

55th Annual Report  
2015 - 2016



HINDUSTAN ORGANIC CHEMICALS LIMITED

CIN: L99999MH1960GOI011895


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

**Statutory Auditors**  
**M/s JMT&Associates.**  
 Chartered Accountants  
 Mumbai

**Branch Auditors – Kochi Unit**  
**M/s Ayyar & Cherian**  
 Chartered Accountants  
 Kochi

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

**M/s. BBS&Associates.**  
 Kochi

**BANKERS**  
 State Bank of India

**REGISTRAR AND SHARE TRANSFER AGENTS (up to FY 2015-16)**  
 M/s. Sharepro Services (India) Pvt. Ltd. (up to 31-03-2016)

**M/s. BIGSHARE SERVICES PVT. LTD. (w.e.f. 01-04-2016 onwards)**

Registered Office : E-2/3 Ansa Indl.Estate, Saki Vihar Road,  
 Saki Naka, Andheri(E) Mumbai 400 072  
 Tel : 022-40430200 /40430368 ; Fax No. 022-28475207 ;  
 Email: [investor@bigshareonline.com](mailto:investor@bigshareonline.com)

**HINDUSTAN ORGANIC CHEMICALS LTD. [HOCL]**

**REGISTERED OFFICE & CORPORATE OFFICE :**  
 At & Post - Rasayani, Dist.Raigad, Maharashtra 410 207  
 Tel No. 02192 – 258500/501/502. Fax. 02192- 250648 .  
 Email: [corporate.cs@hoclindia.com](mailto:corporate.cs@hoclindia.com) ; [grievances@hoclindia.com](mailto:grievances@hoclindia.com) ;  
 Website: [www.hoclindia.com](http://www.hoclindia.com)

**MANUFACTURING FACILITIES**

**Rasayani unit**  
 At & Post Rasayani, Panvel Taluka, Dist.Raigad Maharashtra 410 207

**Kochi Unit**  
 At & Post Ambalamugal, Dist. Ernakulam Kochi 682 302

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

**Regd.Office, Corporate Office & Rasayani unit :**  
 Rasayani, Dist.Raigad,  
 Maharashtra, Pin - 410 207.  
 Tel : (02192) 258500-502  
 Fax : (02192) 258503  
 E-mail id : [corporate.cs@hoclindia.com](mailto:corporate.cs@hoclindia.com); [grievances@hoclindia.com](mailto:grievances@hoclindia.com) ;  
 Website : [www.hoclindia.com](http://www.hoclindia.com)

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

**REGIONAL & MARKETING OFFICES**

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

**HYDERABAD :**  
 303, Babukhan Estate,  
 Bashir Bagh,  
 Hyderabad - 500 001.

Tel : (040)23329850 (Dir.)  
 Tel.Fax:23240058  
 Fax : (040) 23296455

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

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

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


**BOARD OF DIRECTORS [as on 05-08-2016]**

<b>SHRI S.B. BHIDE</b>	Acting Chairman & Managing Director (w.e.f. 25/02/2016) & Director (Technical)
<b>SHRI SAMIR KUMAR BISWAS, JS</b>	Director (Govt. Nominee) (From 02/09/2015)
<b>SHRI SUNIL KUMAR SHARMA, Director (Chem.)</b>	Director (Govt. Nominee) (From 16/05/2016)
<b>Ms. PUSHPA TRIVEDI,</b>	Non-Official, Independent Director (from 15/06/2016)
<b>SHRI J. N. SURYAWANSHI</b>	Director (Marketing) (Upto 03/08/2016)
<b>SHRI V. K. THAKRAL, SS&amp;FA</b>	Director (Govt. Nominee) (From 17/09/2015 upto 16-05-2016)
<b>SHRI V.B. RAMACHANDRAN NAIR</b>	Chairman & Managing Director (Upto 22/02 /2016)
<b>SHRI SURESH KUMAR R.</b>	Director (Finance) -(upto 29-02-2016 due to Vacation of Office of D.F.w.e.f. 01/03/2016 pursuant to Sec. 167)
<b>SHRI RAJIV YADAV, SS&amp;FA</b>	Director (Govt. Nominee) (upto 17/09/2015)
<b>Dr. A.J.V. PRASAD, JS</b>	Director (Govt. Nominee) (Upto 02/09/2015)
<b>Dr. N.J. GAIKWAD</b>	Non-Official Independent Director (upto 21/5/2015)
<b>SMT. SUSHEELA S. KULKARNI</b>	Company Secretary

**AUDIT COMMITTEE [A.C.] OF THE BOARD (upto 31-03-2016.)**

<b>SHRI V.K. THAKRAL, AS&amp;FA</b> Govt. Director & Chairman A.C.	<b>SHRI SAMIR KUMAR BISWAS, JS</b> Govt. Nominee Director, Member A.C.
<b>SHRI S.B. BHIDE</b> ACMD & Director (Tech.), Invitee of A.C.	<b>SHRI J.N. SURYAWANSHI</b> Director (Mktg.), Invitee of A.C
<b>Dr. N.J. GAIKWAD</b> NOID, Member, A.C. [up to 21-05-2015]	<b>SMT.SUSHEELA S. KULKARNI, C.S.</b> Secretary to A.C.
<b>SHRI V.B. RAMACHANDRAN NAIR</b> CMD, Invitee of A.C.[up to 22-02-2016]	<b>SHRI SURESH KUMAR R.</b> Director(Fin.), Invitee of A.C. [up to 29-02-2016]
<b>SHRI RAJIV YADAV, SS&amp;FA</b> Govt. Director & Chairman A.C. (up to 17-09-2015)	<b>Dr. A.J.V. PRASAD, JS</b> Govt. Nominee Director, Member A.C. (up to 02-09-2015)

**SHARES/BONDS TRANSFER, SHARES/BONDS HOLDERS'/ INVESTORS' GRIEVANCES COMMITTEE**

<b>SHRI S.B. BHIDE</b> ACMD & Director (Tech.), Chairman.	<b>SHRI J. N. SURYAWANSHI</b> Director (Mktg.), Member
<b>SMT. SUSHEELA S. KULKARNI</b> CS, Member & Secretary	<b>SHRI V.B. RAMACHANDRAN NAIR</b> CMD, Chairman.[up to 22-02-2016]
<b>SHRI SURESH KUMAR R.</b> Director (Fin.), Member [up to 29-02-2016]	

**CHAIRMAN'S STATEMENT****Dear Shareholders,**

My Colleagues on the Board and I extend a warm welcome, and sincere gratitude, to all of you present here at this 55<sup>th</sup> Annual General Meeting of your Company. The Audited Annual Accounts together with the Directors' Report and Auditors' Report of the Company for the year 2015-16 and the AGM Notice to the Shareholders are in your hands for some time and with your permission, I take them as read.



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

**PERFORMANCE :**

I must now share with you, in brief, the status of our Company's performance during the year 2015-16.

The production and sales figures 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 2015-16 due to quality assurances of its products manufactured at Kochi and Rasayani. During the year under review, your Company could achieve sales valuing Rs. 109.15 Crores (net of excise duty).

The Company had however taken the best possible measures both in cost reduction as well as in other areas. During the year, the operations of the Company, both at Kochi Unit and Rasayani Unit, continued to suffer due to non-availability of working capital. The Nox Blower installed in Conc. Nitric Acid Plant was commissioned in January 2016 and the company could achieve record N2O4 Production and supply 446 MT to ISRO during 2015-16 after restart of the Conc. Nitric Acid Plant.

The company could operate the Phenol Plant at Kochi intermittently only in the first half of 2015-16 and the Phenol Plant was shut down during second half year for want of working capital. However the Hydrogen Peroxide Plant is being operated continuously.

During the year your Company incurred a loss of Rs. 173.91 crore. .

I wish to inform you that with the consistent efforts put by the Management and with the help and support from various Ministries including Ministry of Chemicals & Fertilizers, Ministry of Finance, Ministry of Commerce & Industries, the company continues to get the benefit of the anti-dumping duty on Phenol and Acetone. It is expected that with the above action and continued efforts on improved operations and marketing, the performance and profitability of the Company would further improve.

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

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

Future course of Actions

**Rasayani Unit**

With the working capital support from ISRO, the Rasayani Unit could ensure continuous running of Nitric Acid plant (C.N.A), where N2O4 is produced for supplying to ISRO by the Company. The company has plans to restart the Nitrobenzene plant and Formaldehyde plants along with the Nitric Acid Plant considering the synergy of operations depending on the availability of working capital.

**Kochi Unit**

The company could successfully forge a tripartite agreement in the month of April 2016 with BPCL and SBI whereby 70 % of the collections in the Company's Cash Credit account is transferred to BPCL towards cost of raw materials supplies to Rasayani and Kochi Units. The plant operations of Kochi and Rasayani units have since been restarted and the company could achieve a turnover of Rs.52.47 crore in the first quarter ending June 2016.

**BIFR and Revival Plan.**

BIFR in the meeting held on 22<sup>nd</sup> July 2015 has declared the company as sick company under the provisions of Sick Industrial Companies (Special Provisions) Act 1986 and directed the Operating Agency State Bank of India to submit a report on the revival or otherwise of the company in the next meeting. However subsequent meetings did not take place till the reconstitution of the Bench in May 2016. The company has submitted the revival proposal duly approved by the Board to the Ministry of Chemicals and Petrochemicals which is under consideration of the Government. In the meantime the company has approached BIFR for approval for the leasing of land at Rasayani to BPCL and CONCOR to generate part of the funds as per the revival plan.

**CORPORATE SOCIAL RESPONSIBILITY**

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

**SAFETY, HEALTH AND ENVIRONMENT :**

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

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

HOC Kochi unit received safety awards from Dept. of Factories & Boilers, Govt. of Kerala for outstanding performance in industrial safety for the year 2012. No further awards received during the year 2015-16.

**ISO CERTIFICATION :**

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

**INDUSTRIAL RELATIONS:**

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

**RESEARCH & DEVELOPMENT**

After initial trial runs on pilot scale the 'In-house' developed vapour phase continuous process for ISRO's specific grade of Kerosene (Isrosene) was fine tuned. The technology is now ready for implementation in HOC's available commercial plant. The company is awaiting the tendering process from ISRO to further take up the implementation.

**CORPORATE GOVERNANCE :**

The Company has complied with the various requirement of Corporate Governance.

The details in this regard form part of this report in **Annexure VI**.

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

During the year, HFL has made Net loss of Rs. 1111.39 lakhs from operations as against the net loss of Rs. 377.46 lakhs of the previous year. During the year, the sales turnover (net) was Rs.3527.38 lakhs as against Rs. 2915.06 lakhs in the previous year. The operational loss during the year has reduced to Rs.629.38 lakhs as against Rs.738.10 lakhs during the previous year. During the year under report production of PTFE was 107 Metric Tons as against 184 Metric Tons in the previous year. During the year, 1116.00 Metric Tons of CFM-22 was sold in the market against 726.58 Metric Tons in the previous year and balance quantity was used as feed stock to manufacture various products including Fluoro Specialty Chemicals. Accordingly, during the year Metric Tons of Tetra Fluoro Ethylene (TFE) was used to manufacture Telomere. Quality of all company's products continued to be well accepted by our customers. Company has achieved 96% capacity utilization as against 88% in the previous financial year. In spite of better physical performance, the loss during the year is more compared to previous year. The loss during the previous year was lesser due to non-operating income earned during that year.

**ACKNOWLEDGEMENT:**

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

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

In conclusion, I am optimistic that the Company would attain a turnaround in the near future.

**S.B.Bhide**  
(Acting Chairman and Managing Director)

**DIRECTORS' REPORT**

To the Members of

**HINDUSTAN ORGANIC CHEMICALS LIMITED**

Dear Shareholders

The Board of Directors presents herewith the 55th Annual Report of your Company along with the Auditors statement of Accounts for the financial year 2015-16.

**A. FINANCIAL RESULTS**

The financial results for the year ended 31.03.2016 with the comparative figures of Company's operations for the previous year is as under:

Particulars	2015-16	2014-15
Revenue from operations	10914.77	15013.24
Other Income	489.21	833.03
<b>Total</b>	<b>11403.98</b>	<b>15846.27</b>
Expenditure	27938.55	36515.42
<b>Profit before Depreciation &amp; Tax</b>	<b>(16534.57)</b>	<b>(20669.15)</b>
Less Depreciation	856.49	879.62
<b>Profit/(Loss) before Tax</b>	<b>(17391.06)</b>	<b>(21548.77)</b>
Less : Provision of Tax	0	0
<b>Profit/(Loss) after Tax</b>	<b>(17391.06)</b>	<b>(21548.77)</b>

**B. DIVIDEND**

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

**Status of the Company at BIFR under SIC(SP)Act, 1985 :-**

As per BIFR Summary Record of Proceedings of the Hearing of HOCL Case No.501/2014 Held on 22-07-2015 before the Bench, BIFR declared the Company as Sick under Section 3(1)(o) of the Act and appointed State Bank of India as the Operating Agency with directions to prepare a viability study report and revival scheme for the Company, if feasible, keeping in view the provisions of Section 18 of the Act and the guidelines given. BIFR also directed the Company to submit the Draft Rehabilitation Proposal (DRP) with in period of 8 weeks considering the Cut Off Date(COD) as 31-3-2015. BIFR directions also include among other directions, that OA to submit its report thereof before the next date of the hearing (on 4-11-2015) and to examine the DRP on its receipt from the Company etc. Accordingly during September, 2015 Company had submitted HOCL Revival Study Report of the consultants, M/s. JPS Consultants Pvt. Ltd. to the Administrative Ministry for consideration and a copy thereof to the OA, SBI as per directions. As at the BIFR Board, consequent to demitting of office by Hon'ble Member, all Hearings w.e.f.28<sup>th</sup> October, 2015 listed before the Bench of BIFR were postponed till further orders and hence the matter of HOCL was pending in BIFR till a Bench is constituted in BIFR. Later at BIFR, the Bench is constituted and hearing is resumed in April, 2016. Company is at present awaiting further directions from the Ministry as well as from the BIFR.

**C. CHANGE IN NATURE OF BUSINESS IF ANY : None****D. FINANCIAL HIGHLIGHTS**

The Gross income of the Company stood at Rs.114.04 crore as against Rs.158.46 crore achieved during the previous year. The loss for the year 2015-16 was Rs.173.91 crore as against the loss of Rs.215.48 crore of the corresponding period of last year.

**E. NUMBER OF MEETINGS OF BOARD** (including the dates of Board and committee meetings indicating the number of meetings attended by each director in every financial year)

During the year the Board Meetings were held on the following dates:

28/04/2015, 28/05/2015, 25/06/2015, 11/08/2015, 03/09/2015, 12/11/2015, 11/02/2016 and 08/03/2016

**F. MANNER IN WHICH FORMAL ANNUAL EVALUATION OF PERFORMANCE OF BOARD, ITS COMMITTEES AND INDIVIDUAL DIRECTORS HAS BEEN CARRIED OUT :**

HOCL being a CPSU governed by the DPE Guidelines the Annual Evaluation of Performance of Board, its committees and of individual Directors has been carried out by the Administrative Ministry (DCPC).

However, Board Committees evaluation during the year did not arise in view of non existence of Independent Directors during the year under review, on Company's Board.

**G. DETAILS OF DIRECTORS AND/OR KMP'S WHO HAVE BEEN APPOINTED OR RESIGNED DURING THE YEAR.**

Government has appointed Shri Samir Kumar Biswas, Joint Secretary (Chemicals), as Official, part time (Govt. Nominee) Director on the Board of the Company, w.e.f. 02/09/2015 in place of Dr. A.J.Vara Prasad, JS

Government has appointed Shri Vinod Kumar Thakral, SS&FA, (C&F), as Official, part time (Govt. Nominee) Director on the Board of the Company, w.e.f. 17/09/2015 in place of Shri Rajiv Yadav, SS&FA.

Government has appointed Shri Sunil Kumar Sharma, Director (Chemicals), as Official, part time (Govt. Nominee) Director on the Board of the Company, w.e.f. 06/05/2016 in place of Shri Vinod Kumar Thakral, SS&FA.

Government has appointed Ms. Pushpa Trivedi, Professor, HSS Dept., IIT Bombay, Powai, Mumbai, as Part time Non Official (Independent & woman) Director on the Board of the Company, w.e.f. 15/06/2016 for a period of 3 years or till further orders, whichever is earlier.

Government, vide Order No. 23011/9/2015-Org.Estt. approved the pre-mature termination of tenure of Shri V.B.Ramchandran Nair, as CMD, HOCL with immediate effect from 22/02/2016 (by payment of 3 months' notice pay).

Government, vide order dated 25-02-2016 directed Shri S.B.Bhide, Director (Technical) to hold the additional charge of CMD, HOCL for a period of 3 months which later was extended for further period of 3 months up to 24-08-2016 or till further orders whichever is earlier.

As Director (Finance) Shri Sureshkumar R. was continuous remained absent himself from all the board meetings of the Company for the period of 12 months from March, 2015 to 29/02/2016. The position of Director (Fin.) of Mr. Sureshkumar has become vacant w.e.f. 01-03-2016. Pursuant to application of Sect. 167 of the Company's Act, 2013. The company has communicated the facts as such to the Administrative Ministry.

Vide Government Order dated 03-08-2016 The President has approved the non extension of the tenure of Mr. J.N.Suryawanshi, as Director Marketing of the Co. with immediate effect from 03-08-2016. (A.N.)

**H. COMPOSITION OF AC AND NON ACCEPTANCE OF ANY RECOMMENDATIONS OF AC**

None. – Not Applicable.(during the year under review.)

**I. DIRECTOR'S RESPONSIBILITY STATEMENT**

Your Directors make the following statement in terms of Section 134(5) of the Companies Act, 2013 -

- That in the preparation of the annual accounts for the year ended 31st March, 2016; the applicable accounting standards had been followed along with proper explanation relating to material departures.
- That such accounting policies as mentioned in the Notes of Accounts had been applied consistently and made judgments and estimates that are reasonable and prudent, so as to give a true and fair view of the state of affairs of the Company at the financial year ended 31st March, 2016 and the profit or loss of the Company for that period.
- That proper and sufficient care had been taken for the maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities.
- That the annual accounts for the year ended 31st March, 2016 had been prepared on a going concern basis.
- That the Directors had devised proper systems to ensure compliance with the provisions of all applicable laws and that such systems were adequate and operating effectively
- That, during the year under review, in view of sick unit status of the Company, pending revival, the employees' salary dues and corresponding statutory dues were unpaid and outstanding for the last 13 Months (March, 2015 to March, 2016 and to that extent various compliances by the KMPs and Directors have not been complied with.

**J. DISCLOSURE ON REAPPOINTMENT OF INDEPENDENT DIRECTORS**

Not Applicable during the year under review, in view of non-existence of independent directors on the Board of the Company.

**K. COMPANIES POLICY ON DIRECTOR'S APPOINTMENT AND REMUNERATION INCLUDING CRITERIA FOR DETERMINING QUALIFICATIONS, POSITIVE ATTRIBUTES, INDEPENDENCE OF DIRECTORS ETC.**

Company being a CPSE and appointment of all the Directors on the Board of the Company are made by the Govt. of India/President of India and under the



supervision, control and directions of the DC&PC, the prescribed DPE Guidelines are being followed. The Terms and Conditions of appointment of Independent and other directors as disclosed in the Company's web site are given in Annexure to this Report.

**L. RATIO OF DIRECTORS REMUNERATION TO MEDIAN EMPLOYEES REMUNERATION AND OTHER PRESCRIBED ELABORATE DISCLOSURES AND DETAILS.**

Company being a CPSE which is under the supervision, control and directions of the DC&PC, the prescribed DPE Guidelines are being followed in respect of employees remunerations and DPE Guidelines as well as CVC Guidelines are being followed, as regards other prescribed elaborate disclosures and details.

**M. PARTICULARS OF LOANS, GUARANTEES OR INVESTMENTS MADE UNDER SECTION 186 OF THE COMPANIES ACT, 2013**

There were no loans, guarantees or investments made by the Company under Section 186 of the Companies Act, 2013 during the year under review and hence said provisions are not applicable.

However, cumulative total as on 31-03-2016 of the particulars of Secured Loans to its subsidiary Co., viz. HFL, Company's Rs.11.03 crore, Corporate Guarantee extended to its subsidiary Co., Hindustan Fluorocarbons Ltd.[HFL], or investments made in earlier years in its subsidiary companies viz. in HFL and in HOC Chematur Ltd., etc. under section 186 of the Companies Act, 2013 all were shown in the financial statements. Guarantees including Rs.100 crore 4 year Government Guarantee, Rs. 150 crore, 3 year Government Guarantee renewable on year to year basis, both granted by the Government of India for the issue of respectively, Rs.100 crore and Rs.150 crore Bonds.

**N. PARTICULARS OF CONTRACTS OR ARRANGEMENTS MADE WITH RELATED PARTIES**

1. Details of Contracts or arrangement or transactions not at arm's length basis: During the year, **NIL**.
2. Details of material contracts or arrangements or transactions at arm's length basis : **NIL** during the year under review. However, cumulative total as on 31-03-2016 of the particulars of contracts or arrangements of the previous years' made with the subsidiaries, were shown in the financial statements.

**O. EXPLANATION OR COMMENTS ON QUALIFICATIONS, RESERVATIONS OR ADVERSE REMARKS OR DISCLAIMERS MADE BY THE AUDITORS AND PRACTISING COMPANY SECRETARY IN THEIR REPORTS**

In view of the non-existence of adequate number of Independent directors and woman directors on the Board of the Co., suitable Management Replies to the auditors' observations in the Secretarial Audit Report -2015 were furnished during the year under review and were considered by the secretarial auditors, M/s. SNA & Co., the PCS. The Secretarial Audit Report annexed hereto, forms part of the Annual Report- 2015-16 of the Company.

**P. AMOUNTS IF ANY WHICH IT PROPOSES TO CARRY TO RESERVES.**

None – in view of the accumulated losses incurred by the Company.

**Q. MATERIAL CHANGES AND COMMITMENT, IF ANY, AFFECTING THE FINANCIAL POSITION OF THE COMPANY OCCURRED BETWEEN THE END OF THE FINANCIAL YEAR TO WHICH THIS FINANCIAL STATEMENTS RELATE AND THE DATE OF THE REPORT**

Ongoing financial crisis in the Company, pending revival of the Company etc.

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

With the objective of improving the systems and removing bottlenecks, systems review is carried out and policies and procedure manuals are amended.

Board periodically reviews the internal controls, Audit Programmes, Financial Results, Recommendations of the Auditors and Management's Replies to those Recommendations etc.

**S. CONSERVATION ENERGY, TECHNOLOGY ABSORPTION, FOREIGN EXCHANGE EARNINGS AND OUTGO**

**A) Conservation of energy**

- (i) the steps taken or impact on conservation of Energy : Nil
- (ii) the Steps taken by the company for utilizing alternate source of energy :

We have already identified the Administrative Building roof top measuring @1500 sq.m for installation of grid connected Solar Roof Top photovoltaic panels. However, due to the financial constraints that your company is facing at present, the scheme is not being implemented.

- (iii) the capital investment on energy conservation equipments - NIL

**B. Technology Absorption**

- (i) the efforts made towards technology absorption - NIL
- (ii) the benefits derived like product improvement, cost reduction, product development or import substitution : NIL
- (iii) in case of imported technology (imported during the last three years reckoned from the beginning of the financial year) - NIL
  - (a) the details of technology imported;
  - (b) the year of import;
  - (c) whether the technology been fully absorbed;
  - (d) if not fully absorbed, areas where absorption has not taken place, and the reasons thereof; and
- (iv) the expenditure incurred on Research and Development.- NIL

**T. STATEMENT CONCERNING DEVELOPMENT AND IMPLEMENTATION OF RISK MANAGEMENT POLICY OF THE COMPANY**

**KEY THREATS INCLUDE**

- Tough competition in Petro sector along with downward movement in prices.
- Availability of cheaper imported chemicals
- High raw material costs
- BIFR has declared the company Sick Company under the provisions of SICA (Special Provisions) Act and pending and delays in revival of the Company had worsened the financial status of the Company led to non-payment of employee dues for over 13 months during the period under review.
- Availability of Anti-dumping support for Phenol and Acetone manufactures at Kochi unit.
- The Company is facing acute working capital shortage which has affected the operations and payment obligations.
- High interest burden, high employees' remuneration.

**SOME RISKS & CONCERNS.**

- The man power cost per ton of finished product remains very high.
- Old depreciated plants, requires high maintenance cost.
- Huge investments required for revamp/replacement/modernization of the old plants.
- In view of the fact that as on 31.03.2016 as the Company has been declared as Sick Unit, pending revival of the Company, markets for the finished products, customers credentials have lost.
- Dumping of cheap imports chemical products to the detriment of domestic chemical industry.
- Volatility in the raw material prices mainly Benzene prices.
- Excess manpower of non-operative plants.

**U. SUBSIDIARIES, JOINT VENTURES AND ASSOCIATE COMPANIES WHICH HAVE BECOME OR CEASED TO BE : HOC Chematurl Ltd. a J.V Subsidiary of one abandoned MDI Project proposed to exit under MCA's Early Exit Scheme.**

**V. DETAILS OF CSR POLICY AND ITS IMPLEMENTATION DURING THE YEAR**

Company right from its inception is cognizant about its social responsibilities. To promote School Education Company is giving need based assistance to the deserving students along with SC/ST students for their school/ graduate education.

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

**W. DISCLOSURES PRESCRIBED IN TERMS OF SECTION 67.**

**X. DEPOSITS: None / Nil.**

During the period under review, the Company has not invited or accepted any deposits either from the directors or from shareholders of the Company.

