	Chairman & Managing Director	Director (Finance)	Company Secretary

AUDITOR'S CERTIFICATE

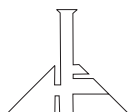
To,
The Board of Directors
Hindustan Organic Chemicals Limited
Rasayani-410 207

We have examined the attached Cash Flow Statement of Hindustan Organic Chemicals Limited for the year ended 31st March, 2007, which has been identified by us on 20-06-2007. 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/-
(Rajesh Chheda)
Partner

Place: Mumbai
Date: 20-06-2007


BALANCE SHEET AS AT 31st MARCH 2007

SCH	AS AT 31-03-2007		AS AT 31-03-2006	
	Rs.in	Rs.in	Rs.in	Rs.in
	Lacs	Lacs	Lacs	Lacs
1 SOURCES OF FUNDS				
a. Share Capital	1	1,961.46	1,961.46	
b. Reserves & Surplus	2	0.00	0.00	1,961.46
2 Loan Funds				
a. Secured Loans	3	2,110.87	2,020.22	
b. Unsecured Loans	4	5,731.44	5,417.99	
		7,842.31	7,438.21	
TOTAL		9,803.77	9,399.67	

APPLICATION OF FUNDS

1 Fixed Assets				
a. Gross Block	5	5,215.14	5,201.78	
Less: Depreciation		4,867.44	4,616.87	
Net Block		347.70	584.91	
b. Capital work in progress		68.91	114.96	
2 CURRENT ASSETS, LOANS & ADVANCES				
a. Inventories	6	254.12	462.05	
b. Sundry Debtors	7	31.22	103.92	
c. Cash & Bank balances	8	28.99	42.34	
d. Loans & Advances	9	450.86	445.28	
		765.19	1,053.59	
Less: Current Liabilities & Provisions				
a. Current Liabilities	10	516.05	557.23	
b. Provisions		120.44	124.26	
NET CURRENT ASSETS		128.70	372.10	
3 Profit & Loss Account		9,258.46	8,327.70	
TOTAL		9,803.77	9,399.67	

Notes to Accounts 20

PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31st MARCH 2007

SCH	YEAR ENDED 31-03-2007		YEAR ENDED 31-03-2006	
	Rs.in	Rs.in	Rs.in	Rs.in
	Lacs	Lacs	Lacs	Lacs
INCOME				
Sales	11	1,656.55	1803.95	
Other Income	12	33.03	60.58	
Accretion /(Decretion) in stocks	13	(147.94)	(256.96)	
		1,541.64	1607.57	
Expenditure				
Materials consumed	14	868.88	992.06	
Employees remuneration and benefits	15	412.55	420.60	
Manufacturing, Admn. And Selling exp.	16	504.91	592.34	
Interest and financial charges	17	401.86	392.53	
Depreciation	5	250.57	174.86	
		2,438.77	2572.39	
Loss on Impairment of assets	5	34.25	34.25	
Loss on deleted/discarded assets	18	0.08	0.00	
		(931.46)	(999.07)	
Add: Prior period adjustments (net)	19	(2.39)	3.15	
Loss before Taxes		(929.07)	(1,002.22)	
Provision for Fringe Benefit Tax (FBT)		1.69	2.82	
		(930.76)	(1005.04)	
Less: Transfer from reserve		0.00	17.57	
Loss		(930.76)	(987.47)	
Balance brought forward from the prev. year		(8,327.70)	(7340.23)	
Balance of Loss carried to Balance sheet		(9,258.46)	(8,327.70)	

Notes to the accounts 20

As per our report attached for **VENUGOPAL & CHENYO**
Chartered Accountants

Sd/-
P V SRIHARI
Partner
Place : Hyderabad
Date : 20-06-2007

By order of the Board

Sd/-
A S DIDOLKAR
Chairman
Sd/-
RAVI MADANGERI
Managing Director
Sd/-
E SURYA RAO
Chief Manager (Finance)