**Y. The details of significant and material orders passed by the regulators or courts or tribunals impacting the going concern status and company's operations in future : NONE**

**Z. EXTRACT OF ANNUAL RETURN**



**Form No. MGT - 9  
EXTRACTS OF ANNUAL RETURN**

As on the financial year ended 31.03.2016

**I. REGISTRATION AND OTHER DETAILS**

i) CIN	L99999MH1960GOI011895
ii) Registration Date	12/12/1960
iii) Name of the Company	HINDUSTAN ORGANIC CHEMICALS LTD.,
iv) Category/Sub-Category of the Company	PSU
v) Address of the Registered Office and contact Details	P.O. Rasayani, Dist. Raigad PIN 410 207
vi) Whether Listed Company	Yes
vii) Name, Address and contact details of Registrar and Share Transfer Agent, if any	M/s. Bigshare Pvt. Ltd., E-2/3 Ansa Indl. Estate, Saki Vihar Road, Saki Naka, Andheri (E), Mumbai 400 072; Email id.: investor@bigshareonline.com;

**II. PARTICULARS OF HOLDING, SUBSIDIARY AND ASSOCIATE COMPANIES**

Sl. No	Name and address of the company	CIN/GIN	Holding/ subsidiary/ Associate	% of shares held	Applicable section
1	HINDUSTAN FLUORO CARBON Ltd.	L25206AP1983PLC004037	Subsidiary	56.43	
2	HOC-CHEMATUR LTD.	U24100MH1997PLC112652	Subsidiary	60	

**III. PRINCIPAL BUSINESS ACTIVITIES OF THE COMPANY: Manufacturing – C6 - 100%**

Sl. No.	Name and description of main products/services	NIC Code of the product/service	% of total turnover of the company
1	Phenol		40
2	Acetone		16
3	Dinitrogen Tetroxide (N2O4)		17
4	Hydrogen Peroxide (H2O2)		20

**IV. SHAREHOLDING PATTERN:**

**i. Category- wise Share Holding**

Category of shareholders	No. of Shares held at the beginning of the year				No. of Shares held at the end of the year				% Change during the year
	Demat	Physical	Total	% of Total Shares	Demat	Physical	Total	% of Total Shares	
<b>A. Promoters</b>									
(f) Indian									
a) Individual/HUF									
b) Central Govt	39481500		39481500	58.78	39481500		39481500	58.78	
c) State Govt (s)									
d) Bodies Corp.									
e) Banks / FI									
l) any other									
<b>Sub-total (A) (f1):-</b>	<b>39481500</b>		<b>39481500</b>	<b>58.78</b>	<b>39481500</b>		<b>39481500</b>	<b>58.78</b>	
<b>2) Foreign</b>									
a) NRIs - Individuals	22805193		22805193	33.95	818035		818035	1.22	
b) Other - Individuals	839632		839632	1.25					
c) Bodies Corp.	1100		1100	0.01	1100		1100	0.01	
d) Banks / FI									
e) Any other									
<b>Sub-total (A) (2):-</b>									
<b>Total shareholding of Promoter (A) = (A)(f1)+(A)(2)</b>									
<b>B. Public Shareholding</b>									
<b>1. Institutions</b>									
a) Mutual Funds	11600		11600	0.02	11600		11600	0.02	
b) Banks / FI	9900		9900	0.01	3900		3900	0.01	
c) Central Govt									
d) State Govt(s)									
e) Venture Capital Funds									
f) Insurance Companies									
g) FIs	1800		1800	0.00	1800		1800	0.00	
h) Foreign Venture Capital Funds									
i) Others (specify) Trust	159669		159669	0.24	159669		159669	0.24	
<b>Sub-total (B)(1):-</b>									

Category of shareholders	No. of Shares held at the beginning of the year				No. of Shares held at the end of the year				% Change during the year
	Demat	Physical	Total	% of Total Shares	Demat	Physical	Total	% of Total Shares	
<b>2. Non-Institutions</b>									
a) Bodies Corp.	3862706		3862706	5.75	3540528		3540528	5.27	
i) Indian									
ii) Overseas									
b) Individuals					19605511		17833828	26.55	
i) Individual shareholders holding nominal share capital upto Rs. 1 lakh									
ii) Individual shareholders holding nominal share capital in excess of Rs 1 lakh					3549457		3549457	5.28	
<b>Sub-total (B)(2):-</b>	<b>27691600</b>		<b>27691600</b>	<b>41.22</b>	<b>27674300</b>		<b>25903615</b>	<b>38.56</b>	
Total Public Shareholding (B)=(B)(1)+(B)(2)					<b>27691600</b>		<b>25919917</b>	<b>38.59</b>	
C. Shares held by Custodian for GDRs & ADRs									
<b>Grand Total (A+B+C)</b>									

**ii) Shareholding of Promoters:**

Sr. No.	Shareholder's Name	Shareholding at the beginning of the year			Share holding at the end of the year			% change in share holding during the year
		No. of Shares	% of total Shares of the company	% of Shares Pledged / encumbered to total shares	No. of Shares	% of total Shares of the company	% of Shares Pledged / encumbered to total shares	
1	Promoters	39481500		58.78	39481500		58.78	
2								
	Total							

**iii) Change in Promoter's Shareholding (please specify, if there is no change)**

Sr. No.		Shareholding at the beginning of the year		Cumulative Shareholding during the year	
		No of shares	% of total shares of the Company	No of shares	% of total shares of the Company
(i)	At the beginning of the year	39481500	58.78	39481500	58.78
(ii)	Date wise Increase / Decrease in Promoters Share holding during the year specifying the reasons for increase / decrease (e.g. allotment/ transfer / bonus/ sweat equity etc):		N.A.		
(iii)	At the End of the year	39481500	58.78	39481500	58.78

**iv) Shareholding Pattern of top ten shareholders( other than Directors, Promoters and Holders of GDRs and ADRs)**

Sr. no.	For Each of the Top 10 Shareholders	Shareholding at the beginning of the year		Cumulative Shareholding during the year	
		No. of shares	% of total shares of the company	No. of shares	% of total shares of the company
	At the beginning of the year				
	Date wise Increase /Decrease in Share holding during the year specifying the reasons for increase / decrease (e.g. allotment / transfer / bonus / sweat equity etc):				
	At the End of the year (or on the date of separation, if separated during the year)				

**Shareholding of Directors and Key Managerial Personnel:**

Sl. No.	For Each of the Directors and KMP	Shareholding at the beginning of the year		Cumulative Shareholding during the year	
		No. of shares	% of total shares of the company	No. of shares	% of total shares of the company
	At the beginning of the year: 1) J.N.Suryavanshi, Director (Mktg.) 2) Mrs. S.S.Kulkarni, CS	200 200		200 200	--n.a.--
	Date wise Increase / Decrease in Share holding during the year specifying the reasons for increase / decrease (e.g. allotment / transfer / bonus / sweat equity etc): 1) J.N.Suryavanshi, Director (Mktg.) 2) Mrs.S.S.Kulkarni, CS		N.A.		N.A.



At the End of the year (or on the date of separation, if separated during the year):	200	200	200
1) J.N.Suryavanshi, Director (Mktg.)	200	200	200
2) Mrs.S.S.Kulkarni, CS			

**II. INDEBTEDNESS :**

**Indebtedness of the Company including interest outstanding/accrued but not due for payment : as on 31-03-2016**

*Rs. in Lakhs*

	Secured Loans excluding deposits	Unsecured Loans	Deposits	Total Indebtedness
<b>Indebtedness at the beginning of the financial year</b>				
i) Principal Amount	9018.23	31185.00	0.00	40203.23
ii) Interest due but not paid	0.00	6379.90	0.00	6379.90
iii) Interest accrued but not due	29.45	1688.90	0.00	1718.35
<b>Total (i+ii+iii)</b>	<b>9047.68</b>	<b>39253.80</b>	<b>0.00</b>	<b>48301.48</b>
<b>Change in Indebtedness during the financial year</b>				
Addition	240.69	2461.00	0.00	2701.69
Reduction	0.00	0.00	0.00	0.00
<b>Indebtedness at the end of the financial year</b>				
i) Principal Amount	9258.92	33646.00	0.00	42904.92
ii) Interest due but not paid	0.00	7379.15	0.00	7379.15
iii) Interest accrued but not due	24.29	1904.06	0.00	1928.35
<b>Total (i+ii+iii)</b>	<b>9283.21</b>	<b>42929.21</b>	<b>0.00</b>	<b>52212.42</b>

**III. REMUNERATION OF DIRECTORS AND KEY MANAGERIAL PERSONNEL:**

**A. Remuneration to Whole time Director, Managing Director and/or Manager:**

Sl. No.	Particulars of Remuneration	Name of Whole-time Director/Director				Total Amount (₹ in lakhs)
		i) Sri V. B. Ramachandran Nair, Chairman and Managing Director (upto 22.02.2016)	ii) Sri S.B. Bhide, Director (Technical) / Acting CMD w.e.f. 25.02.2016	iii) Sri J. N. Suryavanshi, Director (Marketing)	iv) Sri R. Suresh Kumar, Director (Finance) - CFO – up to 29-02-2016	
1	<b>Gross Salary</b> a) Salary as per provisions contained in section 17(1) of Income Tax Act, 1961	16.00	19.40	20.09	7.85	63.34
	b) Value of perquisites u/s 17(2) of Income Tax Act, 1961	-	-	-	-	-
	c) Profits in lieu of salary u/s 17(3) of Income Tax Act, 1961	-	-	-	-	-
2	Stock Option	-	-	-	-	-
3	Sweat Equity	-	-	-	-	-
4	Commission - As % of profit - Others, specify	-	-	-	-	-
5	Others - retirement benefits	7.40	2.44	2.51	1.20	13.55
	<b>Total (A)</b>	<b>23.40</b>	<b>21.81</b>	<b>22.60</b>	<b>9.05</b>	<b>76.89</b>
	Ceiling as per the Act	-	-	-	-	-

**b. Remuneration to other Directors:**

Sl. No.	Particulars of Remuneration	Name of the Directors				Total Amount
		-	-	-	-	
1.	Independent Director • Fee for attending board committee meetings • Commission • Others, please specify	N.A.				
	<b>Total (1)</b>					
2.	Other Non-Executive Directors • Fee for attending board committee meetings • Commission • Others, please specify					
	<b>Total (2)</b>					
	<b>Total (B)(1+2)</b>					
	<b>Total Managerial Remuneration</b>					
	<b>Overall Ceiling as per the Act</b>					

**B. Remuneration to Key Managerial Personnel other than MD/Manager/WTD:**

Sl. No.	Particulars of Remuneration	Key Managerial Personnel			
		CEO	Company Secretary Smt. Susheela S. Kulkarni	CFO : Mr. P.O.Luise, DGM(Fin.) appointed on 20-05-2016.	Total Amount (₹ in lakhs)
1.	Gross Salary a) Salary as per provisions contained in section 17(1) of Income Tax Act, 1961	-	12.73	16.00	28.73
	b) Value of perquisites u/s 17(2) of Income Tax Act, 1961	-	-	-	-
	c) Profits in lieu of salary u/s 17(3) of Income Tax Act, 1961	-	-	-	-
2.	Stock Option	-	-	-	-
3.	Sweat Equity	-	-	-	-
4.	Commission - As % of profit - Others, specify	-	-	-	-
5.	Others - retirement benefits	-	1.60	2.15	3.75
	<b>Total</b>	<b>-</b>	<b>14.33</b>	<b>18.15</b>	<b>32.48</b>

**V. PENALTIES/PUNISHMENT/COMPOUNDING OF OFFENCES : None**

[as waived off on submission of explanations.]

Type	Section of the Companies Act	Brief Description	Details of Penalty/ Punishment/ Compounding fees imposed	Authority [RD/NCLT/ COURT]	Appeal made, if any(give details)
<b>A. COMPANY</b>					
Penalty					
Punishment					
Compounding					
<b>B. DIRECTORS</b>					
Penalty					
Punishment					
Compounding					
<b>C. OTHER OFFICERS IN DEFAULT</b>					
Penalty					
Punishment					
Compounding					

**Q. ACKNOWLEDGEMENT**

Board places on record its gratitude to the members of the Company for their continued support and confidence in the management.

**For and on behalf of the Board of Directors of Hindustan Organic Chemicals Ltd.**

Date: 05-08-2016  
Place: Rasayani

**Sd/-  
S. B. Bhide  
Acting Chairman & Managing Director & Dir. (Tech.)**

**ANNEXURE - IB  
Form AOC-I**

(Pursuant to first proviso to sub-section (3) of section 129 read with rule 5 of Companies (Accounts) Rules, 2014)

Statement containing salient features of the financial statement of subsidiaries/associate companies/joint ventures

**Part "A": Subsidiaries**

(Information in respect of each subsidiary to be presented with amounts in Rs. in Lakhs)

- Sl. No. 1
- Name of the subsidiary : Hindustan Fluorocarbons Ltd.
- Reporting period for the subsidiary concerned, if different from the holding company's reporting period : No
- Reporting currency and Exchange rate as on the last date of the relevant financial year in the case of foreign subsidiaries : NA
- Share capital : 1961.46
- Reserves & surplus : (8328.29)
- Total assets : 3831.73



- 8. Total Liabilities : 10198.56
- 9. Investments : NIL
- 10. Turnover : 3527.38
- 11. Profit before taxation : (1111.39)
- 12. Provision for taxation : NIL
- 13. Profit after taxation : (1111.39)
- 14. Proposed Dividend : NIL
- 15. % of shareholding : 56.43

Notes: The following information shall be furnished at the end of the statement:

- 1. Names of subsidiaries which are yet to commence operations : NIL
- 2. Names of subsidiaries which have been liquidated or sold during the year : NIL

Sd/  
S. B. Bhide  
Acting Chairman & Managing Director & Dir. (Tech.)

**Part "B": Associates and Joint Ventures**

Statement pursuant to Section 129 (3) of the Companies Act, 2013 related to Associate Companies and Joint Ventures

1.	Name of Associates/Joint Ventures :	HOC Chematur Ltd
	Latest audited Balance Sheet Date	2015-16
2.	Shares of Associate/Joint Ventures held by the company on the year end No.	30050
	Amount of Investment in Associates/Joint Venture :	300500
	Extend of Holding % :	60
3.	Description of how there is significant influence :	NA
4.	Reason why the associate/joint venture is not consolidated :	The company has become defunct and being exited.
5.	Networth attributable to Shareholding as per latest audited Balance Sheet:	NIL
6.	Profit / Loss for the year :	NIL ( Project abandoned)
	i. Considered in Consolidation :	No
	ii Not Considered in Consolidation :	Yes

- 1. Names of associates or joint ventures which are yet to commence operations: HOC Chematur Ltd.
- 2. Names of associates or joint ventures which have been liquidated or sold during the year: Under Liquidation.

Note : This Form is to be certified in the same manner in which the Balance Sheet is to be certified.

Sd/  
S. B. Bhide  
Acting Chairman & Managing Director & Dir. (Tech.)

**ANNEXURE II**

**Form-A : Rasayani + Kochi**

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

A.	Power and Fuel Consumption:	Current Year 2015-16	Previous Year 2014-15
1.	<b>Electricity</b>		
a)	Purchased (unit)	40165805	32470141
	Total amount (Rs.)	259850559	199871555
	Rate per unit (Rs.)	6.47	6.16
b)	Own generation		
	i) Through LSHS	101960	NIL
	ii) Units per Kg. of LSHS	4.19	NIL
	Cost per unit (Rs.)	6.45	NIL
	iii) Through steam generation	NIL	NIL
	Units per litre of fuel oil	-	-
	Cost per unit (Rs.)	-	-
	Coal	NIL	NIL
3.	<b>a. Furnace Oil/ LSHS</b>		
	Quantity (MT)	3584	6176
	Total Amount (Rs.)	88793838	199619876
	Average rate (Rs.)	24775	32322
4.	<b>Others/ Internal Generation</b>		
(a)	Others- Diesel (Litre)	NIL	NIL
(b)	Internal Generation	NIL	NIL

**Consumption per unit of Production**

Product	Standard	2015-16		2014-15	
	power consumption (kwh/MT) (MT)	Prod. (MT)	power consumption (kwh/MT)	Prod. (MT)	power consumption (kwh/MT)
Nitrobenzene	56	634	58	1097	45
Formaldehyde	100	Nil	Nil	Nil	Nil
Con.Nitric Acid	840	Nil	Nil	Nil	Nil
Dinitrogen Tetroxide	-	446	6129	130	8712
Propylene	30	2919	60	6590	45
Phenol/Acetone	599	6919	1318	16111	873
Hy. Peroxide - 50%	2711	8803	2601	8031	1573

**Annexure – III –**

**Consolidated report as on 31-03-2016 (SC/ST/WOMEN) Rasayani & Kochi Unit.**

Group	Total	SC	ST	Women
A	354	50	17	25
B	212	39	9	29
C	343	39	11	18
D	48	10	4	3
Total	957	138	41	85

**Annexure A- Statement on Disclosure of Impact of Auditors Qualifications – Audited Stand Alone Accounts**

**ANNEXURE I**

**Statement on Impact of Audit Qualifications (for audit report with modified opinion) submitted alongwith Annual Audited Financial Results – Standalone**

**Statement on Impact of Audit Qualifications for the Financial Year ended March 31, 2016** [See Regulation 33/52 of the SEBI (LODR) (Amendment) Regulations, 2016]

Sl. No.	Particulars	Audited Figures (as reported before adjusting for qualifications)	Audited Figures (audited figures after adjusting for qualifications)
1	Turnover / Total Income	11403.98	11403.98
2	Total Expenditure	28795.04	32532.96
3	Net Profit/(Loss)	(17391.06)	(21128.98)
4	Earnings Per Share	(25.89)	(31.45)
5	Total Assets	23613.12	23613.12
6	Total Liabilities	94733.89	98471.81
7	Net Worth	(7120.77)	(74858.69)
8	Any other financial item(s) (as felt appropriate by the management)	0.00	0.00

**II Audit Qualification ( each audit qualification separately ):**

a.	Details of Audit Qualification :	As per Annexure-1
b.	Type of Audit Qualification : Qualified Opinion / Disclaimer of Opinion / Adverse Opinion	Qualified Opinion
c.	Frequency of qualification : Whether the impact is quantified by the auditor, Management's Views	Quantified by the auditor. Repeat qualification from earlier years. Management view in Annexure-1.
d.	For Audit Qualification(s) where the impact is quantified by the auditor, Management's Views :	Quantified by the auditor. Repeat qualification from earlier years.
e.	For Audit Qualification(s) where the impact is not quantified by the auditor :	As per Annexure-2
	(i) Management's estimation on the impact of audit qualification :	Not Quantifiable
	(ii) If management is unable to estimate the impact, reasons for the same:	In the absence of information / outcome of litigations the exact impact can not be estimated.
	(iii) Auditors Comments on (i) or (ii) above	As per Annexure

**III Signatories :**

* Chairman and Managing Director	Sd/-
* CFO	Sd/-
* Audit Committee Chairman	-
* Statutory Auditor	Sd/-

Place : Mumbai  
Date : 05-08-2016



**Annexure - 1**

<b>Details of Audit Qualification :</b>	Management Views
(A) No provisions have been made in the standalone financial statements for the following amounts (refer respective notes in the notes to the financial statements)	
(i) Penal Interest of Rs. 1475.51 lakhs (previous year ended 31 <sup>st</sup> March 2015 Rs. 1268.87 lakhs) on overdue loan from Government of India.	The company has made provision for the liability for interest on loan taken from the Govt. of India (GOI) at the rate stipulated in the sanction letter of the Government. As per the terms of the sanction GOI reserves the right to charge additional (Penal) rate of interest in case of default in payment of principal / interest on due dates. In the absence of any intimation/demand from GOI for payment of additional (penal interest) no provision has been made in the accounts for the same. The amount has been included under contingent liability and disclosed in the annual accounts.
(ii) Loss on account of Misappropriation of Company's funds amounting to Rs. 64.81 lakhs (Previous year ended 31 <sup>st</sup> March 2015, Rs. 64.81 lakhs), pending final report from CBI and outcome of the civil suit.	During the year 2001-02 a case of Misappropriation of Company's funds to the tune of Rs.64.81 Lakhs by one official of the company was detected. The case is under the investigation of CBI. In the meantime based on the report of Vigilance department a Civil suit has been filed for recovery of the amount from the concerned employee who was dismissed from the service of the company. Since in the opinion of the management, the value of assets Seized by CBI is sufficient to cover the losses occurred on account of fraud. No provision in the accounts is made and the amount is shown as recoverable.
(iii) Liability of wage revision for the period 1.1.1997 to 31.12.2000 Rs.1887.79 lakhs (previous year ended 31 <sup>st</sup> March 2015 Rs.1887.79 lakhs) at Rasayani unit	No provision has been made for liability towards wage revision of employees of Rasayani unit for the period from 01.01.1997 to 31.12.2000 amounting to Rs.1887.79 Lakhs since the arrears are payable when the company generate adequate surplus with the prior approval of the Administrative ministry. Accordingly no provision for the arrears payable as above was made in the accounts. However, during the year 2011-12 the Board of Directors with the concurrence of the Administrative ministry have decided to settle the dues of employees of Rasayani unit during the next four years time period. Necessary accounting of the arrears payable will be made in the accounts depending of the release of dues to the employees.
(iv) Liability of the wage Revision for the period 1.1.2007 to 31.3.2008 Rs.161.55 lakhs (previous year ended 31 March 2015 Rs.161.55 lakhs) to the officers and Rs.148.26 lakhs (previous year ended 31 <sup>st</sup> March 2015 Rs.148.26 lakhs) to staff at Rasayani unit.	In respect of revision of wages w.e.f. 01.01.2007 the Board in its 327 <sup>th</sup> meeting held on 09.08.2010 decided to release arrears subject to the condition that the company generates adequate cash surplus. Accordingly no provision has been made for arrears payable for the period from 01.01.2007 to 31.03.2008 amounting to Rs.161.55 Lakhs in respect of Officers and Rs.148.26 Lakhs to Staff of Rasayani unit. Necessary accounting will be made in subsequent years as and when the above dues are paid to the employees.

**As per Annexure-2**

<b>For Audit Qualification(s) where the impact is not quantified by the auditor :</b>	Management Views
In absence of adequate profit, Redemption reserve for redemption of 25% of Preference Shares Capital amounting to Rs. 6750 lakhs due for redemption during the financial year 2015-16 is not provided in the books.	As stated in Note No.2B the Board has authorised the company to request the government for further extension of the redemption date by another four years. The consultant has recommended for conversion of preference shares into equity in the revival report submitted to the government. Pending above the redemption reserve has not been created in the books.
(A) The Balances of trade payables, loans & advances and other current assets and other debit/credit balances are pending for confirmations and reconciliations (note no. 43). The effect of the same on the loss is not ascertainable. This matter was also qualified in Audit report on the financial statements for the year ended March 31, 2015.	These are running account balances and the company continues to followup with the parties for reconciliation of their balances. Any consequential adjustments will be carried out in the books of accounts during the next year.
(B) In absence of current status of pending litigations and financial impact thereof, liabilities under such cases are not ascertainable and the foreseeable loss of the same is not considered while preparing financial results.	The pending litigations are pending with statutory authorities / different courts and the matters are subjudice. The liability if any will be known only on the final order on the respective cases are issued.
(C) The Kochi unit of the company has entered into long term supply contract with Gas Authority of India (GAIL) for supply of Liquefied Natural Gas in 2011 for the period of 15 years ending in 2026. Material foreseeable losses on this contract are not quantifiable in the current scenario.	Necessary provision for the liability towards GAIL as per the contract for supply of LNG is being made in the books of accounts on monthly basis.
(D) The Company has not provided any provision during the year for diminution in the value of investments in subsidiaries and also no provision is made against overdue of loans given to them since long.	The subsidiary company has submitted a revival proposal which is under consideration of the ministry. Pending above no provision has been made for the temporary diminution in the value of investments in the subsidiary.

**Annexure B - Statement on Disclosure of Impact of Auditors Qualifications – Audited Consolidated Accounts**

**ANNEXURE IA**

**Statement on Impact of Audit Qualifications ( for audit report with modified opinion) submitted alongwith Annual Audited Financial Results - Consolidated Statement on Impact of Audit Qualifications for the Financial Year ended March 31, 2016**

[See Regulation 33/52 of the SEBI (LODR) (Amendment) Regulations, 2016]

Sl. No.	Particulars	Audited Figures	Audited Figures
		(as reported before adjusting for qualifications )	(audited figures after adjusting for qualifications )
1	Turnover / Total Income	14928.51	14928.51
2	Total Expenditure	32946.86	36684.78
3	Net Profit/(Loss)	(18018.35)	(21756.27)
4	Earnings Per Share	(26.82)	(32.39)
5	Total Assets	22683.15	22683.15
6	Total Liabilities	101055.69	104793.61
7	Net Worth	(78372.54)	(82110.46)
8	Any other financial item(s) (as felt appropriate by the management)	0	

**II Audit Qualification (each audit qualification separately):**

a.	Details of Audit Qualification :	As per Annexure-1
b.	Type of Audit Qualification : Qualified Opinion / Disclaimer of Opinion / Adverse Opinion	Qualified Opinion
c.	Frequency of qualification : Whether the impact is quantified by the auditor, Management's Views	Quantified by the auditor. Repeat qualification from earlier years. Management view in Annexure-1.
d.	For Audit Qualification(s) where the impact is quantified by the auditor, Management's Views :	Quantified by the auditor. Repeat qualification from earlier years.
e.	For Audit Qualification(s) where the impact is not quantified by the auditor :	As per Annexure-2
	(i) Management's estimation on the impact of audit qualification :	Not Quantifiable
	(ii) If management is unable to estimate the impact, reasons for the same:	In the absence of information / outcome of litigations the exact impact can not be estimated.
	(iii) Auditors Comments on (i) or (ii) above	As per Annexure

**III Signatories :**

* Chairman and Managing Director	Sd/-
* CFO	Sd/-
* Audit Committee Chairman	-
* Statutory Auditor	Sd/-

Place : Mumbai  
Date : 05-08-2016

**Annexure - 1**

<b>Details of Audit Qualification :</b>	Management Views
(A) No provisions have been made in the standalone financial statements for the following amounts (refer respective notes in the notes to the financial statements)	
(i) Penal Interest of Rs. 1475.51 lakhs (previous year ended 31 <sup>st</sup> March 2015 Rs. 1268.87 lakhs) on overdue loan from Government of India.	The company has made provision for the liability for interest on loan taken from the Govt. of India (GOI) at the rate stipulated in the sanction letter of the Government. As per the terms of the sanction GOI reserves the right to charge additional (Penal) rate of interest in case of default in payment of principal / interest on due dates. In the absence of any intimation/demand from GOI for payment of additional (penal interest) no provision has been made in the accounts for the same. The amount has been included under contingent liability and disclosed in the annual accounts.
(ii) Loss on account of Misappropriation of Company's funds amounting to Rs. 64.81 lakhs (Previous year ended 31 <sup>st</sup> March 2015, Rs. 64.81 lakhs), pending final report from CBI and outcome of the civil suit.	During the year 2001-02 a case of Misappropriation of Company's funds to the tune of Rs.64.81 Lakhs by one official of the company was detected. The case is under the investigation of CBI. In the meantime based on the report of Vigilance department a Civil suit has been filed for recovery of the amount from the concerned employee who was dismissed from the service of the company. Since in the opinion of the management, the value of assets Seized by CBI is sufficient to cover the losses occurred on account of fraud. No provision in the accounts is made and the amount is shown as recoverable.



(iii) Liability of wage revision for the period 1.1.1997 to 31.12.2000 Rs.1887.79 lakhs (previous year ended 31 <sup>st</sup> March 2015 Rs.1887.79 lakhs) at Rasayani unit	No provision has been made for liability towards wage revision of employees of Rasayani unit for the period from 01.01.1997 to 31.12.2000 amounting to Rs.1887.79 Lakhs since the arrears are payable when the company generate adequate surplus with the prior approval of the Administrative ministry. Accordingly no provision for the arrears payable as above was made in the accounts. However, during the year 2011-12 the Board of Directors with the concurrence of the Administrative ministry have decided to settle the dues of employees of Rasayani unit during the next four years time period. Necessary accounting of the arrears payable will be made in the accounts depending of the release of dues to the employees.
(iv) Liability of the wage Revision for the period 1.1.2007 to 31.3.2008 Rs.161.55 lakhs (previous year ended 31 March 2015 Rs.161.55 lakhs) to the officers and Rs.148.26 lakhs (previous year ended 31 <sup>st</sup> March 2015 Rs.148.26 lakhs) to staff at Rasayani unit.	In respect of revision of wages w.e.f. 01.01.2007 the Board in its 327 <sup>th</sup> meeting held on 09.08.2010 decided to release arrears subject to the condition that the company generates adequate cash surplus. Accordingly no provision has been made for arrears payable for the period from 01.01.2007 to 31.03.2008 amounting to Rs.161.55 Lakhs in respect of Officers and Rs.148.26 Lakhs to Staff of Rasayani unit. Necessary accounting will be made in subsequent years as and when the above dues are paid to the employees.