Place : Mumbai
Date : 20-06-2007

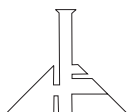
As per our report attached for **VENUGOPAL & CHENYO**
Chartered Accountants

Sd/-
P V SRIHARI
Partner
Place : Hyderabad
Date : 20-06-2007

By order of the Board

Sd/-
A S DIDOLKAR
Chairman
Sd/-
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Managing Director
Sd/-
E SURYA RAO
Chief Manager (Finance)

Place : Mumbai
Date : 20-06-2007



	Rs.in Lacs	
	As at 31-03-2007	As at 31-03-2006
SCHEDULE - 1 SHARE CAPITAL		
Authorised		
2,10,00,000 Equity shares of Rs.10/- each	2,100.00	2,100.00
(Previous year 2,10,00,000 Equity Shares of Rs.10/- each)		
Issued		
1,96,30,000 Equity shares of Rs. 10/- each	1,963.00	1,963.00
(Previous year 1,96,30,000 Equity Shares of Rs.10/- each)		
Subscribed		
1,95,99,100 of Rs.10/- each fully paid	1,959.91	1,959.91
(Previous year 1,95,99,100 Equity Shares of Rs.10/- each)		
Shares forfeited (amount originally paid)	1.55	1.55
	<u>1,961.46</u>	<u>1,961.46</u>

Note: Of the above, 1,10,65,200 Equity shares are held by M/s HOC the Holding Company.

SCHEDULE - 2 RESERVES AND SURPLUS		
Investment allowance Reserve	0.00	17.57
Less: Transferred to Profit & Loss Account	0.00	17.57
	<u>0.00</u>	<u>0.00</u>

	Rs.in Lacs	
	As at 31-03-2007	As at 31-03-2006
SCHEDULE - 3 SECURED LOANS		
From State Bank of Hyderabad :		
Cash Credit	220.44	226.44
From Other Financial Institutions :		
Term Loans	411.13	411.13
Funded Interest	291.24	291.24
Interest accrued and due	1188.06	1091.41
	<u>2110.87</u>	<u>2020.22</u>

SCHEDULE - 4 UNSECURED LOANS		
Hindustan Organics Chemicals Ltd (Holding Co)	2684.34	2634.72
Interest accrued and due	3047.10	2783.27
	<u>5731.44</u>	<u>5417.99</u>

SCHEDULE-5 FIXED ASSETS AND CAPITAL WORK IN PROGRESS

	GROSS BLOCK (AT COST)				DEPRECIATION				NET BLOCK	
PARTICULARS	AS AT 01-04-2006	ADDITIONS	DELETIONS	AS AT 31-03-2007	UPTO 01-04-2006	FOR THE YEAR	ADJUST MENTS	UPTO 31-03-2007	AS AT 31-03-2007	AS AT 31-03-2006
FIXED ASSETS										
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	47.52	2.66	0.00	50.18	29.31	31.98
Non-Factory Buildings	68.49	0.00	0.00	68.49	20.49	1.11	0.00	21.60	46.89	47.98
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	4,593.49	13.16	0.00	4,606.65	4,214.13	221.71	0.00	4,435.84	170.81	379.35
Electrical Installations & equipment.	300.11	0.00	0.00	300.11	264.12	14.01	0.00	278.13	21.98	36.00
Furniture & Fixtures & other equipment	62.81	0.13	(0.12)	62.82	51.66	3.39	(0.01)	55.04	7.78	11.15
COMPUTERS	17.88	0.19	0.00	18.07	7.87	7.69	0.00	15.56	2.51	10.01
TOTAL	5,201.78	13.48	(0.12)	5,215.14	4,616.88	250.57	(0.01)	4,867.44	347.70	584.89
Capital WIP	225.18	0.41	(12.22)	213.37	110.21	34.25	0.00	144.46	68.91	114.97
GRAND TOTAL (A+B)	5,426.96	13.89	(12.34)	5,428.51	4,727.09	284.82	(0.01)	5,011.90	416.61	699.86
Previous Year Figures	5,424.23	26.73	(24.01)	5,426.95	4,517.98	209.11	(5.81)	4,727.09	699.86	906.25