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

**KEY OPPORTUNITIES INCLUDE**

- Growth in certain sectors such as phenolic resins, laminates, plastics, rubber chemicals etc. in the overall markets of the country.
- High quality standard and wide spread marketing network to remain preferred supplier to large consumer all over the country.
- Growth in production/promotion of chemical industry .
- Potential to develop Rasayani into a Petrochemical hub with the interest shown by Petroleum Companies like BPCL / HPCL for investment in land infrastructure.
- Company has filed review petition & fresh application for Anti-Dumping Duty to the concerned Authorities.

**KEY THREATS INCLUDE**

- Tough competition in Petro sector along with downward movement in prices.
- Availability of cheaper imported chemicals
- High raw material costs
- BIFR has declared the company Sick Company under the provisions of SICA (Special Provisions) Act and pending and delays in revival of the Company had worsened the financial status of the Company led to non-payment of employee dues for over 13 months during the period under review.
- Availability of Anti-dumping support for Phenol and Acetone manufactures at Kochi unit.
- The Company is facing acute working capital shortage which has affected the operations and payment obligations.
- High interest burden, high overhead costs, high employees' remuneration.

**SEGMENTWISE PERFORMANCE**

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

Product Segment	Year ended 31/03/2016			Year ended 31/3/2015		
	Target MT	Actual MT	Percentage Achieved	Target MT	Actual MT	Percentage Achieved
Chemicals	202435	26734	13.21	215234	48159	22.38%

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

Sr. No.	Name of Product	F.Y. 2015-16		F.Y. 2014-15
		Target	Actual	Actual
1.	Nitrobenzene	17808	634	1097
2.	Dinitrogen Tetroxide (N2O4)	500	446	130
3.	Phenol	36000	4265	9944
4.	Acetone	22200	2648	6167
5.	H2O2	11000	8802	8031

**OUTLOOK AND INITIATIVES FOR THE CURRENT YEAR**

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

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

HOCL is in discussion with HPCL, BPCL to lease our Land at Rasayani to generate resources and improve the operations. GAIL has shown interest in acquiring land for setting up a Petrochemical Complex

**SOME RISKS & CONCERNS.**

- The man power cost per ton of finished product remains very high.
- Huge investments required for revamp/replacement/modernization of the old plants.
- In view of the fact that as on 31.03.2016 as the Company has been declared as Sick Unit, pending revival of the Company, markets for the finished products, customers credentials have lost.
- Dumping of cheap imports chemical products to the detriment of domestic chemical industry.
- Volatility in the raw material prices mainly Benzene prices.
- High interest costs, high employees' remuneration.

**INTERNAL CONTROL SYSTEMS & THE ADEQUACY**

Internal controls are supported by Internal Audit and Management Reviews. Company ensures existence of adequate internal control through documented policy and procedures to be followed by the executives at various levels. The Management is keen

**As per Annexure-2**

<b>For Audit Qualification(s) where the impact is not quantified by the auditor :</b>	Management Views
In absence of adequate profit, Redemption reserve for redemption of 25% of Preference Shares Capital amounting to Rs. 6750 lakhs due for redemption during the financial year 2015-16 is not provided in the books.	As stated in Note No.2B the Board has authorised the company to request the government for further extension of the redemption date by another four years. The consultant has recommended for conversion of preference shares into equity in the revival report submitted to the government. Pending above the redemption reserve has not been created in the books.
(A) The Balances of trade payables, loans & advances and other current assets and other debit/ credit balances are pending for confirmations and reconciliations (note no. 43). The effect of the same on the loss is not ascertainable. This matter was also qualified in Audit report on the financial statements for the year ended March 31, 2015.	These are running account balances and the company continues to follow up with the parties for reconciliation of their balances. Any consequential adjustments will be carried out in the books of accounts during the next year.
(B) In absence of current status of pending litigations and financial impact thereof, liabilities under such cases are not ascertainable and the foreseeable loss of the same is not considered while preparing financial results.	The pending litigations are pending with statutory authorities / different courts and the matters are subjudice. The liability if any will be known only on the final order on the respective cases are issued.
(C) The Kochi unit of the company has entered into long term supply contract with Gas Authority of India (GAIL) for supply of Liquefied Natural Gas in 2011 for the period of 15 years ending in 2026. Material foreseeable losses on this contract are not quantifiable in the current scenario.	Necessary provision for the liability towards GAIL as per the contract for supply of LNG is being made in the books of accounts on monthly basis.
(D) The Company has not provided any provision during the year for diminution in the value of investments in subsidiaries and also no provision is made against overdue of loans given to them since long.	The subsidiary company has submitted a revival proposal which is under consideration of the ministry. Pending above no provision has been made for the temporary diminution in the value of investments in the subsidiary.

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

**Sd/-**

**S. B. Bhide**

**Acting Chairman & Managing Director & Dir. (Tech.)**

**Place : Mumbai**

**Date 05/ 08 / 2016**

**Annexure – V**

**MANAGEMENT DISCUSSION AND ANALYSIS REPORT**

**(Annexure V to Directors' Report)**

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

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



on these issues and initiated various measures such as upgrading IT infrastructure, evaluating & implementing ERP software, web based application and establishing connectivity amongst manufacturing units and branch offices for effective & proactive services and business benefits.

With the objective of improving the systems and removing bottlenecks, systems review is carried out and policies and procedure manuals are amended. Kochi unit has been certified under ISO-9001:2000 standards through Bureau Veritas Certification India Pvt. Ltd. (BCI). Environment Management System (EMS) of Kochi unit has been certified under ISO-14001:2004 standards through BVQI, Rasayani unit has been re-certified in January 2008 and Kochi unit has been re-certified in June 2008 under ISO-9001:2000 standards. Kochi Unit ISO 9001:2008 certification is valid till 18-06-2017. ISO 14001:2004 certification is valid till 19-11-2017.

**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 Gross income of the Company stood at Rs.114.04 crore as against Rs.158.46 crore achieved during the previous year. The loss for the year 2015-16 was Rs.173.91 crore as against Rs.215.48 crore of the corresponding period of last year.

The Company is in the process of submitting a Revival Plan to the Ministry. The Report prepared by the Consultants is under consideration of the Management. The main focus of revival of the company is with the financial assistance from Government and monetizing of land infrastructure with potential for joint venture investment.

**Information Technology: 2015-16**

Company has effective information systems for core business areas. However, company has envisaged a plan to meet changing demands keeping in view the technological changes and the way information & communication technology offering innovative services suiting to every business needs. Company has successfully rolled out SAP at their manufacturing unit at Kochi and all branch offices.

Management ensures continual effort in the ever changing technological environment, for improving and meeting with requirement like data security, information available, transparency and accuracy. Company is using open tendering / e-Tendering solution being provided by National Informatics Centre (NIC).

**CAUTIONARY STATEMENT**

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

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

*Sd/-*

*Place : Rasayani  
Date : 05/08/2016*

*S. B. Bhide  
Acting Chairman & Managing Director & Dir. (Tech.)*

**ANNEXURE VI**

**Report on Corporate Governance**

**(As on 31-03-2016)**

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

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

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

Hindustan Organic Chemicals Limited (HOCL) trusts on the conduct of its business activities and enhance the value of all those who are associated with the Company viz. shareholders, customers, suppliers, creditors, Government of India, Ministry

of Chemicals and Fertilizers, Department of Public Enterprises, Various State Governments, other Governmental agencies / departments and the society at large. Essentially, it involves practicing good Corporate Governance and HOCL believes in transparency, accountability, and attaining maximum level of enrichment of the enterprise. HOCL also price the global recognition by ensuring the integrity, value addition to its domestic as also the international customers in its product commitments.

**2. Board of Directors**

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

**a) Composition of the Board :**

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

As on 31-03-2016 the Board of HOCL consisted of Four members with 2 Executive Directors, 2 Government Nominee Directors who are acknowledged as leading professionals in their respective fields.

Company-[HOCL] is a Govt. of India Undertaking (a CPSU) and as per Company's Articles of Association, the power to appoint all the Directors on the Board of our Company vests with the Govt. of India. Therefore, as on 31-03-2016, the Composition of HOCL Board comprised NIL Independent Directors as against the requirement of 3/4 Nos of Independent Directors .

With the above position of the Composition of the Board of Directors, the Company is partially complying with the provisions of Clause on corporate governance of the Listing Regulations with Stock Exchanges, as on 31.03.2016.

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

Details of the Board of Directors as on 31-03-2016 were as under:-

Title (Mr./ Ms)	Name of the Director Category (Chairperson/ Executive/ Non-Executive/ independent/ Nominee) &	PAN & DIN	Date of Appointment in the current term / cessation	Tenure*	No of Directorship in listed entities including this listed entity (Refer Regulation 25(1) of Listing Regulations)	Number of memberships in Audit/ Stakeholder Committee(s) including this listed entity (Refer Regulation 26(1) of Listing Regulations)	No of post of Chairperson in Audit/ Stakeholder Committee held in listed entities including this listed entity (Refer Regulation 26(1) of Listing Regulations)
Mr.	S.B.Bhide Acting CMD, Executive	AARPB2680A & 05323535	14-06-2012	13-06-2017	3	2	3
Mr.	J.N.Suryawanshi Director Marketing Executive	ACCPBS8056Q & 03558347	30-04-2011	29-04-2016	3	2	-
Mr.	S.K.Biswas Non Executive. Govt. Nominee	ACPPB5111N & 01664091	02-09-2015	Till AGM of 2016 OR till further orders whichever is earlier	2	2	2
Mr.	Sunil Kumar Sharma Non Executive. Govt.Nominee	AUFPS4948E & 07560430	16-05-2016	Till AGM of 2016-17 OR till further orders whichever is earlier	1	1	-
Ms.	Pushpa Trivedi Part Time Non Official Independent (Women) Director	AABPT5635M & 01388230	15-06-2016	(For a period of 3 years ) (14-06-2019)	1	-	-

**Changes in the Board of Directors.** - During the year:

Government has appointed Shri Samir Kumar Biswas, Joint Secretary (Chemicals), as Official, part time (Govt. Nominee) Director on the Board of the Company, w.e.f. 02/09/2015 in place of Dr. A.J.Vara Prasad, JS

Government has appointed Shri Vinod Kumar Thakral, SS&FA, (C&F), as Official, part time (Govt. Nominee) Director on the Board of the Company, w.e.f. 17/09/2015 in place of Shri Rajiv Yadav, SS&FA.

Government has appointed Shri Sunil Kumar Sharma, Director (Chemicals), as Official, part time (Govt. Nominee) Director on the Board of the Company, w.e.f. 06/05/2016 in place of Shri Vinod Kumar Thakral, SS&FA.

Government has appointed Ms. Pushpa Trivedi, Professor, HSS Dept., IIT Bombay, Powai, Mumbai, as Part time Non Official (Independent & woman) Director on the Board of the Company, w.e.f. 15/06/2016 for a period of 3 years or till further orders, whichever is earlier.

Government, vide Order No. 23011/9/2015-Org.Estt. approved the pre-mature termination of tenure of Shri V.B.Ramchandran Nair, as CMD, HOCL with immediate effect from 22/02/2016 (by payment of 3 months' notice pay).

Government, vide order dated 25-02-2016 directed Shri S.B.Bhide, Director (Technical) to hold the additional charge of CMD, HOCL for a period of 3 months which later was extended for further period of 3 months up to 24-08-2016 or till further orders whichever is earlier.

As Director (Finance) Shri Sureshkumar R. was continuously remained absent himself from all the board meetings of the Company for the period of 12 months from March, 2015 to 29/02/2016. The position of Director (Fin.) of Mr. Sureshkumar has become vacant w.e.f. 01-03-2016. Pursuant to application of Sect. 167 of the Company's Act, 2013. The company has communicated the facts as such to the Administrative Ministry.

Vide Government Order dated 03-08-2016 The President has approved the non extension of the tenure of Mr. J.N.Suryawanshi, as Director Marketing of the Co. with immediate effect from 03-08-2016. (A.N.)

**II. Composition of Committees****Name of Committee**

- 1. Audit Committee** - Committee was existing upto 31-03-2016 comprising of 1 independent Director (up to 21-05-2016) and 2 Govt. Nominee Directors as Members of the Committee and could one Meeting on 28-05-2015 and other Meetings though were scheduled quarterly could not be held for want of quorum.
- 2. Nomination & Remuneration Committee** - In view of non existence of Independent Directors on the Board of the Company, the remuneration Committee could not be constituted. However, Co. being a CPSU, DPE Guidelines are being adopted and followed for all board level below board level and for unionized employees of the Co.
- 3. Risk Management Committee** - Not being in the list of top 500 entities, constitution of this not applicable.
- 4. Stakeholders Relationship Committee'**  
Committee as on 31-03-2016 comprised of Mr. S.B.Bhide, ACMD & DT as Chairman of the Committee and Mr. J.N.Suryawanshi, DM and Mrs. Susheela S. Kulkarni, CS as its Members.

**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 9 times during the financial year 2015-16 on the following dates: 28/04/2015, 28/05/2015, 25/06/2015, 11/08/2015, 03/09/2015, 12/11/2015, 11/02/2016 and 08/03/2016

The Company placed before the Board, the Budgets, annual operating plans, performance of the business and various other information, including those specified in Annexure of the Clause on Corporate Governance of the Listing Regulations, 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 2015-16.

DIRECTORS	NO. OF BOARD MEETINGS ATTENDED	ATTENDANCE AT THE LAST AGM
Shri. S. B. Bhide	9	Yes
Shri J.N.Suryawanshi	9	Yes
Shri V.B.R.Nair	5	Yes
Shri Suresh Kumar R.	0	No
Shri Samir Kumar Biswas	8	No
Shri V.K.Thakral	8	No

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

Among others, information supplied to the Board includes :

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

**3. Audit Committee :****(a) Brief description of terms of reference:**

Apart from all the matters provided in Clause on Corporate Governance of the Listing Regulations and other applicable provisions of the Companies Act, 2013, the Board /Committee (when met) 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 Board / Committee (when met) also reviewed the major accounting policies followed by the Company. The Board/Committee (when met) invited senior executives as it considers appropriate at its meetings. A CMD, Head of Internal Audit attend the meetings of the Board/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.

**b) Composition, name of Members & chairperson****c) Meeting & Attendance during the year . (up to 31-03-2016)**

Board has reconstituted the Audit Committee and as on 31-03-2016 it comprised of (1) Shri Vinod Kumar Thakral, SS&FA, Chairman of the Audit Committee (2) Shri Samir Kumar Biswas, J.S., Member of the AC (3) Shri S.B.Bhide, DT & ACMD as Invitee (4) Shri J.N. Suryawanshi, D(M), as Invitee (5) Mrs. Susheela S. Kulkarni, Company Secretary and Secretary of the Audit Committee. The other terms & reference of the said Committee remains same and unchanged.

The Committee met only once (1 time) on 28-05-2015 during the year under review ended 31-3-2016 as subsequent Meetings of the Audit Committee though scheduled could not be held due to absence of quorum.

**4. Board's other Committees :****Brief description of terms of reference**

The following Committees though were constituted in the previous years with its own specific charter of Responsibilities, however could not be continued/reconstituted during the year under review in view of the absence of the required independent directors in the Board's composition. Earlier, 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.

**Composition, name of Members & Chairperson :**

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

**5. Remuneration of the Directors**

Details of remuneration paid / payable to the Directors for the year ended March 31, 2016 are as follows :



**DETAILS OF REMUNERATION PAID TO THE DIRECTORS FOR THE YEAR 2015-16**

Amount (₹ in Lakhs)

Name of Directors	Salary including	Arrears	Retirement benefits	Sitting Fees & OPE	Total
Shri V.B.Ramchandran Nair CMD (Upto 22-02-2016)	16.00	-	7.40	N.A.	23.40
Shri. S.B. Bhide, DT & ACMD (w.e.f. 25-02-2016)	19.40	-	2.44	N.A.	21.84
Shri J.N.Suryawanshi D(M)	20.09	-	2.51	N.A.	22.60
Shri R.Sureshkumar, D(F)	7.85	-	1.20	N.A.	9.05
Shri V.K. Thakral, SS & FA	N.A.	-	Nil	Nil	Nil
Shri S.K.Biswas, JS	N.A.	-	Nil	Nil	Nil

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

\* The Company has not given any stock options.

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

**6. Stakeholders' Grievances Committee.**

**Terms of Reference:**

As required under the Companies Act, 2013, in order to enable smooth functioning of the RTA related activities and for looking after the related jobs of the shares/Bonds transfers, etc. and for investors complaints/grievances, Company already has a Share Transfer Committee comprising of (functional directors) Shri S. B. Bhide, DT & ACMD as Chairman (w.e.f. 22/02/2016), Shri J.N.Suryawanshi, Director (Marketing), and Mrs. S. S. Kulkarni, Company Secretary, as its members. (Earlier, ex-CMD, Mr. V.B.R.Nair, Chairman and ex. DF, Mr. Sureshkumar R were also the members of the Committee.) The quorum of the committee is Two Directors. Mrs. Susheela S. Kulkarni, Company Secretary is designated as the Compliance Officer and acts as Secretary to the Committee.

**Share/Bonds Transfer System:**

The Company's Share/Bonds Transfer / Shareholders Grievance Committee is authorised to transfer securities as and when they are received and to redress the investor's grievances / complaints. The dematerialised shares are directly transferred to the beneficiaries by the depositories.

The Company seeks to ensure that all transfers are approved for registration within the stipulated period. With a view to expediting the approval process, the Committee meets regularly and approves all matters related to shares vis-à-vis transfers, deletion, transmission, dematerialisation and rematerialisation of shares. There was no pending complaints and requests for demat.

This Committee is vested with the requisite powers and authorities to specifically look into the redressal of shareholders and investors grievances.

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

The Committee met 32 times during the year. The Details are as under:

10/04/2015;	30/06/2015;	10/09/2015;	15/12/2014;
20/04/2015;	10/07/2015;	30/09/2015;	08/01/2016;
22/05/2015;	31/07/2015;	31/10/2015;	22/01/2016;
29/05/2015;	05/08/2015;	17/11/2015;	18/02/2016;
10/06/2015;	11/08/2015;	21/11/2015;	26/02/2016;
13/06/2015;	19/08/2015;	03/12/2015;	02/03/2016;
22/06/2015;	26/08/2015;	08/12/2015;	23/03/2016 and
15/04/2015;	03/09/2015;	15/12/2015;	31/03/2016.

**Summarised information on complaints received and resolved during 1<sup>st</sup> April 2015 to 31<sup>st</sup> March, 2016**

Sr. No.	Nature of Complaint	Received	Redressed	Pending as on 31/3/2016
<b>DIRECT:</b>				
1.	Non receipt of dividends/ Warrants	-	-	-
2.	Non receipt of share Certificates	-	-	-
3.	Miscellaneous	-	-	-
<b>SEBI:</b>				
4.	Non receipt of dividend warrants	-	-	-
5.	Non receipt of share certificates	-	-	-
6.	Miscellaneous	-	-	-

**No. of Pending Share Transfers**

As on 31<sup>st</sup> March, 2016 there are Nil Share transfer cases pending (as confirmed by RTA).

**III. Remuneration Committee.**

In view of the existence of only 1 Independent Directors on the Board, The Board pursuant to the provisions under the Articles of Association of the Company could not constitute the Remuneration Committee of the Board, during the year, 2015-16.

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

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

**IV. CSR & SD Committee.& CSR Policy**

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

**7. Annual General Meetings.- AGM of the Current year (2016) – Scheduled on Thursday, the 29<sup>th</sup> September, 2016.**

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

Particulars	FY 2012-2013	FY 2013-2014	FY 2014-2015
Date and Time	27-09-2013 3.00 p.m.	24-09-2014 3.00 p.m.	29-09-2015 3.00 p.m.
Venue	Rasarang Hall Dr.Kasbekar Park At PO :Rasayani, Dist.Raigad Pin - 410 207	Rasarang Hall Dr.Kasbekar Park At PO :Rasayani, Dist.Raigad Pin - 410 207	Rasarang Hall Dr.Kasbekar Park At PO :Rasayani, Dist.Raigad Pin - 410 207

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

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

**8. Disclosures:**

- There was no materially significant related party transaction with its Directors/or the Management or Subsidiary or relatives that may have potential conflict with the interests of Company at large ;
- There was no case of Non-compliance by the Company of Statutory Provisions of the Companies Act, 2013 [except Section 177 Reg: Provisions on Audit Committee] or SEBI Regulations or provisions of Listing Regulations (except Clause on C.G.) or any other Statutory Authority. Further, these authorities have never passed any strictures or imposed any penalties on the Company on any matter related to capital markets, during the last three years ;
- It is affirmed that no personnel has been denied access to the audit committee;
- Details of compliance with mandatory requirements and adoption of the non-mandatory requirements of this clause - are provided in this report;

**9. Means of Communication**

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

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



**10. General Shareholders' Information**

**Compliance Officer**

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

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

**a) Annual General Meeting :**

Date & Time : 29<sup>th</sup> September, 2016 at 3.00 p.m.

Venue : At Rasarang Hall, Dr.Kasbekar Park, Rasayani, Dist.Raigad 410207.

**b) Financial Calender :**

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

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

From 22<sup>nd</sup> September, 2016 to 29<sup>th</sup> September, 2016 (both days inclusive)

**c-i) Dates of E- Voting :** from 23-09-2016 up to 28-09-2016 (up to 5.0pm)

**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 [RTAs]:** (w.e.f. 01-04-2016)

Bigshare Services Pvt. Ltd., E 2/3 Ansa Industrial Estate, Sakivihar Road, Sakinaka, Andheri (East), Mumbai - 400 072; Email: investor@bigshareonline.com ; Phone No.: 022-28470652/40430200; Fax No: 022-28475207

**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 2015-2016 was as follows.**

Month	Monthly Highest	Monthly Lowest
April, 2015	20.60	14.12
May, 2015	16.40	13.55
June, 2015	16.50	12.75
July, 2015	17.20	14.95
August, 2015	18.50	11.85
September, 2015	12.50	11.05
October, 2015	15.50	11.66
November, 2015	16.31	12.46
December, 2015	17.20	14.3
January, 2016	22.70	14.00
February, 2016	16.25	12.20
March, 2016	18.65	12.46

**(1) High/Low of market price of the equity shares traded on the Bombay Stock Exchange Ltd., Mumbai for the year 2015-2016 was as follows:**

Month	Monthly Highest	Monthly Lowest
April, 2015	20.65	14.00
May, 2015	15.90	13.60
June, 2015	16.55	12.50
July, 2015	17.30	14.60
August, 2015	18.40	11.85
September, 2015	13.10	10.55
October, 2015	15.60	11.70
November, 2015	16.35	12.50
December, 2015	17.20	14.05
January, 2016	22.80	13.85
February, 2016	16.25	12.10
March, 2016	18.50	12.50

**j) Distribution of Shareholding (subject to confirmation)**

The distribution of holdings as on March 31, 2015 was as follows :

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

**J-i) Share Holding Pattern as on 31-03-2016 : ( subject to confirmation)**

**VI. SHAREHOLDING PATTERN:**

**i. Category- wise Share Holding**

Category of shareholders	No. of Shares held at the beginning of the year				No. of Shares held at the end of the year				% Change during the year
	Demat	Physical	Total	% of Total Shares	Demat	Physical	Total	% of Total Shares	
<b>A. Promoters</b>									
(1) Indian									
g) Individual/HUF									
h) Central Govt	39481500		39481500	58.78	39481500		39481500	58.78	
i) State Govt (s)									
j) Bodies Corp.									
k) Banks / FI									
l) any other									
<b>Sub-total (A) (1):-</b>	<b>39481500</b>		<b>39481500</b>	<b>58.78</b>	<b>39481500</b>		<b>39481500</b>	<b>58.78</b>	
<b>2) Foreign</b>									
a) NRIs - Individuals	22805193		22805193	33.95	818035		818035	1.22	
b) Other - Individuals	839632		839632	1.25					
c)Bodies Corp.	1100		1100	0.01	1100		1100	0.01	
d) Banks / FI									
e) Any other									
<b>Sub-total (A) (2):-</b>									
<b>Total shareholding of Promoter (A) = (A)(1)+(A)(2)</b>									
<b>B. Public Shareholding</b>									
<b>1. Institutions</b>									
a) Mutual Funds	11600		11600	0.02	11600		11600	0.02	
b) Banks / FI	9900		9900	0.01	3900		3900	0.01	
c) Central Govt									
d) State Govt(s)									
e) Venture Capital Funds									
f) Insurance Companies									
g) FIs	1800		1800	0.00	1800		1800	0.00	
h) Foreign Venture Capital Funds									
i) Others (specify) Trust	159689		159689	0.24	159689		159689	0.24	
<b>Sub-total (B)(1):-</b>									
<b>2. Non-Institutions</b>									
a) Bodies Corp.	3862706		3862706	5.75	3540528		3540528	5.27	
i) Indian									
ii) Overseas									
b) Individuals									
i) Individual shareholders holding nominal share capital uptoRs. 1 lakh					19605511		17833828	26.55	
ii) Individual shareholders holding nominal share capital in excess of Rs 1 lakh					3549457		3549457	5.28	
<b>Sub-total (B)(2):-</b>	<b>27691600</b>		<b>27691600</b>	<b>41.22</b>	<b>27674300</b>		<b>25903615</b>	<b>38.56</b>	



Category of shareholders	No. of Shares held at the beginning of the year				No. of Shares held at the end of the year					% Change during the year
	Demat	Physical	Total	% of Total Shares	Demat	Physical	Total	% of Total Shares		
Total Public Shareholding (B)=(B)(1)+(B)(2)					27691600		25919917	38.59		
C. Shares held by Custodian for GDRs & ADRs										
Grand Total (A+B+C)										

ii) Shareholding of Promoters:

Sr. No.	Shareholder's Name	Shareholding at the beginning of the year			Share holding at the end of the year			% change in share holding during the year
		No. of Shares	% of total Shares of the company	% of Shares Pledged / encumbered to total shares	No. of Shares	% of total Shares of the company	% of Shares Pledged / encumbered to total shares	
1	Promoters	39481500		58.78	39481500		58.78	
	Total							

iii) Change in Promoter's Shareholding (please specify, if there is no change)