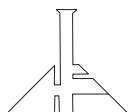
	Rs.in Lacs	
	As at 31-03-2007	As at 31-03-2006
SCHEDULE - 6		
INVENTORIES (as taken, valued and certified by the management)		
Stores and Spares	139.02	139.48
Raw Materials	25.51	54.72
Materials in transit	13.26	27.62
Stock-in-process	36.23	86.04
Finished Products	40.10	154.19
	<u>254.12</u>	<u>462.05</u>

SCHEDULE - 7 SUNDRY DEBTORS (Unsecured)		
Exceeding Six Months	0.00	0.00
- Considered good	312.79	301.50
- Considered doubtful		
Others	31.22	103.92
- Considered good	344.01	405.42
Less: Provision for doubtful debts	<u>312.79</u>	<u>301.50</u>
	<u>31.22</u>	<u>103.92</u>

SCHEDULE - 8 CASH AND BANK BALANCES		
Cash on Hand	0.08	0.02
Bank Balances		
With Scheduled Banks :		
- In Current Account	0.36	23.82
- In Deposit Account	<u>28.55</u>	<u>18.50</u>
	<u>28.99</u>	<u>42.34</u>

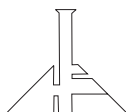
	Rs.in Lacs	
	As at 31-03-2007	As at 31-03-2006
SCHEDULE - 9		
LOANS AND ADVANCES (Unsecured)		
Advances recoverable in cash or in kind or for value to be received	31.74	22.49
Less: Considered for doubtful advance	0.91	0.91
Balance with Excise Authorities	2.18	2.16
Income Tax Refundable	3.16	1.89
Prepaid Expenses	9.55	10.62
Deposits	80.73	80.65
E S I	8.00	8.00
Deposit with IDBI (OA)	316.00	316.00
Insurance Claim Receivable	0.41	3.39
VAT Receivable	0.00	0.99
	<u>450.86</u>	<u>445.28</u>

SCHEDULE - 10 CURRENT LIABILITIES AND PROVISIONS		
A CURRENT LIABILITIES		
1 Sundry Creditors		
- SSI Units	4.83	5.52
- Capital Goods	14.63	14.63
- Other Creditors	278.67	376.15
	<u>298.13</u>	<u>396.30</u>
- For expenses	118.61	103.69
- Dues to Employees	22.68	5.38
2 Other Liabilities	47.95	19.49
3 Advances from customers	13.69	28.11
4 Salary arrears of Officers	2.77	2.77
5 Deposits from Contractors and others	1.11	1.49
6 Excise Duty	10.83	0.00
7 Freight on Sale	0.28	0.00
	<u>516.05</u>	<u>557.23</u>
B Provisions		
1 Outstanding Liabilities	120.44	124.26
	<u>120.44</u>	<u>124.26</u>



	Rs.in Lacs			Rs.in Lacs	
	Year ended 31-03-2007	Year ended 31-03-2006		Year ended 31-03-2007	Year ended 31-03-2006
SCHEDULE -11			SCHEDULE -17		
SALES			INTEREST AND FINANCING CHARGES		
Sale of PTFE	1696.59	2034.54	Interest on Fixed Loans	57.56	57.56
Less: Excise Duty	191.47	214.08	Interest on working capital	31.56	30.19
Less: Sales Tax	55.16	72.52	Interest on funded interest IFI's	39.09	39.09
Less: Trade Discount	277.97	435.63	Interest on Unsecured loan-HOC	263.84	262.03
	1171.99	1312.31	Interest on Others	3.66	0.06
Sale of ADCS	45.13	34.62	Bank Charges	6.15	3.60
Less: Excise Duty	6.17	4.65		401.86	392.53
Less: Sales Tax	1.16	1.47			
Less: Trade Discount	0.00	0.00			
	37.80	28.50			
Sale of CFM	540.55	560.36			
Less: Excise Duty	73.00	75.58			
Less: Sales Tax	20.79	21.64			
	446.76	463.14			
	1656.55	1803.95			
SCHEDULE -12 OTHER INCOME			SCHEDULE -18		
Interest received from others (T.D.S)			LOSS ON DELETED / DISCARDED ASSETS		
Rs.1.32 lacs - previous year Rs.0.86 lacs)	5.43	7.01	Cell Phone	0.08	0.00
Sale of Hydrochloric Acid	26.15	30.99		0.08	0.00
Miscellaneous Income	1.45	22.58			
	33.03	60.58			
SCHEDULE -13 ACCRETION/(DECRETION) IN STOCKS			SCHEDULE -19		
Closing Stock			PRIOR PERIOD		
Stock-in-Process	36.23	86.04	Prior Period Expenses		
Finished Products	40.10	154.19	Repairs & Maintenance	0.05	0.00
	76.33	240.23	Rates & Taxes	0.00	0.01
Less: Opening Stock			Cost Auditors Fee	0.12	0.10
Stock-in-Process	86.04	75.03	Audit Fee	0.00	0.03
Finished Products	154.19	465.89	Trade Discount	0.00	0.39
	240.23	540.92	Consumption of Raw Materials	0.02	2.68
	(163.90)	(300.69)	Water Cess	0.23	0.00
Less: Increase/(Decrease) in Excise duty			Professional Charges	0.50	0.00
on Finished Products	(15.96)	(43.73)	Bank Charges	0.05	0.00
	(147.94)	(256.96)		0.97	3.21
SCHEDULE -14 MATERIALS CONSUMPTION			Prior Period Income		
Raw Material	853.86	976.00	Bonus	0.01	0.06
Stores and Spares	15.02	16.06	Reversal of Interest Subsidy on Housing loan	0.59	0.00
	868.88	992.06	Sundry Creditors & Debtors	0.66	0.00
SCHEDULE -15			Reversal of Professional Charges	0.32	
EMPLOYEES REMUNERATION AND BENEFITS			Reversal of Repairs & Maintenance	0.48	
Salaries, Wages, Bonus, Gratuity and			Reversal of Job Work Expenditure	0.05	
other Allowances	343.42	342.17	Reversal of Cylinder Holding Charges	1.00	
Contribution to Provident and Other funds	26.55	25.29	Reversal of Fringe Benefit Tax	0.25	(0.06)
Contribution to ESI	1.10	0.98		(3.36)	
Workmen and Staff welfare expenses	41.48	52.16	Prior Period Net	(2.39)	3.15
	412.55	420.60			
SCHEDULE -16			SCHEDULE 20:		
MANUFACTURING, ADMINISTRATIVE			NOTES TO ACCOUNTS:		
AND SELLING EXPENSES			PART A: SIGNIFICANT ACCOUNTING POLICIES:		
Power	239.29	246.75	1. GENERAL.		
Fuel	82.00	70.47	1.1 The Accounts have been prepared on historical cost basis.		
Water Charges	37.85	35.10	1.2 All revenues and expenses are accounted on accrual basis except to the extent stated otherwise.		
Rent	2.03	4.51	2. FIXED ASSETS:		
Rates and taxes	4.04	6.82	2.1 Fixed assets (including capital work-in-progress) are accounted at cost, net of modvat credit.		
Repairs and Maintenance			2.2 Expenditure during construction period including interest on loans borrowed is included in the capital cost.		
To Buildings	0.03	0.00	3. DEPRECIATION		
To Machinery	24.08	31.28	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.		
To Other Assets	3.55	3.21	3.2 Depreciation on assets costing less than Rs.5000/- is provided at 100%.		
Insurance			3.3 Expenditure not represented by assets is written off over a period of 5 years.		
Travelling Expenses *	2.03	1.94	4 SALES		
Conveyance	51.97	48.29	Sales are net of trade discount and exclusive of Excise Duty and Sales Tax.		
Auditors Remuneration			5 INVENTORIES		
- Audit fee	0.84	0.92	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.		
Professional charges	2.19	6.01	5.2 Excise duty payable on finished goods manufactured but not removed is included in the valuation of such stocks.		
Printing and stationery	2.45	1.71	5.3 Sales of realizable scrap are accounted on receipt basis.		
Postage, Telephone and Telex charges	5.23	5.94	5.4 Insurance claims are accounted on accrual basis on admission of claims.		
Security service charges	9.73	8.82	6. RETIREMENT BENEFITS		
Job Work Expenditure	2.97	1.82	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.		
Other Misc. expenses	5.02	4.37			
Advertisement and Publicity	0.44	0.58			
Cash Discounts allowed	0.00	9.34			
Entertainment expenses	0.15	0.11			
Provision for bad & doubtful debts	12.74	85.40			
Office Maintenance	0.65	1.20			
	504.91	592.34			