Sr. No.		Shareholding at the beginning of the year		Cumulative Shareholding during the year	
		No of shares	% of total shares of the Company	No of shares	% of total shares of the Company
	At the beginning of the year	39481500	58.78	39481500	58.78
	Date wise Increase / Decrease in Promoters Share holding during the year specifying the reasons for increase / decrease (e.g. allotment / transfer / bonus / sweat equity etc):		N.A.		
	At the End of the year	39481500	58.78	39481500	58.78

iv) Shareholding Pattern of top ten shareholders( other than Directors, Promoters and Holders of GDRs and ADRs)

Sr. No.		Shareholding at the beginning of the year		Cumulative Shareholding during the year	
		No. of shares	% of total shares of the company	No. of shares	% of total shares of the company
1	<b>For Each of the Top 10 Shareholders</b>				
2	At the beginning of the year				
	Date wise Increase / Decrease in Share holding during the year specifying the reasons for increase / decrease (e.g. allotment / transfer / bonus / sweat equity etc):				
	At the End of the year (or on the date of separation, if separated during the year)				

Shareholding of Directors and Key Managerial Personnel:

Sl. No.		Shareholding at the beginning of the year		Cumulative Shareholding during the year	
		No. of shares	% of total shares of the company	No. of shares	% of total shares of the company
	<b>For Each of the Directors and KMP</b>				
	At the beginning of the year:				
	1) J.N.Suryavanshi, Director (Mktg.)	200		200	N.A.
	2) Mrs. S.S.Kulkarni, CS	200		200	N.A.
	Date wise Increase / Decrease in Share holding during the year specifying the reasons for increase / decrease (e.g. allotment / transfer / bonus / sweat equity etc):		N.A.		N.A.
	1) J.N.Suryavanshi, Director (Mktg.)				
	2) Mrs.S.S.Kulkarni, CS				

Sl. No.		Shareholding at the beginning of the year		Cumulative Shareholding during the year	
		No. of shares	% of total shares of the company	No. of shares	% of total shares of the company
	<b>For Each of the Directors and KMP</b>				
	At the End of the year ( or on the date of separation, if separated during the year):				
	1) J.N.Suryavanshi, Director (Mktg.)	200		200	N.A.
	2) Mrs. S.S.Kulkarni, CS	200		200	N.A.

n) Plant Locations

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

o) Address for correspondence :-

- (a) Regd.office address of the Company : P.O. Rasayani, Dist. Raigad, Maharashtra PIN -410207
- (b) R&T Agents address : **w.e.f. 01-04-2016**  
Bigshare Services Pvt. Ltd., E 2/3 Ansa Industrial Estate, Sakivihar Road, Sakinaka, Andheri (East), Mumbai - 400 072;  
Email: investor@bigshareonline.com ;  
Phone No. : 022-28470652/40430200;  
Fax No: 022-28475207

10.A Annual Disclosure on Compnay's Website – www.hoclindia.com

Disclosures/Particulars.	Compliance status (Yes/No/NA) (as on 31-03-2016)
Details of business	Manufacturing – Organic Chemicals
Terms and conditions of appointment of independent directors	Yes - (No Independent Director )
Composition of various committees of board of directors	Yes -- do - directors
Code of conduct of board of directors and senior management personnel	Yes - As per DPE Guidelines
Details of establishment of vigil mechanism/ Whistle Blower policy	Yes -- do --
Criteria of making payments to non-executive directors	Yes - Sitting fees payments to Independent Director/s
Policy on dealing with related party transactions	Yes - As per DPE Guidelines
Policy for determining 'material' subsidiaries	Yes -- do --
Details of familiarization programs imparted to independent directors	Yes – (No Independent Directors)
Contact information of the designated officials of the listed entity who are responsible for assisting and handling investor grievances	Company Secretary & Compliance Officer (Mrs. Susheela S. Kulkarni) , 02192- 250034 / 258531 ; Mobile No. 9892608710
email address for grievance redressal and other relevant details:	corporate.cs@hoclindia.com; investor@grievance@hoclindia.com; & investor@bigshareonline.com (of RTA)
Financial results	Yes
Shareholding pattern	Yes
Details of agreements entered into with the media companies and/or their associates	No - N.A.
New name and the old name of the listed entity	No / None - N.A

II Annual Affirmations (as on 31-03-2016)

Particulars	Compliance status (Yes/No/NA)
Independent director(s) have been appointed in terms of specified criteria Independence' of and/ or eligibility	Yes – Appointment by the Govt. However as on 31-03-2016 No Independent Director)
Board composition	Yes
Meeting of Board of directors	Yes
Review of Compliance Reports	Yes
Plans for orderly succession for appointments	Yes – Appointments are done as per Govt./PSEB Rules & are appointed by the Govt.
Code of Conduct	Yes
Fees/compensation	Yes
Minimum Information	Yes



Compliance Certificate	Yes
Risk Assessment & Management	Yes (Not Applicable) (as Not a Top 100 Entity)
Performance Evaluation of Independent Directors	Not Applicable – ( No Independent Director) Yes
Composition of Audit Committee	
Meeting of Audit Committee	Yes - Could not be held for want of Quorum.
Composition of nomination & remuneration committee	No – DPE Guidelines being followed
Composition of Stakeholder Relationship Committee	Yes
Composition and role of risk management committee	N.A.. - (as not a Top 100 entity)
Vigil Mechanism	Yes
Policy for related party Transaction	N.A.
Prior or Omnibus approval of Audit Committee for all related party transactions	Yes – wherever applicable
Approval for material related party transactions	Yes
Composition of Board of Directors of unlisted material Subsidiary	Yes
Other Corporate Governance requirements with respect to subsidiary of listed entity	Yes
Maximum Directorship & Tenure	As per Govt. Appointment Orders
Meeting of independent directors	N.A. (No independent Directors) (31-3-2016)
Familiarization of independent directors	Yes ( No independent Director/s)(31-3-2016)
Memberships in Committees	Yes
Affirmation with compliance to code of conduct from members of Board of Directors and Senior management personnel	Yes
Disclosure of Shareholding by Non-Executive Directors	Yes
Policy with respect to Obligations of directors and senior management	Yes

- d) Conducted the meetings of the Board of Directors and Annual General Meeting as per the provisions of the Act.
- e) Complied with all the requirements relating to the minutes of the proceedings of the meeting of the Directors and the shareholders.
- f) Made due disclosures under the requirements of the Act including the requirements in pursuance to the disclosures made by the directors.
- g) Obtained necessary approvals of the directors, shareholders, Central Government and other authorities as per the statutory requirements.
- h) Given loans and made investments in accordance with the requirements of the Act, not exceeded the borrowing powers of the Company.
- i) Registered all the particulars relating to the creation, modification, and satisfaction of the charges with the ROC.
- j) Effected share transfers and dispatched the certificates within the time limit prescribed under the Act and rules made thereunder.
- k) Complied with all the Provisions under Companies Act 2013, (except reg. provisions on Audit Committee, reg. independent directors and all other compliances in connection with the Board's composition, other relevant and applicable compliances etc.), complied with all the requirements of the Listing Regulations entered into with the Stock Exchanges. [ subject to the above stated exceptions] .

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

### 13. Compliance Certificate of the Auditors

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

The said Certificate of the Statutory Auditors to form as Annexure VII to Directors' Report.

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

**Sd/-  
[Mrs. Susheela S. Kulkarni]  
Company Secretary**

**Date: 05/08/2016**

### Annexure VII

#### AUDITORS' CERTIFICATE ON CORPORATE GOVERNANCE REPORT

**To the Members of  
Hindustan Organic Chemicals Limited**

1. We have examined the compliance of conditions of Corporate Governance by Hindustan Organic Chemicals Limited for the year ended 31st March, 2016 as stipulated in Clause 49 of the Listing Agreement of the said Company with the Stock Exchanges.
2. The compliance of conditions of Corporate Governance is the responsibility of the Management. Our examination has been limited to a review of the procedures and implementations thereof, adopted by the Company for ensuring the compliance with the conditions of the Corporate Governance as stipulated in the said clause. It is neither an audit nor an expression of opinion on the financial statements of the Company.
3. The Company has not fully complied with the provisions of Clause 49II of the Listing Agreement relating to the composition of the Board of Directors.
4. The Company has not fully complied with the provisions of Clause 49III of the Listing Agreement and Section 177 of the Companies Act, 2013, relating to the composition of the Audit Committee.
5. The Company has not fully complied with the provisions of Clause 49IV of the Listing Agreement relating to the composition of the Remuneration Committee.

### 11. CFO Certification of the Company

**Shri P.O.Luise** , CFO , certifies that as on 31-3-2016 :

- (a) We have reviewed financial statements and the cash flow statement for the year and that to the best of their knowledge and belief :
  - (i) these statements do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading. These statements together present a true and fair view of the Company's affairs and are in compliance with existing accounting standards, applicable laws and regulations.
  - (b) There are, to the best of their knowledge and belief, no transactions entered into by the Company during the year which are fraudulent, illegal or violative of the Company's Code of conduct.
  - (c) We accept responsibility for establishing and maintaining internal controls and that have evaluated the effectiveness of the internal control systems of the Company and they have disclosed to the auditors 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:
    - (i) Significant changes in internal control during the year;
    - (ii) Significant changes in accounting policies during the year and that the same have been disclosed in the notes to the financial statements; and
    - (iii) Instances of significant fraud of which they have become aware and the involvement therein, if any, of the management or an employee having a significant role in the Company's internal control system.

### 12. Secretary's Responsibility Statement

**Mrs. Susheela S. Kulkarni** Company Secretary and Compliance Officer certifies that as on 31-3-2016 :

On the basis of CFO Certification (as above), the Company Secretary confirms that as of 31/03/2016, the Company has :

- a) Maintained all the Statutory Registers required to be maintained under the Companies Act, 1956 ("the Act") and the Rules made there under.
- b) Filed all forms and returns and furnished necessary particulars in time to the Registrar of Companies (ROC) and/or Authorities as required under the Act.
- c) Issued all notices as required to be given for convening the meeting of the Board of Directors and General Meetings of the shareholders within the time limit prescribed by the Law.



6. The Company has been declared as Sick unit by BIFR during the year vide its order dated 22nd July, 2015. In the absence of adequacy of funds, the Company has not paid employees salary dues and statutory dues and not filed statutory returns. In view of these the Company has not fully complied with the provisions relating to Compliance with Laws.
7. In our opinion and to the best of our information and according to the explanation given to us, we certify that apart from the above mentioned, the Company has complied with the other conditions of Corporate Governance as stipulated in Clause 49 of the above mentioned Listing Agreement.
8. We further state that, such compliance is neither an assurance as to the future viability of the Company nor the efficiency or effectiveness with which the Management has conducted the affairs of the Company.

For JMT & Associates,  
Chartered Accountants  
Firm's Registration No104167W  
Sd/-  
Jayesh Shah  
Partner  
Membership No. 039910

Mumbai : 5th August, 2016

To,  
**The Members,**  
**Hindustan Organic Chemicals Limited**  
**CIN: L99999MH1960GOI011895**  
**P.O. Rasyani, Dist Raigad,**  
**Maharashtra, India, PIN 410207**

Our Secretarial Audit Report of even date is to be read along with this letter.

#### Management's Responsibility

1. It is the responsibility of the management of the Company to maintain secretarial records, devise proper systems to ensure compliance with the provisions of all applicable laws and regulations and to ensure that the systems are adequate and operate effectively.

#### Auditor's Responsibility

2. Our responsibility is to express an opinion on these secretarial records, standards and procedures followed by the Company with respect to secretarial compliances.
3. We believe that audit evidence and information obtained from the Company's management is adequate and appropriate for us to provide a basis for our opinion.
4. Where ever required, we have obtained the management's representation about the compliance of laws, rules and regulations and happening of events etc.

#### Disclaimer

5. The Secretarial Audit Report is neither an assurance as to the future viability of the Company nor of the efficacy or effectiveness with which the management has conducted the affairs of the Company.

**S. N. ANANTHASUBRAMANIAN & CO**  
Company Secretaries

Sd/-  
**S N Ananthasubramanian**  
FCS No.4206  
C P No. 1774

Date: **22<sup>nd</sup> September 2015**  
Place: **Thane**

#### Form No. MR-3

#### SECRETARIAL AUDIT REPORT

FOR THE FINANCIAL YEAR ENDED 31<sup>st</sup> MARCH 2015

[Pursuant to section 204(1) of the Companies Act, 2013 and rule No.9 of the Companies (Appointment and Remuneration of Management Personnel) Rules, 2014]

To,  
**The Members,**  
**Hindustan Organic Chemicals Limited**  
**CIN: L99999MH1960GOI011895**  
**P.O. Rasayani, Dist. Raigad,**  
**Maharashtra, India, PIN 410207.**

We have conducted the Secretarial Audit of the compliance with applicable statutory provisions and the adherence to good corporate practices by **Hindustan Organic Chemicals Limited** (hereinafter called the Company). Secretarial Audit was conducted in a manner that provided us a reasonable basis for evaluating the corporate conducts/ statutory compliances and expressing our opinion thereon.

We note that the Company is registered as a Sick Unit of BIFR and the Company has been registered as a Sick Company vide BIFR Order No. Case No. 501 /2014 dated 30.09.2014.

We further note that as per BIFR Summary Record of Proceedings of the Hearing of the Company, Case No. 501/2014 held on 22-07-2015 before the Bench, BIFR has declared the Company as Sick under Section 3(l)(o) of the Sick Industrial Companies Act, 1985 and appointed State Bank of India as the Operating Agency with directions to prepare a viability study report and revival Scheme for the Company, if feasible, keeping in view the provisions of Section 18 of the said Act and the guidelines.

Based on the aforesaid and our verification of the Company's books, papers, minute books, forms and returns filed and other records maintained by the Company and also the information provided by the Company, its officers, agents and authorized representatives during the conduct of secretarial audit, we hereby report that in our opinion, the Company has, during the audit period covering the financial year ended on **31<sup>st</sup> March 2015**, **subject to our observations stated elsewhere in this report**, generally complied with the statutory provisions listed hereunder and also that the Company has Board processes and compliance mechanism in place to the extent, in the manner and subject to the reporting made hereinafter:

We have examined the books, papers, minute books, forms and returns filed and other records maintained by the Company for the financial year ended on 31<sup>st</sup> March 2015 according to the provisions of:

- i. The Companies Act, 2013 and the Companies Act, 1956 (the Act) and the rules made thereunder;
- ii. The Securities Contracts (Regulation) Act, 1956 ('SCRA') and the rules made thereunder;
- iii. The Depositories Act, 1996 and the Regulations and Bye-laws framed thereunder;
- iv. Foreign Exchange Management Act, 1999 and the rules and regulations made thereunder to the extent of Foreign Direct Investment, Overseas Direct Investment and External Commercial Borrowings (**Not Applicable**);
- v. The following Regulations and Guidelines prescribed under the Securities and Exchange Board of India Act, 1992 ('SEBI Act'):-
  - a. The Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2011;
  - b. The Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 1992;
  - c. The Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009;
  - d. The Securities and Exchange Board of India (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999 /Securities and Exchange Board of India (Share Based Employee Benefits) Regulations, 2014 (effective 28th October 2014)-**Not Applicable as the Company did not have any Employee Stock Option Scheme and Employee Stock Purchase Scheme in force during the period under review**;
  - e. The Securities and Exchange Board of India (Issue and Listing of Debt Securities) Regulations, 2008;



- f. The Securities and Exchange Board of India (Registrars to an Issue and Share Transfer Agents) Regulations, 1993 regarding the Companies and dealing with client- **Not Applicable as the Company is not registered as Registrar to Issue and Share Transfer Agent during the financial year under review;**
- g. The Securities and Exchange Board of India (Delisting of Equity Shares) Regulations, 2009 -**Not applicable as the Company has not delisted/proposed to delist its equity shares from any Stock Exchange during the financial year under review;**
- h. The Securities and Exchange Board of India (Buyback of Securities) Regulations, 1998 -**Not applicable as the Company has not bought back/proposed to buy-back any of its securities during the financial year under review.**
- vi. The laws as are applicable specifically to the Company are as under:
1. Guidelines on Corporate Governance for Central Public Sector Enterprises, 2010;
  2. Petroleum Act, 1934 and Petroleum Rules, 2002.
  3. Manufacture, Storage and Import of Hazardous Chemicals (Amendment) Rules, 2000
  4. The Hazardous Waste (Management & Handling) Trans Boundary Management Rules, 2008.
  5. Inflammable Substance Act, 1952.
  6. The Poisons Act, 1919 and Maharashtra Poisons Rules, 1972.

We have also examined compliance with the applicable clauses of the following:

- (i) Secretarial Standards issued by The Institute of Company Secretaries of India(**not applicable as not effective during the period under review**).
- (ii) The Listing Agreements entered into by the Company with BSE Limited and National Stock Exchange of India Limited, and;

During the period under review the Company has generally complied with the provisions of the Act, Rules, Regulations, Guidelines, Standards, etc. mentioned above **except the following:**

**1) non-filing of MGT-14 in respect of following Board Resolution:**

- a. **approval of Annual Accounts and Financial Results for year ended 31<sup>st</sup> March, 2014 at the Meeting held on 29<sup>th</sup> May 2014.**
- b. **noting of disclosure of interest by Director- Mr. Rajiv Yadav passed at the Board Meeting on 2<sup>nd</sup> July, 2014.**
- c. **approval of Un-audited Financial Results for quarter ended 31<sup>st</sup> December, 2014 passed at their Board Meeting on 12<sup>th</sup> February 2015.**

**2) The following policies are not available on the website of the Company as prescribed under the Companies Act, 2013 and the Listing Agreement:**

- a) **Whistleblower Policy**
- b) **Insider Trading Code**
- c) **Policy on Related Party Transactions**
- d) **Policy on Material Subsidiaries**

**3) The Statutory Registers had not been updated.**

**We further report that: -**

- The Company has complied with the requirements of Corporate Governance as provided under Clause 49 of the Listing Agreement and DPE Guidelines on Corporate Governance, **with the exception of appointment of Independent Directors to the extent of 50% of the total strength of the Board and appointment of a Woman Director.** It is clarified by the Company that the matter was being pursued with the Administrative Ministry for appointing required number of Independent Directors and Woman Director on the Board.
- Adequate notice is given to all Directors to schedule the Board Meetings, agenda and detailed notes on agenda were sent sufficiently in advance, and a system exists for seeking and obtaining further information and clarifications on the agenda items before the meeting and for meaningful participation at the meeting.
- Majority decision is carried through, while the dissenting members' views are captured and recorded as part of the minutes.

**We further report that** based on review of compliance mechanism established by the Company and on the basis of the Compliance Certificate(s) issued by the Company Secretary and other Senior Management Personnel and taken on record by the Board of Directors at their meetings, we are of the opinion that there are systems and processes in place in the Company to monitor and ensure compliance with applicable laws, rules, regulations and guidelines: -

- As informed to us and also reported in the compliance reports placed before the Board from time to time, **the Company has defaulted on various statutory payments.** The Company has responded to notices for demands, claims, penalties etc., levied by various statutory /regulatory authorities and initiated actions for corrective measures, wherever found necessary.

**We further report that** during the audit period:

1. the Company at the Extraordinary General Meeting held on 30<sup>th</sup> May 2014 passed by way of a Special Resolution:-
  - a. issue of Rs.150 Crore - Government Guaranteed Unsecured, Redeemable Bonds on Private Placement Basis;
  - b. long lease (maximum period of 90 years) of the Company's land at Rasayani, Maharashtra to other PSUs and a proposal to sell and dispose off the Company's land at Parvel, Maharashtra, under Section 180(1)(a) of the Companies Act, 2013.

**S. N. ANANTHASUBRAMANIAN & CO**  
Companies Secretaries

Sd/-

**S N Ananthasubramanian**

FCS No.4206

C P No. 1774

**Date:** 22<sup>nd</sup> September 2015

**Place:** Thane

HOC/SEC/Mgt.Reply/S.A.2014-15/2015/9.1

Date.: 29-09-2015

**HOCL Management s Replies to Auditors Observations :**

- a) Board approved Audited Annual Accounts and Audited Financial Results for the year ended 31<sup>st</sup> march , 2014 are filed with MCA/ROC subsequently , as well as filed with the regulatory authorities (NSE&BSE) and published in the newspaper all within the prescribed time limit immediately after the approval of the Accounts at the board meeting held on 29-5-2014.
  - b) Though The appointment order (23-6-2014) of the GovT. appointing Shri Rajiv Yadav, SS&FA was noted immediately ( after receipt of the order ) at the board meeting held on 2-7-2014 his detail about disclosure of interest , particulars of directors etc. were received by the company only during august 2014 , the same were noted by the board at the board meeting held in august ,2014 (i.e. 13-8-2014b).
  - c) Subsequently the requirement of filing of Quarterly financial results with ROC/MCA has been done away with.
2. All the adopted relevant policies as applicable viz. Whistle Blower Policy, Code of Insider Trading etc. were included in the company's web site and are displayed & available for public reference .
  3. All the applicable Statutory Registers have been updated from time to time and as and when the updations are called for.

**For Hindustan Organics Chemical Limited**  
**CIN: L99999MH1960GOI011895**

Sd/-

[Mrs. Susheela S. Kulkarni]

Company Secretary

Date: 29-9-2015

**INDEPENDENT AUDITOR'S REPORT**

To the Members of HINDUSTAN ORGANIC CHEMICALS LIMITED

**Report on the Financial Statements**

We have audited the accompanying Standalone financial statements of HINDUSTAN ORGANIC CHEMICALS LIMITED ("the Company") which comprise the Balance Sheet as at March 31, 2016, the Statement of Profit and Loss, Cash Flow Statement for the year then ended, and a summary of significant accounting policies and other explanatory information, in which are incorporated the returns for the year ended on that date audited by the Independent branch auditors of the company's unit at Kochi.

**Management's Responsibility for the Standalone Financial Statements**

The Company's Board of Directors is responsible for the matters stated in Section 134(5) of the Companies Act, 2013 ("the Act") with respect to the preparation of these Standalone financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Company in accordance with the accounting principles generally accepted in India, including the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014. This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Company and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

**Auditor's Responsibility**

Our responsibility is to express an opinion on these Standalone financial statements based on our audit. We have taken into account the provisions of the Act, the accounting and auditing standards and matters which are required to be included in the audit report under the provisions of the Act and the Rules made there under.

We conducted our audit in accordance with the Standards on Auditing specified under Section 143(10) of the Act. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and the disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal financial control relevant to the Company's preparation of the financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on whether the Company has in place an adequate internal financial controls system over financial reporting and the operating effectiveness of such controls. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of the accounting estimates made by the Company's Directors, as well as evaluating the overall presentation of the financial statements.

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

**Basis for Qualified Opinion**

- (A) No provisions have been made in the standalone financial statements for the following amounts (refer respective notes in the notes to the financial statements)
- Penal Interest of Rs. 1475.51 lakhs (previous year ended 31<sup>st</sup> March 2015 Rs. 1268.87 lakhs) on overdue loan from Government of India.
  - Loss on account of Misappropriation of Company's funds amounting to Rs. 64.81 lakhs (Previous year ended 31<sup>st</sup> March 2015, Rs. 64.81 lakhs), pending final report from CBI and outcome of the civil suit.
  - Liability of wage revision for the period 1.1.1997 to 31.12.2000 Rs. 1887.79 lakhs (previous year ended 31<sup>st</sup> March 2015 Rs.1887.79 lakhs) at Rasayani unit
  - Liability of the wage Revision for the period 1.1.2007 to 31.3.2008 Rs.161.55 lakhs (previous year ended 31 March 2015 Rs.161.55 lakhs) to the officers and Rs.148.26 lakhs (previous year ended 31<sup>st</sup> March 2015 Rs.148.26 lakhs) to staff at Rasayani unit.
- The above first four matters were also qualified in Audit report on the financial statements for the year ended March 31, 2015.
- Had the above effects of the items referred above been considered, the loss for the year would have been higher by 3737.92 Lakhs (Previous year ended 31<sup>st</sup> march 2015 - Rs 3531.28 Lakhs)
- (B) In absence of adequate profit, Redemption reserve for redemption of 25% of Preference Shares Capital amounting to Rs. 6750 lacs due for redemption during the financial year 2015-16 is not provided in the books.
- (C) The Balances of trade payables, loans & advances and other current assets and other debit/ credit balances are pending for confirmations and reconciliations (note no. 43). The effect of the same on the loss is not ascertainable. This matter was also qualified in Audit report on the financial statements for the year ended March 31, 2015.
- (D) In absence of current status of pending litigations and financial impact thereof, liabilities under such cases are not ascertainable and the foreseeable loss of the same is not considered while preparing financial results.
- (E) The Kochi unit of the company has entered into long term supply contract with Gas Authority of India (GAIL) for supply of Liquefied Natural Gas in 2011 for the period of 15 years ending in 2026. Material foreseeable losses on this contract are not quantifiable in the current scenario.
- (F) The Company has not provided any provision during the year for diminution in the value of investments in subsidiaries and also no provision is made against overdue of loans given to them since long.

**Qualified Opinion**

In our opinion and to the best of our information and according to the explanations given to us, *except for the effects of the matters described in the Basis for Qualified Opinion paragraph above*, the aforesaid Standalone financial statements give the information required by the Act in the manner so required gives a true & fair view in conformity with the accounting principles generally accepted in India, of the state of affairs of the company as at 31<sup>st</sup> march, 2016 and its Losses and its Cash flow for the year ended on that date.

**Emphasis of Matter**

Attention is drawn to note 47 to the standalone financial statements which states that the Company has been declared as SICK unit by BIFR during the year vide its order dated 22<sup>nd</sup> July, 2015. The net worth of the Company is fully eroded. The Company has incurred cash losses in the current and in previous years. The Company's current liabilities exceeded its current assets as at the balance sheet date. These conditions indicate the existence of a material uncertainty that may cast significant doubt on the Company's ability to continue as a going concern. However, the financial statements of the Company have been prepared on a going concern basis because the Company's management has submitted board approved revival plan to administrative ministry and the same is under process.

In the absence of adequacy of funds, the Company has not paid salaries to employees, dues to many vendors, statutory dues and defaulted to its lenders for more than a year. Further due to inadequate working capital and economic viability of the products, some of the plants of the Company are not utilized appropriately which may lead to obsolesce due to non-working since long and frequent shutdown in running plants.

Our opinion is not modified in respect of this matter.

**Other Matter**

We did not audit the financial statements / information of Kochi Unit included in the standalone financial statement of the Company whose financial statement / financial information reflecting the total assets of **Rs. 9,929.54 Lakhs (excluding inter-branch balance) as at 31<sup>st</sup> March, 2016 and total Revenues of Rs. 8,726.57 lakhs for the year ended on that date**, as considered in the standalone financial statement. The financial statements/ information of this unit has been audited by the Independent branch auditors whose report has been furnished to us, and our opinion in so far as it relates to the amounts and disclosures included in respect of this unit is based solely on the report of such branch auditor.

Our opinion is not modified in respect of this matter.

*The matters described in the Basis for Qualified Opinion paragraph above, and the going concern matter described in the Emphasis of Matter paragraph above, in our opinion, may have an adverse effect on the functioning of the Company.*

**Report on Other Legal and Regulatory Requirements**

- As required by the Companies (Auditor's Report) Order, 2016 ("the Order"), as amended, issued by the Central Government of India in terms of sub-section (11) of section 143 of the Act, we give in the "Annexure I" a statement on the matters specified in paragraphs 3 and 4 of the Order, to the extent applicable.
- As required by the directions and sub-directions issued by the Office of the Comptroller and Auditor General of India under Section 143(5) of the Act, we give in "Annexure II", a statement on the matters referred to in those directions
- As required by section 143 (3) of the Act, we report that:
  - We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit;
  - In our opinion proper books of account as required by law have been kept by the Company so far as it appears from our examination of those books;
  - The report on the accounts of the branch office of the Company audited under section 143(8) of the Act by branch auditors have been sent to us and have been properly dealt with by us in preparing this report.
  - The Balance Sheet, the Statement of Profit and Loss and the Cash Flow Statement dealt with by this Report are in agreement with the books of account
  - In our opinion, the aforesaid Standalone financial statements comply with the Accounting Standards specified under section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014.
  - The conditions specified in section 164(2) of the act in respect of qualifications of directors are not applicable to the company being a Government company.
  - With respect to the adequacy of the internal financial controls over financial reporting of the Company and the operating effectiveness of such controls, refer to our separate Report in "Annexure III".
  - With respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, in our opinion and to the best of our information and according to the explanations given to us:
    - The Company has disclosed the impact of the pending litigations on the financial position in its financial statement which are contingent in nature ( Refer Note no 44 to the financial statements)
    - The Kochi unit of the company has entered into long term supply contract with Gas Authority of India (GAIL) for supply of Liquefied Natural Gas in 2011 for the period of 15 years ending in 2026. Material foreseeable losses on this contract are not quantifiable in the current scenario.
    - There were no amounts which were required to be transferred to the Investor Education and Protection Fund by the Company.

For JMT & Associates  
Chartered Accountants  
FRN: 104167W

Sd/-  
CA Jayesh Shah  
Partner

Place: Mumbai  
Date: 20.05.2016

Membership number: 39910



**“Annexure I” to the Independent Auditors’ Report to the Members of Hindustan Organic Chemicals Limited**

As referred to in paragraph 1 under the heading ‘Report on Other Legal & Regulatory Requirement’ of our report of even date and as required by the Companies (Auditors’ Report) Order, 2016, issued by Central Government in terms of sub section (11) of section 143 of the Companies Act, 2013 (‘the Act’) and on the basis of such checks as we considered appropriate and according to the information and explanation given to us. We further report that:

1. (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets;
- (b) In case of Kochi unit, *The Fixed Assets have not been physically verified by the management during the current year.*

In case of Rasayani unit, the Company has carried out Impairment study by independent external agency and incorporated provisions as report in their report. In our opinion the verification is reasonable, however it is recommended to implement regular program for verification of fixed assets on periodic basis.

- (c) The title deeds of immovable properties are held in the name of the company.
2. (a) The management has conducted the physical verification of inventory at reasonable intervals during the year. In our opinion the physical verification of inventory followed by the management are reasonable and adequate in relation to the size of the company and the nature of the business,

(b) In case of Rasayani unit the verification for non-working plants’ storages were not taken by dip measurement, instead reliance placed on the meter reading devices installed. The Company has maintained proper records of inventory. As explained to us, the discrepancies between the physical inventory and the physical records noticed on physical verification were not material.

3. As explained to us, the Company has granted secured loans to its subsidiary – Hindustan Fluorocarbons Ltd. and unsecured advance in the nature of loan to its joint venture subsidiary company – HOC- Chematur Ltd. Covered in the register maintained under section 189 of the Act.

The loan to Hindustan Fluorocarbons Ltd. is interest free to the extent of Rs. 2744.06 lakhs under BIFR agreement and has varying interest rates of 10.25% to 14.5% on amount of Rs.453.01 lakhs. Both the principal amount and the interest on this loan has not been received by company as per stipulation. The Company has not provided any provision against doubtful of recovery during the current year.

The advance to HOC- Chematur Ltd. of **Rs. 1067.46 lakhs** is interest free and there is no stipulation as to repayment of principal. The advance has been fully written off against provision made in previous year as it is doubtful of recovery.

In both the above cases, except follow up, the company has not taken any other steps for recovery of dues.

4. According to the information and explanations to us by the management, the company has not entered into any transaction regarding the provisions of section 185 & 186 of the Companies Act, 2013 except for guarantee given by the Holding Company of Rs.1103 Lakhs for the loans taken by subsidiary – Hindustan Fluorocarbons Ltd., from bank. Based on the information and explanations given, the terms and conditions of this guarantee are not prejudicial to the interest of the Holding Company.
5. The Company has not accepted any deposits from the public and hence the directives issued by the Reserve Bank of India and the provisions of Sections 73 to 76 or any other relevant provisions of the Act and the Companies (Acceptance of Deposit) Rules, 2015 with regard to the deposits accepted from the public are not applicable.
6. We have broadly reviewed the books of accounts maintained by the company in pursuance to the rules made by the Central Government for maintenance of cost records under sub-section (1) of Section 148 of the Act, for the certain products of the company and are of the opinion that prima facie and prescribed accounts and records have been maintained. We have not, however made a detailed examination of the records with a view to determine whether they are accurate or complete.
7. According to the information and explanations given to us by the management and on the basis of our examination of the books of account carried on by us and records, the Company has been generally regular in depositing undisputed statutory dues including Provident Fund, Service Tax, Duty of Customs, Duty of Excise, *except Employees State Insurance, Income-Tax, Sales tax, Value added Tax, cess etc. The company has not been regular in depositing provident fund dues and tax deducted at source with the appropriate authorities during the year.* There is no undisputed arrears of statutory dues outstanding as at 31<sup>st</sup> March, 2016 for the period of more than 6 Months from the date they became payable except for as stated below:

**Rasayani Unit**

Sr. No.	Name of Statute	Nature of Dues	Outstanding Amount (Rs in lakhs)
1	The Employees’ Provident Funds And Miscellaneous Provisions Act, 1952	Employees Provident Fund contribution	2273.37
2	The Employees’ Provident Funds And Miscellaneous Provisions Act, 1952	Employees Pension Fund contribution	154.83
3	Works Contract Tax Act, 1989	Works Contract Tax	1.29
4	Income Tax Act, 1961	Tax deducted at source	190.59
3	Gram Panchayat	Gram Panchayat Tax	47.00
		<b>Total</b>	<b>2667.07</b>

**Kochi Unit**

Sr. No.	Name of Statute	Nature of Dues	Outstanding Amount (Rs in lakhs)
1	The Employees’ Provident Funds And Miscellaneous Provisions Act, 1952	Employees Provident Fund contribution	537.18
2	Income Tax Act, 1961	TDS - Salary	93.35
3	Excise Act	Excise duty	114.89
4	Professional Tax	Professional Tax	4.49
		<b>Total</b>	<b>749.91</b>

- (b) According to the information and explanation given to us, there are no disputed dues of income tax, sales tax, service tax, duty of customs duty, excise duty, value added tax and cess which have not been deposited as at 31<sup>st</sup> March 2016 other than those shown below:

**Rasayani Unit**

Sr. No.	Name of Statute	Nature of Dues	Period to which the dispute relates	Amount of Dispute (Rs. in lakhs)	Forum where dispute is pending
1	Central Excise Act, 1944	Molten Sulphur Classification	Feb-97 to Jun-98	15.53	Customs, Excise and Service Tax Appellate Tribunal
2	Central Excise Act, 1944	Molten Sulphur Classification	Sept-94 to Jan-97	22.76	Customs, Excise and Service Tax Appellate Tribunal
3	Central Excise Act, 1944	Shortage of Inputs	1998-01	18.66	Pending at high court
4	Central Excise Act, 1944	Shortage of Inputs	July-01 to Sept-02	5.85	Commissionerate
5	Central Excise Act, 1944	ARO Case (Aniline Valuation)	July,03 to May06	19.29	Customs, Excise and Service tax appellate
6	Central Excise Act, 1944	Clearance of SSA to Fertilizer Manufacturing Units	Sept. 96 to Mar.00	112.78	Pending remanded by CEGAT but Central Excise department filed appeal in High Court
7	Central Excise Act, 1944	N2O4 Exemption	Jan.,06 to Feb.,08	104.63	Customs, Excise and Service Tax Appellate Tribunal
8	Central Excise Act, 1944	Duty on clearance on Molten Sulphur	Nov.,98 to Dec.,98	5.05	Deputy commissioner central excise
9	Central Excise Act, 1944	Duty on clearance on Molten Sulphur	Dec.,98 to Jan.,99	2.59	Deputy commissioner central excise
10	Finance Act 1944	Wrong credit avails on Angels, bar and HR coils and Plates	May-07 to July 10	1.44	Appeal filed before Assistant commissioner Central Excise
11	Finance Act 1944	Cleaning, gardening and rent a cab services	Oct.,9 to Nov.,11	8.88	Deputy Commissioner Central Excise
12	Finance Act 1944	Service tax on canteen services	Feb.07 to Mar.11	66.96	Commissioner of Central Excise Custom and Service Tax.
13	Finance Act 1944	Capital goods Bills of entry	27.11.2013 to 18.12.14	17.58	Appeal filed before Hon’ble Comm.C excise Appeals Mumbai,II
14	Finance Act, 1994	Flood case	Jan.,2007	9.34	Appeal is to be filed in CESTATE
15	Finance Act, 1994	Reversal Penalty and int. payment as O-in-O	Oct.,13 to Mar.15	10.95	Assistant commissioner Central Excise.
16	Finance Act, 1994	Molten Sulphur	1999	7.62	Commissioner of Central Excise Appeals, Mumbai – II
17	Finance Act, 1994	Shortage of inputs		13.64	Commissioner of Central Excise
18	Finance Act, 1994	Reversal of cenvat credit	2006-07	18.66	Commissioner of Central Excise se
19	Finance Act, 1994	Service tax credit works	2015-16	17.80	Joint commissioner Central Excise



Sr. No.	Name of Statute	Nature of Dues	Period to which the dispute relates	Amount of Dispute (Rs. in lakhs)	Forum where dispute is pending
20	Finance Act, 1994	Contract Service		8.90	Appeal is to be filed before Hon'ble Comm. Central Excise Appeals Mumbai – II
21	Income Tax Act, 1961	Penalty u/s 271(1)(c)	A.Y 1999-00	91.07	Bombay High Court
22	Income Tax Act, 1961	Penalty u/s 271(1)(c)	A.Y 1999-00	57.55	Bombay High Court
23	Income Tax Act, 1961	Penalty u/s 271(1)(c)	A.Y 2003-04	607.25	Bombay High Court
24	Income Tax Act, 1961	Penalty u/s 271(1)(c)	A.Y 2004-05	63.23	Bombay High Court
25	Income Tax Act, 1961	Disallowance of Expenses	A.Y. 2011-12	404.71	Bombay High Court. Awaiting for hearing.
26	Income Tax Act, 1961	Disallowance of Expenses	A.Y. 2012-13	81.03	Bombay High Court. Awaiting for hearing.
27	Income Tax Act, 1961	Disallowance of Expenses	A.Y. 2013-14	106.51	Bombay High Court. Awaiting for hearing.
<b>Total</b>				<b>1900.26</b>	

**Kochi Unit**

Sr. No.	Name of Statute	Nature of Dues	Period to which the dispute relates	Amount of Dispute (Rs. in lakhs)	Forum where dispute is pending
1	ESI Corporation	ESI contribution of employees	1.04.92 to 31.10.92	2.17	Employees Insurance Court (Industrial)
2	Finance Act 1994	Availing of CEVAT credit on service tax on transportation of final products to Rasayani Depot	04/03 to 12/06	41.47	CESTAT, Bangalore
3	Finance Act 1994	Insurance renewal/ Tyretrading charge	07/11 to 05/12	3.17	CESTAT, Bangalore
4	Finance Act 1994	Bus, Car transportation to employees	11/11 to 06/12	1.16	Commissioner of Central Excise Appeals, Ernakulam
5	Finance Act 1994	Insurance renewal/Tyretrading charge	04/11 to 03/13	10.96	Commissioner of Central Excise Appeals, Ernakulam
6	Finance Act 1994	Outdoor Catering/ Insurance renewal & Tyretrading charge	04/06 to 01/13	83.33	Department filed appeal to CESTAT, Bangalore
7	Employees Provident Fund	Employees Family Pension Scheme- Damage for default payment	1995 to 1997	18.05	Appeal filed before High Court, Kerala
8	Central Sales Tax Act, 1956	Levy of interest- CST	2005-06	155.23	Tribunal Dept. of Commercial Taxes, Ernakulam
9	KVAT Act, 2003	Levy of interest- KVAT	2005-06	152.63	Tribunal Dept. of Commercial Taxes, Ernakulam
10	KVAT Act, 2003	KVAT Act, 2003 – Demand U/S 25(1)	2011-12	714.58	Commissioner of commercial taxes - Thiruvananthapuram
11	Central Sales Tax Act, 1956	Input Tax due from April, 12 to March, 13	2012-13	73.36	D.C (Appeals), Dept. of Commercial Taxes, Ernakulam
<b>Total</b>				<b>1256.11</b>	

8. In our opinion & according to the information and explanation given to us, in absence of adequacy of funds the company has made default in repayment of dues to banks and government loan as per stipulation and further the company is declared as SICK under BIFR. The revival proposal of Company is submitted with administrative Ministry and the same is under process. Details for the default made by the company are as follows:

S.No	Year	Government Loan ( Rs in Lakhs)	Canara Bank Loan ( Rs in Lakhs)
1	2002-03	61.60	-
2	2003-04	152.60	-
3	2004-05	212.60	-
4	2005-06	268.50	-
5	2006-07	328.50	-
6	2007-08	328.50	-

S.No	Year	Government Loan ( Rs in Lakhs)	Canara Bank Loan ( Rs in Lakhs)
7	2008-09	448.50	-
8	2009-10	804.50	-
9	2010-11	749.10	-
10	2011-12	749.10	-
11	2012-13	687.50	-
12	2013-14	828.50	-
13	2014-15	768.50	-
14	2015-16	412.00	58.43
<b>Total</b>		<b>6800.00*</b>	<b>58.43**</b>

\*Annual Installments for various loans \*\* Monthly Installments of Rs. 5.33 Lakhs

- In our opinion and according to the information and explanations given to us, the Company has not raised money by way of public issue/ follow-on offer (including debt instruments)/term loan. The company has received Government loan during the year and the same was applied for the purpose for which it was raised.
  - Based on the audit procedures performed and the information & explanations given by the management, we report that no fraud by the company or on the company by its officers or employees has been noticed or reported during the year.
  - Based upon the audit procedures performed and the information and explanations given by the management, the managerial remuneration has been paid or provided in accordance with the requisite approvals mandated by the provisions of section 197 read with Schedule V to the Companies Act.
  - In our opinion, the Company is not a Nidhi Company. Therefore, the provisions of clause 3 (xii) of the Order are not applicable to the Company.
  - In our opinion, all transactions with the related parties are in compliance with section 177 and 188 of Companies Act, 2013 and the details have been disclosed in the Financial Statements as required by the applicable accounting standards.
  - Based upon the audit procedures performed and the information and explanations given by the management, the company has not made any preferential allotment or private placement of shares or fully or partly convertible debentures during the year under review. Accordingly, the provisions of clause 3 (xiv) of the Order are not applicable to the Company and hence not commented upon.
  - Based upon the audit procedures performed and the information and explanations given by the management, the company has not entered into any non-cash transactions with directors or persons connected with him. Accordingly, the provisions of clause 3 (xv) of the Order are not applicable to the Company and hence not commented upon.
  - In our opinion, the company is not required to be registered under section 451A of the Reserve Bank of India Act, 1934 and accordingly, the provisions of clause 3 (xvi) of the order are not applicable to the Company and hence not commented upon.
- For JMT & Associates  
Chartered Accountants  
FRN: 104167W
- Sd/-  
**CA Jayesh Shah**  
Partner  
Membership number: 39910
- Place: Mumbai  
Date: 20.05.2016

**Annexure II to the Independent Auditor's Report of even date**

**To the Members of Hindustan Organic Chemicals Limited For the year ended 31<sup>st</sup> March, 2016**

**(Referred to in paragraph 2 under Report on Other Legal and Regulatory Requirements)**

As required by the directions and sub-directions issued by the Office of the Comptroller and Auditor General of India under Section 143(5) of the Companies Act, 2013, we give below our comments on the matters referred therein

- Whether the Company has clear title/lease deeds for freehold and leasehold respectively? If not please state the area of freehold & leasehold land for which title/lease deeds are not available?** Based on the information & Explanation given to us we report that the Company has clear titles/lease deeds for freehold and leasehold respectively.
- Please report whether there are any cases of waiver/ write off of debts/loans/interest etc., if yes, the reasons there for and the amount involved.**

**Rasayani unit:**

The Rasayani unit of the company has not written off of any Debts/Loans/Interest etc during the year.

**Kochi unit:**

The Kochi Unit of the Company has written off Rs. 32.66 lacs due from M/s Shubham Chemicals & Solvents Ltd., New Delhi towards the delayed payment charges after getting the approval of the competent authority.

- Whether proper records are maintained for inventories lying with third parties & assets received as gift from Govt. or other authorities.**

As informed to us, there are no inventories lying with third parties and there are no assets received as gift from Govt. or other authorities during the year.

**Sub-directions u/s 143(5) of the Companies Act, 2013**

1. State the area of land under encroachment and briefly explain the steps taken by the Company to remove the encroachment.

**Rasayani Unit:**

As informed to us, in Rasayani Unit, 40 acres (approx) land is under encroachment. The management has not taken any effective action for eviction of the encroachers. The land area allotted by the Government of Maharashtra is not earmarked and measured. Detail of encroachment given on approximate basis.

It is recommended to obtain exact measurement report duly certified by collector to earmarked encroached area and fencing of total area. Thereafter actual area of encroachment can be measured correctly.

**Kochi Unit:**

In Kochi Unit, we are informed that no encroachment of land has been noticed.

2. (i) Whether the amount of (a) bank balances (b) Trade Receivable (c) Trade Payables (d) Loans & Advances for which third party confirmation was not made available has been reported.

Confirmations/ Bank Statements for all bank balances have been received. In case of Kochi unit we have not received any direct confirmation from debtors and creditors. In case of Rasayani unit few creditors have confirmed balances to us, list of which is provided to the management.

a)	Bank Balance	Confirmation received for all banks
b)	Trade receivable	No Confirmation received
c)	Trade payables	Confirmation received of 12 parties amounting to Rs 119.43 Lakhs.
d)	Loan & Advances	No Confirmation received

(ii) Where such balance has been confirmed by the respective parties, whether it varies widely from the amounts reflected under respective heads in the financial statements and if so differences to be disclosed.

**Rasayani Unit:**

Out of the confirmations received on creditors/debtors reconciliation there were 2 parties where variations exceeded Rs. 1 lakh individually. These accounts are yet to be reconciled. They represent a small percentage as compared to the total amount of outstanding.

S.No	Name of Party	Balance in Books (Rs In Lakhs)	Balance confirmed (Rs In Lakhs)	Variations (Rs In Lakhs)
1	Kaizen Automations	9.94	15.28	5.34
2	Hazels Mercantile Limited	72.69	140.48	67.79
	<b>Total</b>	<b>82.63</b>	<b>155.76</b>	<b>73.13</b>

3. Independent verification may be made, of information / inputs furnished to actuary viz, number of employees, average salary, retirement age etc. and assumptions made by the actuary regarding the discount rates, future cost increase, mortality rate etc. for arriving at the provisions for liability of retirement benefits viz, gratuity, leave encashment, post-retirement medical benefits etc.

The particulars furnished to the actuary and the assumption made by the actuary for arriving at the provisions for liability of retirement benefits have prima facie been verified by us.

**For JMT & Associates**  
Chartered Accountants  
FRN: 104167W

**Sd/-**  
**CA Jayesh Shah**  
Partner  
Membership number: 39910

Place: Mumbai  
Date: 20.05.2016

**Annexure III" to the Independent Auditor's Report of even date on the Standalone Financial Statements of HINDUSTAN ORGANIC CHEMICALS LIMITED****Report on the Internal Financial Controls under Clause (i) of Sub-section 3 of Section 143 of the Companies Act, 2013 ("the Act")**

We have audited the internal financial controls over financial reporting of HINDUSTAN ORGANIC CHEMICAL LIMITED as at March 31, 2016 in conjunction with our audit of the standalone financial statements of the Company for the year ended on that date.

**Management's Responsibility for Internal Financial Controls**

The Company's management is responsible for establishing and maintaining internal financial controls based on "the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls over Financial Reporting issued by the Institute of Chartered Accountants of India". These responsibilities include the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the orderly and efficient conduct of its business, including adherence to company's policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information, as required under the Companies Act, 2013.

**Auditors' Responsibility**

Our responsibility is to express an opinion on the Company's internal financial controls over financial reporting based on our audit. We conducted our audit in accordance with the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting and the Standards on Auditing, issued by ICAI and deemed to be prescribed under section 143(10) of the Companies Act, 2013, to the extent applicable to an audit of internal financial controls, both applicable to an audit of Internal Financial Controls and, both issued by the Institute of Chartered Accountants of India. Those Standards and the Guidance Note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate internal financial controls over financial reporting was established and maintained and if such controls operated effectively in all material respects.

Our audit involves performing procedures to obtain audit evidence about the adequacy of the internal financial controls system over financial reporting and their operating effectiveness. Our audit of internal financial controls over financial reporting included obtaining an understanding of internal financial controls over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the Company's internal financial controls system over financial reporting.

**Meaning of Internal Financial Controls over Financial Reporting**

A company's internal financial control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal financial control over financial reporting includes those policies and procedures that:

- (1) Pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company;
- (2) Provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and
- (3) Provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

**Inherent Limitations of Internal Financial Controls over Financial Reporting**

Because of the inherent limitations of internal financial controls over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may occur and not be detected. Also, projections of any evaluation of the internal financial controls over financial reporting to future periods are subject to the risk that the internal financial control over financial reporting may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

**Opinion**

In our opinion, the Company does have, an adequate internal financial controls system over financial reporting and such internal financial controls over financial reporting were operating effectively as at March 31, 2016 in material aspects, based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India except as reported below:

- The Company needs to improve system of maintaining status of litigations or legal cases and periodic confirmations from legal consultants/in-charges should be placed in board meeting to ensure adequate provisioning under pending cases.
- The Company should improve system of follow up with all creditors/debtors to ensure periodic reconciliation with parties because very few confirmations received during the year.
- The Company needs to implement program for physical verification of all movable and immovable assets on periodic basis in addition to impairment study done by external independent agency.
- The Company should conduct Quarterly internal audit because no internal audit reports are placed in board meeting during the year due to delay in appointment of internal auditors.