*Includes Directors travel.



6.2 Leave encashment and other retirement benefits are accounted on accrual basis and charged to P&L A/c.

6.3 Contributions to Provident Fund are charged to P&L A/c.

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 Balances 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, IFIs have not sent debit advices nor confirmed its balances as on 31-03-2007. 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. 5731.44 lacs (Previous year Rs.5417.99 lacs) is due to Hindustan Organic Chemicals Limited (HOCL) including Rs.263.84 lacs (Previous year Rs.262.03 lacs) provided during the year as interest on HOC loan.

4. Credit has not been taken into account in respect of claims for penalty/damage recoverable from certain suppliers/works contractors arising due to non-adherence to the stipulated contractual terms.

5. 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).

6. CONTINGENT LIABILITIES NOT PROVIDED FOR:

	2006-07 Rs.in lacs	2005-06 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 due to non acceptance of relief package.	1790.88	1790.88
C FLC/ILC Obtained as on 31-03-2007	115.00	46.97
D E S I	13.46	13.46
E Salary arrears for Officers	410.00	380.00
F Salary arrears for Non-officers	828.00	745.00
TOTAL	3169.35	2988.32

7 Estimated amount of contracts remaining to be executed on capital account and not provided for (net of advances).

0.00 6.19

8 Expenditure incurred in foreign currency

NIL NIL

9. 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 12th April and 18th 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) filling an appeal in AIAIFR (ii) sending its detailed objections on DRS to BIFR. The hearing on the DRS was held on 13th June 2003 and the decision of BIFR was forwarded to AIAIFR. Since the first bidder has withdrawn their bid, the AIAIFR remanded this case 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.

10. Excise duty on closing finishing goods in respect of goods manufactured by the company amounting to Rs.5.67 lacs (previous year 21.64 lacs) is included in the valuation of such stocks.

11. Unpaid overdue amounts due on 31st March 2007 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.

12. Balance standing to the debit/credit of parties are subject to confirmation by them and review by the Company.

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

14. 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:

	2006-07 Rs.in lacs	2005-06 Rs.in lacs
Profit / Loss available to equity shareholders	(930.77)	(987.47)
Weighted average no of equity share for basic EPS	No. 19599100	No. 19599100
Normal value of equity shares	Rs. 10.00	Rs. 10.00
Basic earning per equity share	Rs.(4.75)	Rs.(5.04)

15. 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.2600.81 lacs (Previous year Rs.2835.46 lacs) and unabsorbed depreciation at around Rs.3790.04 lacs (Previous year 3799.35 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.

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

17. Depreciation includes Rs. 89.66 lacs (Previous year Rs.0.00 lacs) pertaining to earlier years on account of difference in rates of depreciation.