**For JMT & Associates**  
Chartered Accountants  
FRN: 104167W

**Sd/-**  
**CA Jayesh Shah**  
Partner  
Membership number: 39910

Place: Mumbai  
Date: 20.05.2016



## Standalone Balance Sheet as at 31st March, 2016

(₹ lakhs)

	Notes	As at 31.03.2016	As at 31.03.2015
<b>I. EQUITY AND LIABILITIES</b>			
(1) Shareholders' funds			
(a) Share capital	2	<b>33726.96</b>	33726.96
(b) Reserves and surplus	3	<b>(104847.73)</b>	(87142.56)
		<b>-71120.77</b>	-53415.60
(2) Deferred government grants	4	<b>1971.25</b>	1595.96
(3) Non-current liabilities			
(a) Long-term borrowings	5	<b>28327.16</b>	27618.08
(b) Other Long term liabilities	6	<b>0.00</b>	136.33
(c) Long-term provisions	7	<b>7877.55</b>	8199.77
		<b>36204.71</b>	35954.18
(4) Current liabilities			
(a) Short-term borrowings	8	<b>4041.39</b>	5291.09
(b) Trade payables	9	<b>16139.88</b>	11433.45
(c) Other current liabilities	10	<b>35116.93</b>	26949.77
(d) Short-term provisions	11	<b>1259.73</b>	1296.67
		<b>56557.93</b>	44970.98
<b>TOTAL</b>		<b>23613.12</b>	29105.52
<b>II. ASSETS</b>			
(1) Non-current assets			
(a) Fixed assets	12		
(i) Tangible assets		<b>10065.54</b>	11589.94
(ii) Intangible assets		<b>7.64</b>	89.06
(iii) Capital work-in-progress	13	<b>433.22</b>	1066.61
(iv) Intangible assets under development		<b>0.00</b>	0.00
(b) Non-current investments	14	<b>889.80</b>	889.80
(c) Long-term loans and advances	15	<b>3140.78</b>	2860.79
		<b>14536.98</b>	16496.20
(2) Current assets			
(a) Inventories	16	<b>3131.91</b>	5196.77
(b) Trade receivables	17	<b>641.12</b>	2198.51
(c) Cash and cash equivalents	18	<b>234.22</b>	184.67
(d) Short-term loans and advances	19	<b>4850.72</b>	4796.20
(e) Other current assets	20	<b>218.17</b>	233.17
		<b>9076.14</b>	12609.32
<b>TOTAL</b>		<b>23613.12</b>	29105.52
Significant Accounting Policies	1		
Notes to the Standalone Financial Statements	2 to 49		

For and on behalf of the Board of Directors

As per our report of even date attached

Sd/-  
**S.B. Bhide**  
 Acting Chairman & Managing Director  
 & Director (Technical)

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

**For JMT & Associates**  
 Chartered Accountants  
 Firm's Registration No.104167W

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

Sd/-  
**P.O. Luise**  
 Chief Financial Officer

Sd/-  
**Jayesh Shah**  
 Partner  
 Membership No. 39910

Place: Mumbai  
 Date: 20-05-2016

Place: Mumbai  
 Date: 20-05-2016



### Standalone Statement of Profit and Loss for the year ended 31st March, 2016

(₹ lakhs)

	Notes	Year ended 31.03.2016	Year ended 31.03.2015
<b>REVENUE</b>			
Revenue from operations:			
Sale of products	21	12078.72	16719.40
Other operating revenue		1.72	111.73
		12080.44	16831.13
Less : Excise duty		1165.67	1817.89
		10914.77	15013.24
Other income	22	489.21	833.03
<b>Total revenue</b>		11403.98	15846.27
<b>EXPENSES</b>			
Cost of materials consumed	23	3864.22	9586.60
Changes in Inventories of finished goods and work in progress	24	1672.71	(337.39)
Variation in excise duty on finished goods inventory		(219.56)	148.22
Employee benefits expenses	25	9613.37	10904.14
Finance costs	26	6610.92	5127.14
Depreciation and amortization expenses		856.49	879.62
Provision for impairment loss on fixed assets		1593.70	14.25
Other expenses	27	5841.38	6990.47
<b>Total expenses</b>		29833.23	33313.05
Profit / (Loss) before prior period adjustment		(18429.25)	(17466.78)
Less: Prior Year Adjustment	28	(1038.19)	3992.17
Profit / (Loss) before exceptional items and tax		(17391.06)	(21458.95)
Less: Exceptional items	29	0.00	89.82
Profit / (Loss) before tax		(17391.06)	(21548.77)
Extra-ordinary items		0.00	0.00
Profit / (Loss) before tax		(17391.06)	(21548.77)
Tax expenses :			
Current tax		-	-
Deferred tax		-	-
<b>Profit / (Loss) for the year</b>		(17391.06)	(21548.77)
Earnings per equity share: (in ₹) (Face value ₹ 10 each)			
Basic and Diluted	39	(25.89)	(32.08)
Significant Accounting Policies	1		
Notes to the Standalone Financial Statements	2 to 49		

**For and on behalf of the Board of Directors**

As per our report of even date attached

Sd/-  
**S.B. Bhide**  
Acting Chairman & Managing Director  
& Director (Technical)

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

**For JMT & Associates**  
Chartered Accountants  
Firm's Registration No.104167W

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

Sd/-  
**P.O. Luise**  
Chief Financial Officer

Sd/-  
**Jayesh Shah**  
Partner  
Membership No. 39910

Place: Mumbai  
Date: 20-05-2016

Place: Mumbai  
Date: 20-05-2016



### Standalone Cash Flow Statement for the year ended 31st March, 2016

(₹ lakhs)

	2015-16	2014-15
<b>CASH FLOW FROM OPERATING ACTIVITIES:</b>		
Net Profit/(Loss) before tax, prior year adjustments and exceptional items as per Statement of Profit and Loss	(18429.25)	(17466.79)
Adjusted for :		
Depreciation and amortization expenses	856.49	879.62
Impairment loss (net of provision written back)	1593.70	0.18
Provision for Impairment on CWIP	-	2634.54
Provision for Diminution of Investment-HFL	-	221.20
Loss on sale/ discard of assets (net)	-	0.94
Provision for Stock Obsolescence	184.84	104.88
Profit on Sale of Assets	-	(202.40)
Govt grant transferred to income (Refer note 4)	(102.03)	(92.47)
Finance costs	6610.92	5127.14
Provision no longer required written back	-	(20.04)
Interest income from Subsidiary	(63.78)	(63.95)
Interest income	(15.01)	(80.82)
	<u>9065.13</u>	<u>(80.82)</u>
<b>Operating Profit/(Loss) Before Prior Year Adjustments</b>	<b>(9364.12)</b>	<b>(8957.97)</b>
Add :- Net prior year adjustments and exceptional items:	<u>1038.19</u>	<u>(4081.99)</u>
<b>Operating Profit / (Loss) Before Working Capital Changes</b>	<b>(8325.93)</b>	<b>(13039.96)</b>
Adjusted for :		
Trade and other receivables	1557.39	(1268.50)
Inventory	1880.02	(133.32)
Trade and other payables	9779.55	3445.26
Loans and advances	(143.02)	(258.01)
	<u>13073.94</u>	<u>1785.43</u>
<b>Cash Generated from Operations</b>	<b>4748.01</b>	<b>(11254.53)</b>
Taxes paid (net)	-	-
<b>Net Cash from Operating Activities : (A)</b>	<b>4748.01</b>	<b>(11254.53)</b>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>		
Purchase of fixed assets	(210.98)	(63.64)
Sale of fixed assets	-	379.58
Interest income	78.79	144.77
	<u>(132.19)</u>	<u>460.71</u>
<b>Net Cash Used In Investing Activities : (B)</b>	<b>(132.19)</b>	<b>460.71</b>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>		
Borrowings (net of repayments)	979.85	12220.07
Bond issue expenses	(314.11)	(227.43)
Interest paid	(5396.51)	(3557.81)
Grant from ISRO	164.50	98.07
	<u>(4566.27)</u>	<u>8532.90</u>
<b>Net Cash from / Used In Financing Activities : (C)</b>	<b>(4566.27)</b>	<b>8532.90</b>
<b>Net Increase In Cash and Cash Equivalents (A+B+C)</b>	<b>49.55</b>	<b>(2260.92)</b>
<b>Opening Balance of Cash and Cash Equivalents</b>	<b>184.67</b>	<b>2445.59</b>
<b>Closing Balance of Cash and Cash Equivalents</b>	<b>234.22</b>	<b>184.67</b>

Note : 1. Figures in brackets represent outflows.

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

**For and on behalf of the Board of Directors**

As per our report of even date attached

Sd/-  
**S.B. Bhide**  
 Acting Chairman & Managing Director  
 & Director (Technical)

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

**For JMT & Associates**  
 Chartered Accountants  
 Firm's Registration No.104167W

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

Sd/-  
**P.O. Luise**  
 Chief Financial Officer

Sd/-  
**Jayesh Shah**  
 Partner  
 Membership No. 39910

Place: Mumbai  
 Date: 20-05-2016

Place: Mumbai  
 Date: 20-05-2016

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

The financial statements have been prepared on accrual basis, unless stated otherwise, under the historical cost convention, in accordance with the generally accepted accounting principles in India and the provisions of the Companies Act, 2013.

**B. USE OF ESTIMATES**

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

**C. FIXED ASSETS**

- Fixed Assets are stated at historical cost less depreciation. Costs include all expenses incurred to bring the assets to its present location and condition.
- The constructed/fabricated capital assets are capitalized as and when the same are installed in the plants.
- Machinery spares which are procured for use in connection with particular machinery/equipment and stand by equipments which are identified to a particular item of fixed asset and having irregular use are capitalized and written off over the remaining useful life of the machinery/ equipment.
- In respect of Plant and Machinery, significant expenditure on repairs, renewals and replacement having a separate identity and is capable of being used after the existing assets are disposed off or which are certified by the concerned technical department to have resulted in technical improvement, increased capacity or increased useful life of the assets, is capitalised. The estimated residual value of the replaced parts, determined on technical assessment is charged to Statement of Profit and Loss as loss on scrapping of assets.
- Items of fixed assets that have been retired from active use and are held for disposal are valued at lower of their net book value or net realisable value.

**D. IMPAIRMENT OF ASSETS**

The carrying amount of assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. An asset is treated as impaired when the carrying cost of assets exceeds its recoverable value. An impairment loss is charged to the Statement of Profit and Loss in the year in which an asset is identified as impaired. The impairment loss recognised in prior accounting periods is reversed if there has been a change in the estimate of recoverable amount.

**E. DEPRECIATION**

- Depreciation is provided during the year at the rates prescribed in Schedule II of the Companies Act, 2013 for all tangible assets.
- Assets are depreciated upto 95% of their cost and balance 5% is carried in the books as residual value except in case of intangible assets.
- Intangible Assets consisting of computer software and SAP license cost are amortised over a period of 5 years on straight line basis from the date of acquisition.
- Assets individually costing less than ₹ 5000/- are fully depreciated in the year on acquisition.
- Lease premium paid on leasehold land is amortised over the life of lease.

**F. INVENTORIES**

- Inventories are valued at lower of cost and net realizable value except in case of:
  - Raw materials are valued at cost **on weighted average basis.**
  - Stores and spares, which are valued at cost, determined as per weighted average cost method,
  - By-products which are valued at estimated net realizable value, and
  - Intermediate products which are exclusively held for captive consumption are valued at cost.
- For the purpose of valuation of stock-in-process and stock of finished goods pending inspection, the same is converted into equivalent units of finished products held for captive consumption depending upon stage of completion.
- The cost of Catalyst is amortised over their estimated useful lives. Balance unamortised portion has been shown under the head "Stores and Spares".
- Provision for non-moving / obsolete stores and spares are made based on technical assessment.

**G. SUNDRY DEBTORS**

Provision for Doubtful debts/Loans/Advances: Full provision is made in the books, in respect of Sundry Debtors outstanding for more than 3 years except for in respect of receivables from Government departments/Companies.

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

**H. REVENUE RECOGNITION**

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

**I. GOVERNMENT GRANTS**

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

**J. FOREIGN CURRENCY TRANSACTIONS**

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

**K. BOND ISSUE EXPENSES**

Bond Issue Expenses are being charged off against Securities Premium Account as per the provisions of the Companies Act, 2013.

**L. RETIREMENT BENEFITS**

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

**M. INVESTMENTS**

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

**N. PRIOR PERIOD ADJUSTMENTS**

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

**O. PREPAID EXPENSES**

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

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

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

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

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



NOTES TO THE STANDALONE FINANCIAL STATEMENTS

(₹ lakhs)

Note No.	As at 31.03.2016	As at 31.03.2015
<b>2 SHARE CAPITAL:</b>		
<b>AUTHORISED</b>		
100000000 (previous year 100000000) Equity Shares of ₹ 10 each	10000.00	10000.00
270000000 (previous year 270000000) 8% Non-cumulative Redeemable Preference Shares of ₹ 10 each.	27000.00	27000.00
	<u>37000.00</u>	<u>37000.00</u>
<b>ISSUED, SUBSCRIBED AND FULLY PAID-UP</b>		
<b>Equity Share Capital</b>		
67173100 (previous year 67173100) Equity Shares of ₹ 10 each	6717.31	6717.31
Add: Paid-up amount on shares forfeited	9.65	9.65
	<u>6726.96</u>	<u>6726.96</u>
<b>Preference Share Capital</b>		
270000000 (previous year 270000000) 8% Non-cumulative Redeemable Preference Shares of ₹ 10 each.	27000.00	27000.00
<b>TOTAL</b>	<u>33726.96</u>	<u>33726.96</u>
<b>2A</b> During the year 2010-11, the Company forfeited 193000 shares of ₹ 10 each (₹ 5 paid up) for non payment of allotment and call monies and the amount paid towards application money in respect of these forfeited shares has been transferred to "Share's Forfeiture Account".		
<b>2B</b> The Government of India had released in earlier year ₹ 27000 lakhs (for financial restructuring ₹ 25000 lakhs and Caustic Soda Plant recommissioning ₹ 2000 lakhs ) against allotment of 8% Non-Cumulative Redeemable Preference Shares, thereby broadening the capital base as per the revival scheme. The 8% Preference Shares were allotted to Government of India by the Board on 28th January, 2008, redeemable @ 20% commencing from 4th year with last redemption in the 8th year. The first, second, third, forth & fifth installments of 20% i.e. ₹ 5400.00 lakhs each was due for redemption in financial year 2011-12, 2012-13, 2013-14, 2014-15 & 2015-16 respectively. At the request of the Company, Government of India has extended the commencement of redemption from financial year 2011-12 to financial year 2015-16 onwards in four equal installments @ 25% each year. The Board has authorised the company to request the Govt. for further extension of the redemption date by another four years. The consultant has recommended for conversion of Preference shares into equity in the revival report submitted to the government.		
<b>2C</b> The particulars of shareholders holding more than 5% equity shares.		
The Government of India		
Number of shares held	39481500	39481500
Percentage of holding	58.78%	58.78%
<b>2D Terms/rights attached to equity shares</b>		
The Company has only one class of equity shares having a par value of ₹ 10 per share. Each holder of equity shares is entitled to one vote per share. In the event of liquidation of the Company, the holders of equity shares will be entitled to receive remaining assets of the Company, after distribution of all preferential amounts. The distribution will be in proportion to the number of equity shares held by the shareholders.		
<b>2E</b> The preference shareholders have no voting rights.		
<b>Note No.</b>	<b>As at 31.03.2016</b>	<b>As at 31.03.2015</b>
<b>3 RESERVES AND SURPLUS:</b>		
<b>Capital Reserve</b>		
Nominal value of Freehold land Re. 1/- (previous year Re. 1/-)	-	-
<b>Share Premium Account</b>	5612.89	5840.32
Less: Bond Issue Expenses	314.11	227.43
	<u>5298.78</u>	<u>5612.89</u>
<b>Surplus / (Deficit) in Statement of Profit and Loss</b>		
Balance as per last Balance Sheet	(92755.45)	(70568.67)
Profit / (Loss) for the year as per the Statement of Profit and Loss	(17391.06)	(21548.77)
Depreciation on assets where useful life is over as on 31.03.2014 (Refer note no.34D)	0.00	(638.01)
<b>TOTAL</b>	<u>(104847.73)</u>	<u>(87142.56)</u>
<b>4 DEFERRED GOVERNMENT GRANTS :</b>		
Amount received upto 01.04.2015	1932.34	1834.27
Add: Received during the year	164.50	98.07
Add: Receivable as per final statement	176.49	0.00
	<u>2273.33</u>	<u>1932.34</u>
Less: Transferred (to) / from deposit	0.00	(136.33)
	<u>2273.33</u>	<u>1796.01</u>
Less: Transferred to Income upto 31.03.2015 (P.Y. upto 31.03.2014)	(200.05)	(107.58)
Less: Transferred to Income during the year	(102.03)	(92.47)
<b>TOTAL</b>	<u>1971.25</u>	<u>1595.96</u>

(₹ lakhs)

**4A** An amount of ₹ 2096.84 lakhs (previous year ₹ 1932.33 lakhs) has been received from ISRO (Government of India) towards Capital Grant for refurbishment of CNA Plant. An amount of ₹ 2273.33 lakhs (Previous year ₹ 1796.00 lakhs) has been spent upto 31st March, 2016 and balance unspent amount of ₹ Nil (previous year ₹ 136.33 lakhs ) has been shown as deposit under the head – Other Long-term Liabilities. The refurbishment Project has been completed and commissioned on 19.01.2016 and a balance amount of ₹ 176.49 lakhs has been shown as receivable from ISRO. As per AS – 12 - 'Accounting for Government Grants', income for the year has been recognised from this grant of ₹ 102.03 lakhs (previous year ₹ 92.47 lakhs) to the extent of depreciation charged and is included in 'Miscellaneous income'.

Note No.	As at 31.03.2016	As at 31.03.2015
<b>5 LONG-TERM BORROWINGS :</b>		
<b>Secured Loans</b>		
Term Loan from Bank	900.00	1800.00
<b>Unsecured Loans</b>		
1000 (Previous year 1000) Non-convertible 10.57% Taxable Bonds of ₹ 1000000 each, redeemable on 28.08.2017	10000.00	10000.00
1500 (Previous year 1500) Non-convertible 9.36% Taxable Bonds of ₹ 1000000 each, redeemable on 28.09.2017	15000.00	15000.00
Loans from Government of India	2320.80	704.00
Other Loans	106.36	114.08
<b>TOTAL</b>	<u>28327.16</u>	<u>27618.08</u>

**5A** i) Term Loan from Bank is secured by equitable mortgage conveying first charge over all immovable assets at factory & township suited at Ambalamugal, Rasayani & Nestle apartments (10 Flats) at Mumbai

ii) The Company has raised Bonds for ₹ 10000 lakhs (series XX unsecured 10.57% p.a. redeemable bonds) on 28.08.2013 to redeem the bonds (series XIX unsecured 8.73% p.a. redeemable bond) matured on 28.08.2013.

iii) The Company has raised Bonds for ₹ 15000 lakhs (series XXI unsecured 9.36% p.a. redeemable bonds) on 01.10.2014 for working capital requirement.

iv) In the absence of profit during the year and due to accumulated losses, Bond redemption reserve has not been created against the bonds raised during the year under series XXI for ₹ 15000 lakhs

v) There is a continuing default in repayment of loan from Government of India since the year 2002-03 and the overdue amount towards principal is ₹ 6800.00 lakhs (previous year ₹ 6388.00 lakhs) and for interest accrued is ₹ 7379.15 lakhs (previous year ₹ 6379.90 lakhs ). These amounts are shown under 'Other Current Liabilities'. Further an amount of ₹ 844.20 lakhs (previous year ₹ 412.00 lakhs ) maturing in next 12 months is shown under Other Current Liabilities as 'current maturity of long-term borrowings'.

vi) The Company has not made provision for penal interest payable amounting to ₹ 1475.51 lakhs (previous year ₹ 1268.87 lakhs) on overdue Government Loan upto 31st March, 2016 since the same is leviable at the discretion of Government of India. The Company has not received any demand from the Government of India for the same. The same has been disclosed under Contingent Liabilities.

**5B** The other loans shown above is Canara Bank towards housing finance for employees. The loans from Canara Bank ₹ 152.40 lakhs (Previous year ₹ 158.14 lakhs ) are secured by way of mortgage assignment of rights available to the Company on the housing properties. The amounts re-payable to Canara Bank within one year amounting to ₹ 46.04 lakhs (previous year ₹ 44.06 lakhs) is shown under other 'as 'current liabilities' 'current maturity of long-term borrowings'.

Note No.	As at 31.03.2016	As at 31.03.2015
<b>6 OTHER LONG-TERM LIABILITIES :</b>		
Deposit from ISRO (Refer note - 4A)	-	136.33
<b>TOTAL</b>	<u>-</u>	<u>136.33</u>
<b>7 LONG-TERM PROVISIONS :</b>		
For Employee's Benefits (Refer note - 31)	7848.73	8170.95
For Others		
Difference in Fixed Assets	10.77	10.77
Statutory Claims	18.05	28.82
<b>TOTAL</b>	<u>7877.55</u>	<u>8199.77</u>
<b>8 SHORT-TERM BORROWINGS :</b>		
<b>Secured Loans</b>		
Cash Credit from State Bank of India	4041.39	5291.09
<b>TOTAL</b>	<u>4041.39</u>	<u>5291.09</u>



**NOTES TO THE STANDALONE FINANCIAL STATEMENTS**

(₹ lakhs)

(₹ lakhs)

**8A** Cash Credit from State Bank of India is secured by :

- i. Hypothecation of the Company's entire stock of raw materials, finished goods, stock-in-process, consumable stores and spares and book debts in favour of the bank.
- ii. Equitable mortgage conveying First charge over all immovable assets at factory and township situated at Ambalamugal, Dist: Ernakulam in the state of Kerala and over the immovable properties situated at village Deolali, Posari, Wasambe, Parade, Savale, Turade, Dapivali and Ambivali of Panvel and Khalapur talukas, District Raigad in the State of Maharashtra and plant and machinery, equipments, fixtures and fittings, movable machinery, spares, articles and things in the State of Maharashtra (excluding current assets).

Note No.	As at 31.03.2016	As at 31.03.2015
<b>9 TRADE PAYABLES :</b>		
<b>Sundry Creditors</b>		
Dues to Micro, Small and Medium Enterprises	73.50	81.12
(Refer note - 32)		
Dues to Others	16066.38	11352.33
<b>TOTAL</b>	<b>16139.88</b>	<b>11433.45</b>

Trade payables include amount payable to BPCL against which the company has created second and subservient charge for ₹ 12000.00 lakhs (previous year ₹ 12000.00 lakhs) on its property at Ambalamugal, Kochi unit.

Note No.	As at 31.03.2016	As at 31.03.2015
<b>10 OTHER CURRENT LIABILITIES :</b>		
<b>Current Maturity of Long Term Borrowings</b>		
1 Loan from Government of India (Refer note - 5A(v))	7644.20	6800.00
2 Term Loan from Bank	1124.29	450.00
3 Other Loans - (Refer note - 5B)	46.04	44.06
4 Interest accrued but not due	1904.06	1688.90
5 Interest accrued and due (Refer note - 5A(v))	7379.15	6379.90
6 Advances from customers	540.49	635.26
7 Deposits from Vendors / Customers	443.14	413.47
8 Statutory dues	1973.84	1304.27
9 Employee related liabilities	12288.42	7841.89
10 Payroll Recoveries Payable	459.57	302.74
11 Other Liabilities	1313.73	1089.29
<b>TOTAL</b>	<b>35116.93</b>	<b>26949.78</b>
<b>11 SHORT-TERM PROVISIONS :</b>		
For Employee Benefits (Refer note - 31)	890.46	928.34
For Employees Remuneration (Refer note - 33)	144.04	143.10
For Interest to others	225.23	225.23
<b>TOTAL</b>	<b>1259.73</b>	<b>1296.67</b>

**NOTE 12 - FIXED ASSETS**

(₹ lakhs)

Item	Description	GROSS BLOCK				DEPRECIATION / AMORTISATION / IMPAIRMENT					NET BLOCK	
		As at 01.04.2015	Additions	Deletions	As at 31.03.2016	Up to 01.04.2015	Deletions	Provided during the year	Impairment during the year	Up to 31.03.2016	As on 31.03.2016	As on 01.04.2015
<b>A</b>	<b>TANGIBLE ASSETS</b>											
1.	Land and Land Development	669.55	0.00	0.00	669.55	-	-	-	-	-	669.55	669.55
2.	Leasehold Land	336.93	0.00	0.00	336.93	49.28	0.00	5.29	0.00	54.57	282.36	287.65
3.	Buildings	3617.02	0.00	0.00	3617.02	2221.67	0.00	98.47	0.00	2320.14	1296.88	1395.35
4.	Plant and Equipment	44419.15	842.55	0.00	45261.70	38211.83	0.00	561.38	3.00	38776.21	6485.49	6207.32
5.	Furniture and Fixtures	2157.28	0.15	0.00	2157.43	1990.71	0.00	12.50	0.44	2003.65	153.78	166.57
6.	Vehicles	187.85	0.09	0.00	187.94	136.66	0.00	18.37	0.00	155.03	32.91	51.19
7.	Office Equipment	694.32	1.58	0.00	695.90	509.51	0.00	79.06	0.00	588.57	107.33	184.81
8.	Library Books	77.45	0.00	0.00	77.45	74.21	0.00	0.00	0.00	74.21	3.24	3.24
9.	Railway Sidings	35.53	0.00	0.00	35.53	33.75	0.00	0.00	0.00	33.75	1.78	1.78
10.	Plants held for disposal	11378.62	0.00	0.00	11378.62	8756.15	0.00	0.00	1590.25	10346.40	1032.22	2622.47
	<b>Total</b>	<b>63573.70</b>	<b>844.37</b>	<b>0.00</b>	<b>64418.07</b>	<b>51983.77</b>	<b>0.00</b>	<b>775.07</b>	<b>1593.69</b>	<b>54352.53</b>	<b>10065.54</b>	<b>11589.93</b>
	Previous year	66350.07	60.82	2837.18	63573.71	53206.65	2673.12	1435.99	14.25	51983.77	11589.94	
<b>B</b>	<b>INTANGIBLE ASSETS</b>											
11.	Computer Software	405.17	0	0	405.17	316.11	0.00	81.42	-	397.53	7.64	89.06
	<b>Total</b>	<b>405.17</b>	<b>0</b>	<b>0</b>	<b>405.17</b>	<b>316.11</b>	<b>0</b>	<b>81.42</b>	<b>-</b>	<b>397.53</b>	<b>7.64</b>	<b>89.06</b>
	Previous Year	405.17	0	0	405.17	234.49	0.00	81.62	-	316.11	89.06	170.68
	<b>TOTAL (Tangible + Intangible)</b>											
	Current year	<b>63978.87</b>	<b>844.37</b>	<b>0.00</b>	<b>64823.24</b>	<b>52299.88</b>	<b>0.00</b>	<b>856.49</b>	<b>1593.69</b>	<b>54750.06</b>	<b>10073.18</b>	<b>11678.99</b>
	Previous Year	66755.24	60.82	2837.18	63978.88	53441.14	2673.12	1517.61	14.25	52299.88	11679.00	

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



NOTES TO THE STANDALONE FINANCIAL STATEMENTS

(₹ lakhs)

Note No.	As at 31.03.2016	As at 31.03.2015		
<b>13 CAPITAL WORK-IN-PROGRESS :</b>				
1. J.N.P.T. Tank Terminals Project (Refer note - 34F)	2978.91	2978.91		
Less: Provision for impairment	2634.54	2634.54	344.37	344.37
2. Captive Power Plant Project (Refer note - 34H)	25.41	25.41		
Less: Provision for impairment	25.41	25.41	-	0.00
3. Refurbishment of CNA Plant (Refer note - 34G)	0.00	633.39		
4. Khargar Project	83.20	83.20		
5. Others	5.65	5.65		
<b>TOTAL</b>	<b>433.22</b>	<b>1066.61</b>		
<b>14 NON CURRENT INVESTMENTS :</b>				
<b>TRADE INVESTMENTS (AT COST)</b>				
<b>Investments in Equity instruments in Subsidiary - Company - Quoted:</b>				
11060000 (previous year 11060000) Equity Shares of ₹ 10 each fully paid in Hindustan Fluorocarbons Ltd., (Refer note - 36(a))	1106.00	1106.00		
Less: Provision for diminution of investment	221.20	221.20	884.80	884.80
<b>Investments in Equity instruments in Joint Venture Subsidiary - Unquoted:</b>				
30000 (previous year 30000) Equity Shares of ₹ 10 each fully paid in HOC-Chematur Ltd., (Refer note - 35(a))	3.00	3.00		
Less: Provision for diminution of investment	3.00	3.00	-	-
<b>Investments in Unquoted Equity Shares of Kerala Enviro Infrastructure Ltd.</b>				
50000 (previous year 50000) Unquoted Equity Shares of ₹ 10	5.00	5.00		
<b>TOTAL</b>	<b>889.80</b>	<b>889.80</b>		
<b>15 LONG-TERM LOANS AND ADVANCES :</b>				
<b>(Unsecured, considered good unless otherwise stated)</b>				
<b>Security Deposits</b>	394.13	109.75		
Less : Provision for doubtful deposits	3.06	3.06	391.07	106.69
(Includes deposit with Registrar High Court amounting ₹ 271.98 Lakhs)				
<b>Advance to Related Parties (Subsidiary Companies)</b>				
1. M/s. Hindustan Fluorocarbons Ltd., (Secured) (Refer note - 36(b))	2744.06	2744.06		
2. HOC_Chematur Ltd. (Refer note - 35(b)) (Considered doubtful)	0.00	1067.46		
Less: Provision for doubtful advance	0.00	1067.46	-	-
Staff Loans (Secured)	5.65	10.04		
<b>TOTAL</b>	<b>3140.78</b>	<b>2860.79</b>		
<b>16 INVENTORIES :</b>				
<b>1. Raw Materials</b>	237.61	473.57		
<b>Materials-in-transit</b>	-	-		
	237.61	473.57		
Less: Provision for obsolescence	26.31	26.31	211.30	447.26
<b>2. Work in Progress :</b>	682.30	814.97		
<b>3. Finished Products</b>				
i) For Captive Consumption	113.01	52.93		
ii) Main Products for sale	110.08	1632.65		
iii) By-Products	4.90	82.44	227.99	1768.02
<b>4. Stores and Spares</b>	2690.21	2661.57		
Less: Provision for obsolescence	679.89	495.05	2010.32	2166.52
<b>TOTAL</b>	<b>3131.91</b>	<b>5196.77</b>		

**16A** Excise duty provided on goods manufactured but not removed ₹ 17.67 lakhs (previous year ₹ 237.23 lakhs).

**16B** Stores and Spares include items not moved for more than five years ₹ 1057.93 lakhs (previous year ₹ 7,01.04 lakhs) and obsolete items of ₹ 4.02 lakhs (previous year ₹ Nil). An adhoc provision of ₹ 679.89 lakhs (previous year ₹ 495.05 lakhs) has been made for obsolescence.

(₹ lakhs)

Note No.	As at 31.03.2016	As at 31.03.2015		
<b>17 TRADE RECEIVABLES :</b>				
Debts overdue for a period exceeding six months	2695.66	2658.61		
Other Debts	534.93	2290.63		
	3230.59	4949.24		
Less: Bills Receivables Discounted	66.59	195.38		
Less: Provision for Doubtful Debts	2522.88	2555.35		
	641.12	2198.51		
<b>NOTE:</b>				
Considered good, in respect of which Company holds Bank Guarantees/Letters of Credit	376.40	1199.93		
Unsecured considered good	331.31	1193.97		
Unsecured considered Doubtful	2522.88	2555.35		
	3230.59	4949.25		
Less: Bills Receivables Discounted	66.59	195.38		
Less: Provision for Doubtful Debts	2522.88	2555.35		
	641.12	2198.52		
<b>18 CASH AND BANK BALANCES :</b>				
<b>1. CASH AND CASH EQUIVALENTS :</b>				
Balance with Banks				
In Current Account	62.02	24.18		
In Saving Bank Account	119.58	114.94		
	181.60	139.12		
In Fixed Deposit	29.00	0.00		
Cheques/Drafts on hand	0.00	31.35		
Cash in hand	10.98	2.51		
	221.58	172.98		
<b>2. OTHER BANK BALANCES</b>				
In Term Deposit Account				
With original maturity period not exceeding 12 months	12.64	11.69		
With original maturity period exceeding 12 months (The Term Deposits with the bank has been encashed during the year.)	-	12.64	-	11.69
<b>TOTAL</b>	<b>234.22</b>	<b>184.67</b>		
<b>19 SHORT-TERM LOANS AND ADVANCES:</b>				
(Unsecured, Considered Good unless otherwise stated)				
<b>Advances to related parties (Subsidiary Company)</b>				
M/s.Hindustan Fluorocarbon Ltd. (Secured)	453.01	453.01		
Interest accrued but not received	679.83	616.20	1132.84	1069.21
Loans to Public Sector Undertaking (Considered doubtful)				
Loans	171.08	171.08		
Less: Provision for doubtful recovery	171.08	171.08	-	-
Balances / Deposits with Excise, Customs and Statutory Authorities	531.39	723.97		
Less : Provision for Doubtful Deposits	2.90	2.90	528.49	721.07
Deposits (Considered Doubtful)	1.80	1.80		
Less : Provision for Doubtful Deposits	1.80	1.80	-	-
<b>Other Loans and Advances</b>				
Advance to Suppliers (including ₹ 85.01 lakhs, previous year ₹ 85.01 lakhs, considered doubtful)	185.98	163.24		
Loans and Advances to Employees	46.64	15.13		
Claims Receivable from Employees	1.84	-		
Other Receivables (ISRO)(Refer Note No 4A)	176.49			
Duties and Taxes Receivable (includes doubtful advance ₹ 5.00 lakhs, previous year ₹ 5.00 lakhs)	2572.12	2546.33		
Miscellaneous advance recoverable	121.87	83.52		
Others Deposits	0.55	0.55		
Prepaid Expenses	173.91	287.16		
	3279.40	3095.93		
Less : Provision for doubtful advances	90.01	90.01		
<b>TOTAL</b>	<b>3189.39</b>	<b>3005.92</b>		
	<b>4850.72</b>	<b>4796.20</b>		



NOTES TO THE STANDALONE FINANCIAL STATEMENTS

(₹ lakhs)

Note No.	As at 31.03.2016	As at 31.03.2015
19A i)	Duties and Taxes Receivable includes an amount of ₹ 381.22 Lakhs (PY ₹ 642.48 Lakhs) being VAT refund due from year 2005-06 to 2012-13 recovered from the input tax refunds by Commercial Taxes dept. (This has been challenged by the company by filing appeals with Dy. Commissioner (Appeals). The said disputed VAT refund will have to be written off in the event of the company losing the appeal before the Appellate authorities. So it included in the contingent Liabilities).	
ii)	Balances of short term Loans and advances are subject to confirmation/reconciliation and subsequent adjustments.	
<b>20 OTHER CURRENT ASSETS :</b>		
Accrued Interest on Employee Advances	138.86	182.88
Accrued Interest on Bank deposit	-	0.00
Accrued Interest on Deposits	17.13	14.78
Accrued Income from Township	69.43	42.76
Less: Provision for Doubtful Recovery	7.25	35.51
<b>TOTAL</b>	<b>218.17</b>	<b>233.17</b>

Note No.	Year ended 31.03.2016	Year ended 31.03.2015
<b>21 REVENUE FROM OPERATIONS</b>		
<b>1. Sale of Products (Manufactured)</b>		
Nitroproducts	382.94	651.97
Aniline Oil	0.00	0.00
Acids	92.88	32.41
Formaldehyde	0.00	0.21
Spent Acid	4.73	9.11
Dinitrogen Tetroxide	1820.63	527.50
Phenol	4350.75	6894.64
Acetone	1756.93	3970.79
Hydrogen Peroxide	2200.90	2202.72
Heavy Ends of Cumene	198.32	438.29
Cumox Oil	104.97	173.87
	10913.05	14901.51
Add: Excise Duty	1165.67	1817.89
	12078.72	16719.40
<b>2. Sale of Products - Traded</b>		
Toluene	-	-
<b>Gross Sales</b>	12078.72	16719.40
Other Operating Revenues	1.72	111.73
	12080.44	16831.13
Less : Excise Duty	1165.67	1817.89
<b>TOTAL</b>	<b>10914.77</b>	<b>15013.24</b>

<b>22 OTHER INCOME</b>		
<b>INTEREST:</b>		
On Call and Term Deposits (Gross)	15.01	80.82
On Advances and Deposits with MIDC, MSEB and others	3.61	5.69
On loan to Subsidiary Company	63.78	63.95
Delayed Payment and Finance Charges from Sundry Debtors	10.42	8.06
	92.82	158.52
<b>OTHER NON-OPERATING INCOME:</b>		
Estate Rent	172.90	160.97
Transport, Water, Electricity, etc. recoveries	71.84	63.79
Provision for doubtful debts no longer required written back (net)	0.00	20.04
Provision for Impairment written back	0.00	14.07
Miscellaneous Income	151.65	213.24
Profit on Sale of Assets	-	202.40
	396.39	674.51
<b>TOTAL</b>	<b>489.21</b>	<b>833.03</b>

<b>23 COST OF MATERIALS CONSUMED</b>		
<b>A. RAW MATERIALS</b>		
Benzene	1205.75	3378.20
Methanol	1.57	0.04
Nitric acid	258.65	156.41
CNG	0.00	0.00
Ammonia	94.65	38.06

(₹ lakhs)

NOTE No.	Year ended 31.03.2016	Year ended 31.03.2015
Liquefied Petroleum Gas	2165.50	5558.84
Hydrogen	11.52	264.80
Caustic Soda Lye (100%)	22.45	47.24
Sulphuric Acid	26.43	50.04
Nitrogen	72.63	86.31
Other Raw Materials	5.07	6.66
<b>TOTAL</b>	<b>3864.22</b>	<b>9586.60</b>
<b>24 CHANGES IN INVENTORIES OF FINISHED GOODS, WORK IN PROGRESS AND STOCK IN TRADE</b>		
<b>OPENING STOCK</b>		
Stock-in-Process	814.97	1213.64
Stock for Captive Consumption	52.93	317.92
Finished Products (Main)	1626.17	679.05
By-Products	88.93	35.00
	2583.00	2245.61
<b>CLOSING STOCK</b>		
Stock-in-Process	682.30	814.97
Stock for Captive Consumption	113.01	52.93
Finished Products (Main)	110.08	1626.17
By-Products	4.90	88.93
	910.29	2583.00
Decrease / (Increase)	1672.71	(337.39)
<b>24A Closing Inventory - Finished Goods</b>		
Nitroproducts	10.28	24.10
Dinitrogen Tetroxide (N2O4)	6.81	0.00
Formaldehyde	0.00	0.00
Other Chemicals	0.00	23.37
Phenol	7.68	1201.96
Acetone	36.55	282.91
Hydrogen Peroxide	48.76	93.83
	110.08	1626.17
<b>Opening Inventory - Finished Goods</b>		
Nitroproducts	24.10	0.10
Dinitrogen Tetroxide (N2O4)	0.00	0.00
Formaldehyde	0.00	0.15
Other Chemicals	23.37	0.00
Phenol	1201.96	370.30
Acetone	282.91	194.41
Hydrogen Peroxide	93.83	114.09
	1626.17	679.05
<b>25 EMPLOYEE BENEFITS EXPENSES</b>		
Salary, Wages, Bonus, Incentives and Allowances (Refer Note - 33A, 33B and 33C)	7565.81	7705.59
Company's contribution to Provident Fund	763.45	753.52
Family Pension Fund and other Funds		
Gratuity payments including premium for Group	436.75	753.52
Gratuity-cum-Life Insurance Scheme		
Provision for leave encashment	0.00	795.92
<b>Staff Welfare Expenses</b>		
Medical Amenities	217.66	230.09
Educational Amenities	57.85	71.43
Canteen and Nutrition Amenities	520.34	516.25
Other Welfare Expenses	51.51	77.82
	847.36	895.59
<b>TOTAL</b>	<b>9613.37</b>	<b>10904.14</b>



NOTES TO THE STANDALONE FINANCIAL STATEMENTS

(₹ lakhs)

NOTE No.	Year ended 31.03.2016	Year ended 31.03.2015		
<b>26 FINANCE COSTS</b>				
<b>Interest Expenses</b>				
On Fixed Loans	3602.19	2753.09		
On Other Loans	949.19	1050.57		
Interest - Others	1959.55	1244.69	5048.35	
Other Borrowing Cost	99.99	78.79		
<b>TOTAL</b>	<b>6610.92</b>	<b>5127.14</b>		
Interest - others is in respect of interest paid / payable on delayed payment towards provident fund, gratuity, credit society, electricity charges, water charges, income tax (TDS), MSMEs and other creditors against raw-material supplies.				
<b>27 OTHER EXPENSES:</b>				
<b>Consumption of Stores and Spares</b> (Including catalyst consumed)	277.62	387.12		
<b>Utilities:</b>				
Power and Fuel	3463.49	3891.50		
Water	190.93	181.75	4073.25	
<b>Repairs &amp; Maintenance</b>				
Repairs to Buildings	79.47	98.81		
Repairs to Machinery	102.36	101.54		
Repairs to Other Assets	187.77	137.90	338.25	
<b>Administration Expenses:</b>				
Rent	30.71	47.00		
Insurance	48.22	82.29		
Rates and Taxes	109.50	114.59		
Consultancy Charges	52.13	103.07		
<b>Payment to Auditors Comprises:</b>				
As Auditors-Statutory Audit	3.73	3.31		
For Taxation Matters	1.34	1.34		
For Other Services	1.60	2.30		
For Reimbursement of Expenses	0.40	0.34		
Sub Total	7.07	7.29		
Power for Township	129.39	121.55		
Water for Township	116.13	121.30		
Security Expenses	213.06	215.01		
Advertisement Expenses -Tenders,Recruitment etc.	4.89	7.31		
Hire of Vehicles Expenses	53.68	63.34		
Loss on Exchange Rate Fluctuation	0.00	0.22		
Loss on Sale / Disposal of Assets	0.00	0.94		
Miscellaneous Expenses	258.32	641.61		
	1023.10	1525.52		
<b>Selling and Distribution Expenses:</b>				
Cash Discount	120.32	142.26		
Publicity Expenses	7.80	6.01		
Other Selling Expenses	0.40	8.15	156.42	
<b>Provisions:</b>				
Provision for Doubtful Debts	0.19	32.66		
Provision for Doubtful Advances	0.00	0.70		
Provision for Diminution of investment - HFL	0.00	221.20		
Provision for Stock Obsolescence	184.84	104.88		
For Long term agreements	203.09	147.57		
For Provision for Statutory Claims	0.00	2.90	509.91	
<b>TOTAL</b>	<b>5841.38</b>	<b>6990.47</b>		

**27A** At Kochi unit, the SPA1 Catalyst of 76.330 MT valuing ₹ 333.41 Lakhs was charged to the reactor in Cumene plant in the month of May 2013. The estimated life of the Catalyst is to achieve a production of 1100 MT of Cumene per MT of Catalyst under good operating conditions. During the period from May 2013 to March 2016 the company has produced 32194 MT of Cumene. Due to intermittent shutdown of Cumene plant during the period which affects the life of Catalyst, the company may fall short of achieving guarantee norms.

(₹ lakhs)

NOTE No.	Year ended 31.03.2016	Year ended 31.03.2015		
<b>28 PRIOR YEAR ADJUSTMENTS:</b>				
<b>INCOME</b>				
Income Pertaining to Past Period (General)	0.06	-		
Others	-	0.06		
<b>EXPENDITURE</b>				
JNPT Rent Escalation	(532.88)	1,351.08		
JNPT Tank Terminal Impairment	0.00	2,634.54		
General Expenses	6.53	8.25		
Prior Year's Tax Adjustment	0.00	3.85		
Trade discount related to last year	0.00	5.83		
Others DPC Reversal (2013-14)	0.00	0.90		
Consultancy Charges	28.69	-	4004.45	
<b>Net Prior Period Expenditure</b>	<b>(497.72)</b>	<b>4004.45</b>		
<b>EXCESS PROVISION WRITTEN BACK</b>				
Provision for Repair & Maintenance written back	0.00	4.30		
Provision for Leave Encashment written back	539.19	-		
Stores & Spares	1.28	-		
Reversal of Provision for Incentive to Employees	-	7.98		
	540.47	12.28		
<b>NET PRIOR YEAR ADJUSTMENTS:</b>	<b>(1038.19)</b>	<b>3992.17</b>		
<b>TOTAL</b>				
<b>29 EXCEPTIONAL ITEM:</b>				
V R S Payment	0.00	89.82		
<b>TOTAL</b>	<b>0.00</b>	<b>89.82</b>		
<b>30 RASAYANI</b>				
i)	The Company has introduced VRS Scheme on 12.09.2013 and was open for 1 month upto 12.10.2013 and further re-opened from 11.11.2013 to 18.11.2013. The Company received 151 applications in total out of which 15 applicants were relieved, one applicant was expired. Further 66 applicants have been superannuated in the normal course on attaining the retirement age during the last three years. The balance 69 (previous year 97) applications are kept pending for want of funds and the VRS Compensation of ₹ 856.00 lakhs (previous year ₹ 1202.00 lakhs) has been shown under Other Commitments. (refer note-44)			
ii)	The Board in its meeting held on 13.11.2013 had approved a Voluntary Separation Scheme (VSS) for the canteen workers of Rasayani Unit through the Canteen Contractor for curtailing the expenditure towards canteen facility. It is estimated that the amount payable to each canteen worker on account of this would be ₹ 5.50 lakhs approx. The Company has not invited any application from the canteen workers through the contractors for the VSS. However, since the Board has approved such a scheme, an amount of ₹ 404.00 lakhs (previous year ₹ 478.50 lakhs) being the estimated amount of the compensation of VSS scheme payable on implementation of this scheme to 79 canteen workers (previous year 87) is shown under Other Commitments (refer note-44).			

NOTE No.

**31 EMPLOYEES BENEFIT PLAN:**

**31A Provision for leave encashment**

The Company has made provision of ₹ Nil (previous year ₹ 795.92 lakhs) for leave encashment as per revised AS-15 issued by Institute of Chartered Accountants of India based on Actuarial Valuation and the unpaid amount of leave encashment claims submitted by the employees.

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

**31C Gratuity**

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

The ceiling of gratuity has been enhanced from ₹ 3.50 lakhs to ₹ 10.00 lakhs with effect from 1st January, 2007. The gratuity liability as on 31st March, 2016 includes the provision towards arrears for the retired employees on above account amounting to ₹ 187.54 lakhs (previous year ₹ 187.54 lakhs).

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

Particulars	2015-16	2014-15
Present value of obligation as at the beginning of the year	5136.04	5016.98
Interest Cost	400.61	451.53
Current Service Cost	171.61	165.47
Benefits paid	0.00	(412.56)
Actuarial (gain)/loss on obligations	(726.70)	(85.38)
Present value of obligations at the end of year	4981.55	5136.04



NOTES TO THE STANDALONE FINANCIAL STATEMENTS

(₹ lakhs)

Particulars	2015-16	2014-15
(ii) Reconciliation of opening and closing balances of fair value of the plan assets:		
<b>Particulars</b>	<b>2015-16</b>	<b>2014-15</b>
Fair value of plan assets at beginning of year	36.01	36.41
Expected return on plan assets	2.88	2.91
Contributions	0.00	0.00
Benefits Paid	0.00	(3.50)
Actuarial gain/(loss) on plan assets	0.13	0.19
Fair value of plan assets at the end of year	39.02	36.01
(iii) Reconciliation of present value of obligations and fair value of plan assets:		
<b>Particulars</b>	<b>2015-16</b>	<b>2014-15</b>
Fair value of Plan Asset at the end of the year	39.02	36.01
Present value of obligations at the end of year	4981.55	5136.04
Liability/(Asset) recognized in the Balance Sheet	4942.54	5100.03
(iv) Expenses recognized during the year:		
<b>Particulars</b>	<b>2015-16</b>	<b>2014-15</b>
Current Service Cost	171.61	165.47
Interest cost	400.61	451.53
Expected return on plan assets	(2.88)	(2.91)
Actuarial (gain)/loss	(726.83)	(85.57)
Expenses Recognised in Profit & Loss Account	(157.49)	528.51
(v) Assumptions used to determine the defined benefit obligations		
<b>Particulars</b>	<b>2015-16</b>	<b>2014-15</b>
Mortality Table (LIC) (1994-96 Ultimate) Discount rate (p.a)	7.65%	7.80%
Expected rate of increase in salary (p.a.)	7.00%	7.00%
Withdrawal rate	1% to 3%	depending on age

NOTE No.

<b>32</b>	Amount due to Micro, Small and Medium enterprises:		
	<b>Particulars</b>	<b>2015-16</b>	<b>2014-15</b>
a)	i) Principal amount remaining unpaid as at the end of each accounting year	73.50	81.12
	ii) Interest due thereon	15.78	5.94
b)	the amount of interest paid in terms of section 16 of the Micro, Small and Medium Enterprises Development Act, 2006 along with the amount of the payment made to the supplier beyond appointed day.	Nil	Nil
c)	The amount of interest due and payable for the period of delay in making payment (which have been paid but beyond the appointed day during the year) but without adding the interest specified under the Micro, Small and Medium Enterprises Development Act, 2006.	Nil	Nil
d)	The amount of interest accrued and remaining unpaid at the end of each accounting year	30.50	14.72
e)	The amount of further interest remaining due and payable even in the succeeding years, until such date when the interest dues as above are actually paid to the small enterprise, for the purpose of disallowance as a deductible expenditure under section 23 of the Micro, Small and Medium enterprises Development Act, 2006.	Nil	Nil
<b>33</b>	<b>PROVISION FOR EMPLOYEE REMUNERATION</b>		
	<b>RASAYANI</b>		
	<b>PROVISION FOR ARREARS OF WAGES</b>		
<b>33A</b>	During the year, the Company has paid an amount of ₹ Nil (previous year ₹ Nil) towards arrears on account of wage revision of employees pertaining to the period January 1, 1997 to December 31, 2000. No provision has been made for the liability amounting to ₹ 1887.79 lakhs (previous year ₹ 1887.79 lakhs) and which is shown under contingent liability.		
<b>33B</b>	Wage Settlement / Salary Revision w.e.f. 1/1/2007 - Officer During the year, the Company has paid an amount of ₹ Nil (previous year ₹ Nil) towards arrears on account of wage revision of employees pertaining to the period January 1, 2007 to March 31, 2008. No provision has been made for the liability of ₹ 161.55 lakhs (previous year ₹ 161.55 lakhs) and it is shown under contingent liability.		
<b>33C</b>	Wage Settlement / Salary Revision w.e.f. 1/1/2007 - Staff During the year, the Company has paid an amount of ₹ Nil (previous year ₹ Nil) towards arrears on account of wage revision of employees pertaining to the period January 1, 2007 to March 31, 2008. No provision has been made for the liability towards balance amount of ₹ 148.26 lakhs (previous year ₹ 148.26 lakhs) and it is shown under contingent liability.		
<b>34</b>	<b>FIXED ASSETS</b>		
<b>34A</b>	Land in possession of the Company at Rasayani admeasuring 455.69 hectares (previous year 455.69 hectares) has been given free of cost for use, by the Government of Maharashtra, against which a nominal value of Re.1/- is included in "Land and Land development" by creating "Capital Reserve". Land at Panvel amounting to ₹ 0.80 lakhs (previous year ₹ 0.80 lakhs) included in "Land		

NOTES TO THE STANDALONE FINANCIAL STATEMENTS

(₹ lakhs)

<b>NOTE No.</b>	
	and Land development" has been given by the Government of Maharashtra for the business/residential purpose of the company.
<b>34B</b>	The Company appointed consultant/valuers during the year for assessing the impairment of Fixed Assets as per the provisions of 'As-28 'Impairment of Assets' for Rasayani Unit. As per the report of the consultant the loss on account of impairment has been worked out by comparing the fair market value as on date with the WDV as on 31st March, 2016 and an additional amount of ₹ 1593.70 lakhs (previous year ₹ 1424.91 lakhs) has been provided for during the year. This includes a provision of ₹ 1593.25 lakhs on Caustic Soda Plant.
<b>34C</b>	The Acetanilide, Sulphuric Acid, Nitro Toluene, Aniline-II and Hydrogen-II plants having WDV (net of impairment) ₹ 228.97 lakhs (previous year ₹ 244.44 lakhs) are in working condition but are not in operation due to uneconomical conditions.
<b>34D</b>	Upon implementation of Schedule II of Companies Act 2013, the useful life of the fixed assets has been revised by the Company in terms of the schedule in 2014-15. Accordingly the company has revised its depreciation rate so as to depreciate its assets over the balance useful life of the assets keeping the residual value at 5%. The depreciation charge during the year 2014-15 pertaining to assets whose revised useful life has expired prior to commencement of the financial year 2014-15 has been adjusted against retained earnings in terms of Schedule II. An amount of ₹ 638.01 lakhs has been adjusted against the opening Retained Earnings for the year 2014-15 as per the provisions of Schedule II. Due to the change in useful life of the assets, the depreciation charge during the year 2014-15 (including adjusted against opening Retained Earnings) was higher by ₹ 340.64 lakhs.
<b>34E</b>	<b>RASAYANI</b> The Caustic Soda Plant having WDV of ₹ 1032.22 lakhs (previous year ₹ 2607.90 lakhs) net of impairment has been transferred to held for disposal as per the decision of the Board in the meeting held on 13th Nov 2013. An impairment provision of ₹ 1593.70 Lakhs (previous year ₹ 14.25 Lakhs) has been made against the caustic soda plant held for disposal during the year. <b>KOCHI</b> The Recycle column reboiler, Cumene column reboiler and Propane surge drum having wdv ₹ Nil (previous year Nil) have been transferred to assets held for disposal were sold during the year 2014-15.
<b>34F</b>	i) Capital Work-in-Progress and Expenditure during Construction includes ₹ 2978.91 lakhs (previous year ₹ 2978.91 lakhs) towards cost of JNPT Tank Terminal project wherein management had decided to suspend further construction. Even though the lease period has expired in June 2010, the Company has written to JNPT authorities for extension of the lease period and is hopeful of getting extension. The company has gone into arbitration alongwith other Liquid Berth Users Association against JNPT for various issues including lease period issue. Provision for Impairment amounting to ₹ 2634.54 lakhs has been made based on the valuers report during earlier year. ii) As per Lease Agreement with JNPT, the Lease Rentals provide for escalation @ 10% on Lease Rent payable to JNPT. The Company had provided for Lease Rentals with old rates upto 31.03.2014 without considering the escalation @ 10% per annum as the matter is under arbitration. The amount accumulated on account of escalation upto 31.03.2014 amounting to ₹ 1351.08 lakhs has been provided in the books during earlier years. Based on the statement of accounts received from JNPT the amount excess provided during earlier years has amounting to ₹ 532.88 lakhs has been withdrawn during the year under prior period expenses.
<b>34G</b>	An amount of ₹ 2658.09 lakhs (previous year ₹ 2429.40 lakhs) has been spent for refurbishment of CNA plant, funded by ISRO, is complete and capitalised during the year. The CNA plant was restarted on 19.01.2016. An amount of ₹ 176.49 lakhs balance receivable from ISRO has been shown under Misc. Receivable a/c. During the year an amount of ₹ 102.03 lakhs (previous year 92.47 lakhs) representing the depreciation has been transferred to other income.
<b>34H</b>	An amount of ₹ 25.41 lakhs (previous year ₹ 25.41 lakhs) incurred towards feasibility study of captive power plant was carried forward as Capital WIP from the previous year. The project is on hold now due to high gas prices and may be taken up at a later date only. Full impairment provision has been recognised for the same in earlier year.
<b>34I</b>	With respect to the Company's leased land at Kharghar, the commencement of construction certificate issued by CIDCO was valid upto 29.12.2012. Further the Company paid a premium of ₹ 15.41 lakhs and got extension for commencement of construction upto 25.05.2013. For further extension for a period of one year upto 25.05.2014 the agreement provides for an additional premium payment of ₹ 30.81 lakhs failing which CIDCO reserves the right for taking back the possession of the land. Since the Company was facing financial crunch the payment has not been made to CIDCO. So far CIDCO has not initiated any steps to take back the land. The Company has plans to construct buildings on the said land on the Public Private Partnership (PPP) model basis as per the decision of the Board in its meeting held on 14.11.2014. This will avoid cash outflow by the company for the construction purpose.
<b>35</b>	a) The company had invested ₹ 3.00 lakhs in the Equity of M/s. HOC-Chematur Ltd. by way of joint venture as a co-promoter. The company holds 60% of the Paid-up Equity Capital of HOC-Chematur Ltd., hence HOC-Chematur is a subsidiary company of HOCL. HOC-Chematur Ltd., had initiated the process of implementing the project, however, abandoned subsequently due to inadequate support from financial institutions. In view of such uncertainties involved in implementing the project, the company had fully provided for the losses against the investment. Since the project has been abandoned, the board of directors has decided to wind up the company under the early exit scheme of ministry of Corporate Affairs. b) The advance amounting to ₹ 1067.46 lakhs (previous year ₹ 1066.75 lakhs) paid during earlier years has been written off during the year against provision made in earlier year.
<b>36</b>	a) The Company has an investment of ₹ 1106.00 lakhs (previous year ₹ 1106.00 lakhs) in the equity share of subsidiary company M/s. Hindustan Fluorocarbons Ltd. (HFL) which is under BIFR since 1994. HFL had made profits in the 4 financial years prior to financial year 2013-14. During the financial year 2013-14, 2014-15 and 2015-16 HFL has incurred a loss. The shares are traded below nominal value since Dec 2012 and the net worth of the Company based on its latest audited balance sheet as at 31st March, 2016 is negative. Hence provision has been made during earlier year towards diminution in the value of these investments amounting to ₹ 221.20 lakhs. No provisions are made during the year.