18. Quantitative details regarding consumption of Raw Materials:

	2006-2007		2005-2006	
	Qty MT.	Value Rs.in lacs	Qty MT.	Value Rs.in lacs
a. AHF	442.83	315.01	464.60	295.39
b. Chloroform	1244.83	451.70	1302.63	588.97
c. RM-258	0.286	37.50	0.33	45.63
d. Others	-	49.65	-	46.01
TOTAL		853.86		976.00

19. Consumption of Raw Materials:

	2006-2007		2005-2006	
	Rs.in lacs	% of Total consumptions	Rs.in lacs	% of Total consumptions
a. Imported	10.76	1.26	13.91	1.43
b. Indigenous	843.10	98.74	962.09	98.57
Total	853.86	100.00	976.00	100.00

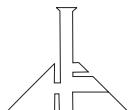
20. Quantitative information about capacity, production, stock and sales:

	2006-2007		2005-2006	
	Qty MT.	Value Rs.in lacs	Qty MT.	Value Rs.in lacs
Licensed capacity	500TPA*	-	500TPA	-
Installed capacity	500TPA*	-	500TPA	-
Opening stock	32.00	154.26	111.793	465.88
Production	245.002	-	228.440	-
Captive Consumption	-	-	-	-
Sales	268.69	1171.99	308.257	1312.31
Closing Stock	8.29	34.42	32.000	154.26

B.CFM-22

	2006-2007		2005-2006	
	Qty MT.	Value Rs.in lacs	Qty MT.	Value Rs.in lacs
Licensed capacity	1265 TPA*	-	1265 TPA*	-
Installed capacity	1265 TPA*	-	1265 TPA*	-
Opening stock	8.462	11.50	21.200	22.98
Production	790.500	-	828.000	-
Captive Consumption	628.52	-	664.122	-
Sales	162.925	446.76	176.616	463.14
Closing Stock	7.522	9.86	8.462	11.50

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



	2006-2007 Rs.in lacs	2005-2006 Rs.in lacs
21. a) CIF value of imports of Raw materials and Stores and Spares.	14.10	20.99
b) FOB Values of Exports	0.00	0.00
22. Managerial remuneration included in employee's remuneration and benefits		
Managing Director	2006-2007	2005-2006
Salary	4.11	4.00
Rental accommodation	1.64	1.16
Medical reimbursement	0.04	0.04
Company Contribution to PF	0.41	0.39
Encashment of Earned leave	0.00	0.39
Total	6.20	5.98

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

As per our report attached for **VENUGOPAL & CHENYO**
Chartered Accountants

By order of the Board

Sd/-
A S DIDOLKAR
Chairman

Sd/-
RAVI MADANGERI
Managing Director
Sd/-
E SURYA RAO
Chief Manager (Finance)

Sd/-
P V SRIHARI
Partner
Place : Hyderabad
Date : 20-06-2007

Place : Mumbai
Date : 20-06-2007

24. Information as required under Part-IV of the Schedule VI to the Companies Act, 1956.

Balance Sheet Abstract and Companies General Business Profile:

I. Registration Details:

Registration No. **10111-14 101317** State Code **011**

Balance Sheet **3111 10131 12101017**
Date Month Year

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

Public Issue **11111111** Rights Issue **11111111**

Bonus Issue **11111111** Private Placement **11111111**

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

Total Liabilities **918 10131717** Total Assets **91810131717**

Sources of Funds

Paid-up Capital **111916111416** Reserves & Surplus **11111111**

Secured Loans **21111101816** Unsecured Loans **51713111414**

Application of Funds

Net Fixed Assets **1411161611** Investments **11111111**

Net current Assets **111 21 81 714** Misc.Expenditure **11111111**

Accumulated Losses **91215181416**

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

Turnover **11618181517** Total Expenditure **2141318177**

Loss Before Tax **1912191017** Loss After Tax **191310176**

V. Earning per Share in Rs. **11(41.715)** Dividend Rate % **11111111**

VI. Generic Names of Three Principal Products/Services of the Company (as per monetary terms)

Item Code No (ITC Code) : **0101319101416101010**

Product description : **FLUOROPOLYMERS (PTFE etc.,)**

By Order of the Board.

Sd/-
A S DIDOLKAR
Chairman
Sd/-
RAVI MADANGERI
Managing Director

PLACE: Mumbai
DATE : 20-06-2007

Sd/-
E SURYA RAO
Chief Manager (Finance)

CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH, 2007

	2006-2007 Rs. in lacs	2005-2006 Rs. in lacs
A CASH FLOW FROM OPERATING ACTIVITIES:		
Net Profit before taxation and Extraordinary items	(931.46)	(999.07)
Adjustments for :		
Depreciation	250.57	174.86
Interest	395.71	388.93
Provision for doubtful debts/advances (Net)	10.90	66.08
Loss on deleted / discarded assets	0.08	0.00
Loss on Impairment of assets	34.25	34.25
Operating Profit before working capital changes	(239.95)	(334.95)
Adjustments for		
(Increase)/Decrease in Loans & Advances	(5.58)	(1.07)
(Increase)/Decrease in Trade receivables	61.41	55.59
(Increase)/Decrease in Inventories	207.93	271.90
Increase/(Decrease) in working capital borrowings	(6.00)	2.25
Increase/(Decrease) in Trade payables	(45.00)	35.03
Cash generated from operations	(27.19)	28.75
Interest paid	(35.22)	(30.25)
Direct taxes paid (FBT)	(1.69)	(2.82)
Cash flow before extraordinary items	(64.10)	(4.32)
Less: Prior period expenses	2.39	(3.15)
Add: Depreciation	0.00	0.00
Net Cash flow from Operating activities	(61.71)	(7.47)
B CASH FLOW FROM INVESTING ACTIVITIES :		
Purchase of fixed assets	(1.65)	(2.72)
	(1.65)	(2.72)
C CASH FLOW FROM FINANCING ACTIVITIES:		
Increase in Unsecured Loans	50.00	25.00
Net cash used in financing activities	50.00	25.00
Net increase in cash and cash equivalents	(13.36)	14.81
Cash and cash equivalents at the beginning of period	42.34	27.53
Cash and cash equivalents at the ending of period	28.99	42.34

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

By Order of the Board.

Sd/-
A S DIDOLKAR
Chairman
Sd/-
RAVI MADANGERI
Managing Director

PLACE: Mumbai
DATE : 20-06-2007

Sd/-
E SURYA RAO
Chief Manager (Finance)

AUDITORS' REPORT

We have examined the attached cash flow statement of M/s Hindustan Fluorocarbons Limited for the year ended on 31st March 2007. 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. 20.6.2007 to the members of the Company.

Place : Hyderabad
Date : 20.6.2007

for **VENUGOPAL & CHENYO**
Chartered Accountants

P V SRI HARI
Partner

**HINDUSTAN ORGANIC CHEMICALS LIMITED**

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

ATTENDANCE SLIP46th Annual General Meeting, on Friday, the 28th September, 2007

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-SIXTH ANNUAL GENERAL MEETING of the Company at RASRANG HALL, Dr.Kasbekar Park, Rasayani at 3.00 p.m. on Friday, 28th September, 2007.

(Members'/Proxy's Name) (Member's/Proxy's Signature)

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

----- Tear here -----

**HINDUSTAN ORGANIC CHEMICALS LIMITED**

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

FORM OF PROXY46th Annual General Meeting, on Friday, the 28th September, 2007

Name of the Shareholder(s) _____ Folio No. _____

No.of Share(s) _____

I/We _____ of _____ being a Member(s) of the above

named Company, hereby appoint Shri/Smt. _____ as my/ our proxy to vote for me/our behalf at the FORTY-SIXTH ANNUAL GENERAL MEETING of the Company to be held at RASRANG HALL, Dr.Kasbekar Park, Rasayani at 3.00 p.m. on Friday, 28th September, 2007.

Signed _____ day of _____ 2007.

Signature _____

One Rupee
Revenue Stamp

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

BOOK - POST

To,

If undelivered, please return to :

SHAREPRO SERVICES (INDIA) PVT. LTD.

Unit : HINDUSTAN ORGANIC CHEMICAL LIMITED

Satam Estate, 3rd Floor,

Above Bank of Baroda, Chakala

Andheri (E), Mumbai - 400 099.