**NOTES TO THE STANDALONE FINANCIAL STATEMENTS**

**NOTE No.** (₹ lakhs)

- b) During the year 2007-08, the Modified Draft Rehabilitation Scheme (MDRS) for revival of subsidiary - Hindustan Fluorocarbon Ltd. (HFL) was approved by BIFR for implementation. As part of implementation of MDRS, HOCL had waived interest of ₹ 2260.26 lakhs accumulated on loan given to HFL and converted the unsecured loan amounting to ₹ 2744.06 lakhs as Zero Coupon Loan (ZCL), into secured loan by creating first charge on HFL immovable property (land valued to the extent of ₹ 2900.00 lakhs) in favour of HOCL. This loan was payable in 7 equal annual instalments commencing from 2010-11. HFL has not paid the instalments for the year 2010-11, 2011-12, 2012-13, 2013-14, 2014-15 and 2015-16 aggregating to ₹ 2352.05 lakhs (previous year ₹ 1960.05 lakhs). Further, the Company had given loans to HFL aggregating to ₹ 453.01 lakhs (previous year ₹ 453.01 lakhs) bearing interest ranging from 10.25% to 14.50% out of which ₹ 445.20 lakhs (previous year ₹ 381.42 lakhs) being the instalments due from financial year 2010-11 to 2015-16 remains unpaid.
- 37 During the year 2001-2002, a case of misappropriation of Company's funds to the tune of ₹ 64.81 lakhs (net and to the extent identified) by an official of the Company, involving fraudulent / fake payments / withdrawals under various heads of accounts including sales tax, debtors etc. had been detected. The case is at present under investigation of CBI. In the meantime, based on the report of the Vigilance Department, a civil suit has been filed for recovery of the amount involved from the concerned employee who was dismissed from the services of the Company. Since in the opinion of the Management the value of assets seized by CBI is sufficient to cover the losses occurred on account of fraud, no provision in the accounts is made and the amount is shown as recoverable.
- 38 The company has entered into an agreement dt. 16.10.2006 to lease the school infrastructure facilities to M/s.Mahatma Education Society (MES) for managing the school for a period of 30 years. The management of MES in order to start professional courses has constructed new buildings and facilities in the premises in contravention of the terms of agreement. The company has sent a notice for termination as per the agreement to M/s.MES. M/s.MES has filed a petition challenging the termination notice in the Dist. Magistrates Court Alibag.
- 39 **EARNING PER SHARE** (₹ lakhs)
- |  | 2015-16    | 2014-15    |
|--|------------|------------|
| Earnings per share has been calculated as follows: |            |            |
| Net Profit/(Loss) after Tax                        | (17391.06) | (21548.77) |
| Weighted average number of equity shares           | 67173100   | 67173100   |
| Nominal Value per equity share (₹)                 | 10         | 10         |
| Basic / Diluted Earning per equity share           | (25.89)    | (32.08)    |
- 40 **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.
- 41 **RELATED PARTY DISCLOSURE AS PER AS-18**
- a) The company is a State (Govt.) controlled enterprise therefore the disclosures as per Accounting Standard 18 are not considered applicable.
- b) Key Management Personnel
- | No. Name   | 2015-16       | 2014-15       |
|--|---------------|---------------|
|  | Remuneration  | Remuneration  |
| i) Sri V. B. Ramachandran Nair, Chairman and Managing Director (upto 22.02.2016) | ₹ 23.40 lakhs | ₹ 19.37 lakhs |
| ii) Sri S.B. Bhide, Director (Technical) / Acting CMD w.e.f. 25.02.2016          | ₹ 21.84 lakhs | ₹ 19.73 lakhs |
| iii) Sri J. N. Suryawanshi, Director (Marketing)                                 | ₹ 22.60 lakhs | ₹ 20.42 lakhs |
| iv) Sri R. Suresh Kumar, Director (Finance)                                      | ₹ 9.05 lakhs  | ₹ 19.71 lakhs |

- 42 **DEFERRED TAXES**  
The company had reviewed its net deferred tax assets as at 31<sup>st</sup> March, 2004 and decided not to carry forward such assets due to uncertainty of realizing this assets against future taxable income in view of the huge accumulated loss. This decision is followed this year also in view of Accounting Standard Interpretation issued by the Institute of Chartered Accountants of India.
- 43 **BALANCE CONFIRMATION**  
Balances of trade receivables, trade payables, loans, advances, other current assets and borrowings are subject to confirmation / reconciliation and subsequent adjustments.

**NOTE No.** (₹ lakhs)

- 44 **Contingent Liabilities & Commitments**
- |  | 31.03.2016 | 31.03.2015 |
|--|------------|------------|
| <b>i) Contingent Liabilities</b>   |            |            |
| a) Claims against the Company not Acknowledged as debts:   |            |            |
| i) Differential tax on account of concessional forms in respect of concessional sales  | 158.32     | 381.28     |
| ii) Income Tax Claims  | 1411.37    | 819.10     |
| iii) Sales Tax Claim   | 1095.80    | 642.48     |
| iv) Excise Claims  | 628.92     | 594.07     |
| vi) Rental claim Harchandrai House   | 4403.39    | 4378.41    |
| vii) Wage revision employees (Refer note 33)   | 2197.60    | 2197.60    |
| viii) Other Statutory Claims   | 2.17       | 2.17       |
| ix) Delayed Payment Charges claimed by BPCL  | 1057.48    | 1057.48    |
| x) Other Claims  | 929.85     | 739.98     |
| xi) Penal Interest on Government Loan  | 1475.52    | 1268.87    |
| xii) Claims not acknowledge as debts by suppliers  | 51.78      | 49.33      |
| b) Letters of Credit opened, cheques and bills of exchange discounted with the bankers and remaining outstanding   | 66.59      | 195.38     |
| c) Bank guarantee given  | 1596.15    | 265.15     |
| d) Guarantees given on behalf of the Subsidiary Company, Hindustan Fluorocarbons Limited to Financial Institutions and Commercial Banks for securing loans and cash credit facilities. | 1103.00    | 1103.00    |
| e) Security Bond given to Commercial Taxes Dept., Govt. of Kerala  | 3053.30    | 3053.30    |
| <b>ii) Commitments</b>   |            |            |
| i) Estimated amount of contracts remaining to be executed on capital account and not provided for (Net of advances)  | 0.00       | 246.81     |
| ii) Other Commitments (Refer note - 30)  | 1260.00    | 1680.50    |
- 45 **Value of Imports (on CIF basis)**
- | Component and Spare Parts | 2015-16 | 2014-15 |
|---------------------------|---------|---------|
|                           | 0.00    | 33.82   |
- 46 **Consumption of Indigenous/ Imported Materials**
- |                              | ₹ lakhs Consumption |            | ₹ lakhs Consumption |            |
|------------------------------|---------------------|------------|---------------------|------------|
|                              |                     | %          |                     | %          |
| A) Raw Materials             |                     |            |                     |            |
| Imported                     | Nil                 | Nil        | Nil                 | Nil        |
| Indigenous                   | 3864.21             | 100        | 9586.60             | 100        |
| <b>TOTAL</b>                 | <b>3864.21</b>      | <b>100</b> | <b>9586.60</b>      | <b>100</b> |
| B) Component and Spare Parts |                     |            |                     |            |
| Imported                     | 32.66               | 11.76      | 84.09               | 21.72      |
| Indigenous                   | 244.96              | 88.24      | 303.03              | 78.28      |
| <b>TOTAL</b>                 | <b>277.62</b>       | <b>100</b> | <b>387.12</b>       | <b>100</b> |
- 47 In the previous year, the Company has made an application for reference to Board for Industrial and Financial Reconstruction (BIFR) in terms of Sec-15(1) of the Sick Industrial Company's (Special Provisions Act, 1985) for declaring the Company as sick under the said Act and it has been registered as per order dated 30.09.2014 and it has been declared as a sick company in the meeting held on 22.07.2015 by BIFR. BIFR have appointed State bank of India (SBI) as operating agency and directed SBI to submit a report on the revival of the company or otherwise in the next meeting. The company appointed consultant has submitted a revival report which has been approved by the Board and submitted to the government which is under the consideration of the government. In view of this, the financial statement have been prepared on Going Concern Basis although the net worth of the company is fully eroded.
- 48 The Company had entered into long term supply contract with Gas Authority of India (GAIL) at Kochi for supply of Liquefied Natural Gas in 2011 for a period of 15 years ending in 2016. Material foreseeable losses can not be identified in the current scenario.
- 49 Previous year figures have been re-grouped / re-classified wherever necessary to make them comparable with those of the current year.

**For and on behalf of the Board of Directors**

Sd/-  
**S.B. Bhide**  
Acting Chairman & Managing Director  
& Director (Technical)

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

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

Sd/-  
**P.O. Luise**  
Chief Financial Officer

As per our report of even date attached

**For JMT & Associates**  
Chartered Accountants  
Firm's Registration No.104167W

Sd/-  
**Jayesh Shah**  
Partner  
Membership No. 39910

Place: Mumbai  
Date: 20-05-2016

Place: Mumbai  
Date: 20-05-2016



**INDEPENDENT AUDITOR'S REPORT**

To the Members of HINDUSTAN ORGANIC CHEMICALS LIMITED

**Report on the Consolidated Financial Statements**

We have audited the accompanying consolidated financial statements of HINDUSTAN ORGANIC CHEMICALS LIMITED (hereinafter referred to as "the Holding Company") and its subsidiary (the holding company & its subsidiary together referred to as "the group") which comprise the consolidated Balance Sheet as at March 31, 2016, the consolidated Statement of Profit and Loss, the consolidated Cash Flow Statement for the year then ended, and a summary of significant accounting policies and other explanatory information (hereinafter referred to as "the consolidated financial statements")

**Management's Responsibility for the Consolidated Financial Statements**

The Holding company's Board of director is responsible for the preparation of these financial statements in terms of the requirement of the Companies Act, 2013( hereinafter referred to as "the Act") that give a true and fair view of the consolidated financial position, consolidated financial performance and consolidated cash flows of the group in accordance with the accounting principles generally accepted in India, including the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014. The respective Board of directors of the companies included in the group are responsible for maintenance of adequate accounting records in accordance with the provisions of the Act, for safeguarding the assets of the group and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error, which have been used for the purpose of preparation of the consolidated financial statements by the directors of the Holding company as aforesaid.

**Auditor's Responsibility**

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. While conducting the audit, we have taken into account the provisions of the Act, the accounting and auditing standards and matters which are required to be included in the audit report under the provisions of the Act and the Rules made there under.

We conducted our audit in accordance with the Standards on Auditing specified under Section 143(10) of the Act. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and the disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal financial control relevant to the Holding company's preparation of the consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on whether the Holding Company has in place an adequate internal financial controls system over financial reporting and the operating effectiveness of such controls. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of the accounting estimates made by the Holding company's Board of Directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence obtained by us and audit evidence obtain by other auditor in term of his report referred to in sub-paragraph(a) of the Others Matter paragraph is sufficient and appropriate to provide a basis for our qualified audit opinion on the consolidated financial statements

**Basis for Qualified Opinion**

- (A) No provisions have been made in the consolidated financial statements for the following amounts relating to the Holding Company(refer respective notes in the notes to the financial statements)
  - (i) Penal Interest of Rs. 1475.51 lakhs (previous year ended 31<sup>st</sup> March 2015 Rs. 1268.87 lakhs) on overdue loan from Government of India.
  - (ii) Loss on account of Misappropriation of Company's funds amounting to Rs. 64.81 lakhs (Previous year ended 31<sup>st</sup> March 2015, Rs. 64.81 lakhs), pending final report from CBI and outcome of the civil suit.
  - (iii) Liability of wage revision for the period 1.1.1997 to 31.12.2000 Rs. 1887.79 lakhs (previous year ended 31<sup>st</sup> March 2015 Rs.1887.79 lakhs) at Rasayani unit
  - (iv) Liability of the wage Revision for the period 1.1.2007 to 31.3.2008 Rs.161.55 lakhs (previous year ended 31 March 2015 Rs.161.55 lakhs ) to the officers and Rs.148.26 lakhs (previous year ended 31<sup>st</sup> March 2015 Rs.148.26 lakhs) to staff at Rasayani unit.

The above matters were also qualified in Audit report on the financial statements for the year ended March 31, 2015. Had the effects of the items mentioned in paragraph A (i) to A (iv) above been considered the loss for the year would have been higher by 3737.92 Lakhs (Previous year ended 31<sup>st</sup> March, 2015: Rs3531.28 Lakhs)

- (B) In absence of adequate profit, Redemption reserve for redemption of 25% of Preference Shares Capital amounting to Rs. 6750 lacs due for redemption during the financial year 2015-16 is not provided in the books.
- (C) The Balances of trade payables, loans & advances and other current assets and other debit/ credit balances are pending for confirmations and reconciliations (note no. 43). The effect of the same on the loss is not ascertainable.

This matter was also qualified in Audit report on the financial statements for the year ended March 31, 2015

- (D) The financials of HOC-Chematur Limited in which holding company holds 60% of the equity has not been consolidated by the management in the consolidated financial statements for reasons stated in note no 35 to the consolidated financial statements.
- (E) In absence of current status of pending litigations and financial impact thereof, liabilities under such cases are not ascertainable and the foreseeable loss of the same is not considered while preparing financial results.
- (F) The Kochi unit of the company has entered into long term supply contract with Gas Authority of India (GAIL) for supply of Liquefied Natural Gas in 2011 for the period of 15 years ending in 2026. Material foreseeable losses on this contract are not quantifiable in the current scenario.
- (G) The Group have few differences in accounting policies of Subsidiary Company and Holding Company which are listed below:

S.No	Name of Policy	Followed by Holding Company	Followed by Subsidiary
1	Valuation of inventory-Raw material	Cost on weighted average basis	At cost on weighted average basis or NRV whichever is lower
2	Valuation of inventory-Stores & spares	Cost on weighted average basis	At cost on weighted average basis or NRV whichever is lower
3	Valuation of Inventory-Intermediate products	At Cost	At cost or NRV whichever is lower
4	Valuation of inventory- By-products	At estimated NRV	At NIL Value
5	Revenue recognition of Scrap sale is recognized	At the time of disposal	On receipt basis
6	Revenue recognition of Interest income is recognized	When no significant uncertainty as to its realization exists.	On a time proportion basis taking into account the amount outstanding and applicable rate of interest.
7	Refurbishment Expenditure of Plant	Depreciation in line with respective plant as per useful life under Companies Act 2013	Depreciated over 5 years on SLM basis in accordance with BIFR scheme
8	Borrowing Costs	Borrowing costs incurred in form of Bond Issue expenses are being charged off against Security Premium Account as per provisions of the Companies Act 2013	All borrowing costs charge off to revenue except cost incurred in connection with acquisition of fixed assets which are capitalized as part of the cost of assets.
9	Prior Period Adjustments	The Company has policy to account prior period income/expenses if amount involved is more than 10,000/-	There is no such policy

As per information and explanation given to us, the impact of such differences are not material with respect to Group as whole so not quantified for reporting purpose.

**Qualified Opinion**

In our opinion and to the best of our information and according to the explanations given to us, *except for the effects of the matters described in the Basis for Qualified Opinion paragraph above* the aforesaid Consolidated financial statements give the information required by the Act in the manner so required gives a true & fair view in conformity with the accounting principles generally accepted in India, of the consolidated state of affairs of the group as at 31<sup>st</sup> march, 2016 and their consolidated Loss and their consolidated cash flow for the year ended on that date.

**Emphasis of Matter**

Attention is drawn to note 50 to the consolidated financial statements which states that the group has been declared as SICK unit by BIFR. The net worth of the group is fully eroded. The group has incurred a cash loss in the current and in previous years. The group current liabilities exceeded its current assets as at the balance sheet date. These conditions indicate the existence of a material uncertainty that may cast significant doubt on the group's ability to continue as a going concern. However, the financial statements of the group have been prepared on a going concern basis because the group management has submitted board approved revival plan to administrative ministry and the same is under process.

In the absence of adequacy of funds, the group has not paid major part of salaries to employees, dues to many vendors, statutory dues and defaulted to lenders for more than a year. Further due to inadequate working capital and economic viability of the products, some of the plants of the group are not utilized appropriately which may lead to obsolescence due to non-working since long and frequent shutdown in running plants.

Our opinion is not modified in respect of this matter.

**Other Matter**

We did not audit the financial statements / information of the subsidiary, whose financial statement / financial information reflecting the total assets of **Rs. 3,831.73 Lakhs as at 31<sup>st</sup> March, 2016, total Revenues of Rs. 3,588.31 Lakhs and net cash outflow of 882.85 Lakhs** & We also did not audit the financial statements / information of Kochi Unit whose financial statement / financial information reflecting the total assets of **Rs. 9,929.54 Lakhs (excluding inter-branch balance) as at 31<sup>st</sup> March, 2016 and total Revenues of Rs. 8,726.57 lakhs for the year ended on that date,** as considered in the consolidated financial statement.

The financial statements/ information of this Subsidiary & Kochi Branch has been audited by other Independent auditors whose report has been furnished to us, and our opinion on the consolidated financial statements, in so far as it relates to the amounts and disclosures included in respect of this subsidiary and Kochi branch, and our other report in term of



sub-section (3) and (11) of Section 143 of the Act, in so far as it relates to the aforesaid subsidiary, is based solely on the report of such branch auditor.

Our opinion on the consolidated financial statements, and our report on Other Legal & Regulatory requirement below, is not modified in respect of the above matters with respect to our reliance on the work done and the report of the other auditor.

*The matters described in the Basis for Qualified Opinion paragraph above, and the going concern matter described in the Emphasis of Matter paragraph above, in our opinion, may have an adverse effect on the functioning of the Company.*

#### Report on Other Legal and Regulatory Requirements

- As required by the Companies (Auditor's Report) Order, 2016 ("the Order"), as amended, issued by the Central Government of India in terms of sub-section (11) of section 143 of the Act, based on the comments in the auditor's report of the Holding company & its subsidiary, we give in the "Annexure I" a statement on the matters specified in paragraphs 3 and 4 of the Order, to the extent applicable.
- As required by the directions and sub-directions issued by the Office of the Comptroller and Auditor General of India under Section 143(5) of the Act, we give in "Annexure II", a statement on the matters referred to in those directions in respect of the Holding Company and in "Annexure C" in respect of subsidiary company as reported by the statutory auditors of the subsidiary company in their standalone audit report dated 19.05.2016
- As required by section 143 (3) of the Act, we report that:
  - We have sought and except for the possible effects of matter described in the basis for qualified opinion above, obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit of the aforesaid consolidated financial statements.
  - In our opinion proper books of account as required by law relating to the preparation of the aforesaid consolidated financial statement have been kept so far as it appears from our examination of those books and reports of the other auditors.
  - The report on the accounts of the branch office of the Holding Company audited under section 143(8) of the Act by branch auditors have been sent to us and have been properly dealt with by us in preparing this report.
  - The consolidated Balance Sheet, the consolidated Statement of Profit and Loss and the consolidated Cash Flow Statement dealt with by this Report are in agreement with the books of account maintained for the purpose of preparation of the consolidated financial statements.
  - In our opinion, except for the effect of the matter described in the Basis for Qualified opinion Paragraph above, the aforesaid consolidated financial statements comply with the Accounting Standards specified under section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014.
  - The condition specified in section 164(2) of the Act, in respect of qualification of directors is not applicable to the companies in the group being a Government companies.
  - With respect to the adequacy of the internal financial controls over financial reporting of the Company and the operating effectiveness of such controls, refer to our separate Report in "Annexure III".
  - With respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, in our opinion and to the best of our information and according to the explanations given to us:
  - The consolidated financial statement disclose the impact of the pending litigations on the consolidated financial position of the group (refer note no 44 to the financial statements)
  - The Kochi unit of the company has entered into long term supply contract with Gas Authority of India (GAIL) for supply of Liquefied Natural Gas in 2011 for the period of 15 years ending in 2026. Material foreseeable losses on this contract are not quantifiable in the current scenario.  
The Subsidiary has made provision, as required under the applicable law or Accounting Standards, for material foreseeable losses, if any on long term contracts.  
The Group neither entered into any derivative contracts during the year nor were there any outstanding derivative contracts at the end of the year
- There were no amounts which were required to be transferred to the Investor Education and Protection Fund by the Companies in the group during the year.

For JMT & Associates  
Chartered Accountants  
FRN: 104167W

Sd/  
CA Jayesh Shah  
Partner  
Membership number: 39910

Place: Mumbai  
Date: 20.05.2016

#### "Annexure I" to the Independent Auditors' Report

As Referred to in paragraph 1 under 'Report on Other Legal & Regulatory Requirement' of our audit report of even date, the following statement is based on the comments in the auditor's report on the standalone financial statement of the Holding company and its subsidiary incorporated in India (referred to as "the group") for the year ended March 31, 2016:

- The Group has maintained proper records showing full particulars, including quantitative details and situation of fixed assets;
  - In case of Kochi unit, *The Fixed Assets have not been physically verified by the management during the current year.*  
In case of Rasayani unit, the Company has carried out Impairment study by independent external agency and incorporated provisions as report in their report. In our opinion the verification is reasonable, however it is recommended to implement regular program for verification of fixed assets on periodic basis.
  - The title deeds of immovable properties are held in the name of the company.
- The management has conducted the physical verification of inventory at reasonable intervals during the year. In our opinion the physical verification of inventory followed by the management are reasonable and adequate in relation to the size of the company and the nature of the business,
  - In case of Rasayani unit, the verification of non working plants' storage was not taken by dip measurement; instead reliance is placed on the meter reading devices installed. The Company has maintained proper records of inventory. As explained to us, the discrepancies between the physical inventory and the physical records noticed on physical verification were not material
- As explained to us, the Company has granted secured loans to its subsidiary – Hindustan Fluorocarbons Ltd. and unsecured advance in the nature of loan to its joint venture subsidiary company – HOC- Chematur Ltd. Covered in the register maintained under section 189 of the Act.

The loan to Hindustan Fluorocarbons Ltd. is interest free to the extent of Rs. 2744.06 lakhs under BIFR agreement and has varying interest rates of 10.25% to 14.5% on amount of Rs.453.01 lakhs. Both the principal amount and the interest on this loan have not been received by company as per stipulation. The company has not provided any provisions against doubtful of recovery during the current year

The advance to HOC- Chematur Ltd. of Rs. 1067.46 lakhs is interest free and there is no stipulation as to repayment of principal. The advance has been fully written off against provision made in previous year as it is doubtful of recovery.

In both the above cases, except follow up, the company has not taken any other steps for recovery of dues.

- According to the information and explanations to us by the companies in the Group, the group has not entered into any transaction regarding the provisions of section 185 & 186 of the Companies Act, 2013 except for guarantee given by the Holding Company of Rs.1103 for the loans taken by subsidiary – Hindustan Fluorocarbons Ltd., from bank. Based on the information and explanations given, the terms and conditions of this guarantee are not prejudicial to the interest of the Holding Company.
- The Group has not accepted any deposits from the public and hence the directives issued by the Reserve Bank of India and the provisions of Sections 73 to 76 or any other relevant provisions of the Act and the Companies (Acceptance of Deposit) Rules, 2015 with regard to the deposits accepted from the public are not applicable.
- We have broadly reviewed the books of accounts maintained by the group in pursuance to the rules made by the Central Government for maintenance of cost records under sub-section (1) of Section 148 of the Act, for the certain products of the company and are of the opinion that prima facie and prescribed accounts and records have been maintained. We have not, however made a detailed examination of the records with a view to determine whether they are accurate or complete.
- According to the information and explanations given to us by the management and on the basis of our examination of the books of account carried on by us and records, the group has been generally regular in depositing undisputed statutory dues including Provident Fund, Service Tax, Duty of Customs, Duty of Excise, except Employees State Insurance, Income-Tax, Sales tax, Value added Tax, cess and any other statutory dues with the appropriate authorities. The group has not been regular in depositing provident fund dues and tax deducted at source with the appropriate authorities during the year. There is no undisputed arrears of statutory dues outstanding as at 31<sup>st</sup> March, 2016 for the period of more than 6 Months from the date they became payable except for as stated below:

#### Rasayani Unit

Sr. No.	Name of Statute	Nature of Dues	Outstanding Amount (Rs in lakhs)
1	The Employees' Provident Funds And Miscellaneous Provisions Act, 1952	Employees Provident Fund contribution	2273.37
2	The Employees' Provident Funds And Miscellaneous Provisions Act, 1952	Employees Pension Fund contribution	154.83
3	Works Contract Tax Act, 1989	Works Contract Tax	1.29
4	Income Tax Act, 1961	Tax deducted at source	190.59
3	Gram Panchayat	Gram Panchayat Tax	47.00
		<b>Total</b>	<b>2667.07</b>



**Kochi Unit**

Sr. No.	Name of Statute	Nature of Dues	Outstanding Amount (Rs in lakhs)
1	The Employees' Provident Funds And Miscellaneous Provisions Act, 1952	Employees Provident Fund contribution	537.18
2	Income Tax Act, 1961	TDS - Salary	93.35
3	Excise Act	Excise duty	114.89
4	Professional Tax	Professional Tax	4.49
<b>Total</b>			<b>749.91</b>

**Subsidiary Company**

Sr. No.	Name of Statute	Nature of Dues	Outstanding Amount (Rs in lakhs)
1	The Employees' Provident funds & Miscellaneous Provisions Act, 1952	Employees & Company's Provident Fund contribution	329.38

(b) According to the information and explanation given to us, there are no disputed dues of income tax, sales tax, service tax, duty of customs duty, excise duty, value added tax and cess which have not been deposited as at 31<sup>st</sup> March 2016 other than those shown below:

**Rasayani Unit**

Sr. No.	Name of Statute	Nature of Dues	Period to which the dispute relates	Amount of Dispute (Rs. in lakhs)	Forum where dispute is pending
1	Central Excise Act, 1944	Molten Sulphur Classification	Feb-97 to Jun-98	15.53	Customs, Excise and Service Tax Appellate Tribunal
2	Central Excise Act, 1944	Molten Sulphur Classification	Sept-94 to Jan-97	22.76	Customs, Excise and Service Tax Appellate Tribunal
3	Central Excise Act, 1944	Shortage of Inputs	1998-01	18.66	Pending at high court
4	Central Excise Act, 1944	Shortage of Inputs	July-01 to Sept.-02	5.85	Commissionerate
5	Central Excise Act, 1944	ARO Case (Aniline Valuation)	July,03 to May06	19.29	Customs, Excise and Service tax appellate
6	Central Excise Act, 1944	Clearance of SSA to Fertilizer Manufacturing Units	Sept.,96 to Mar.00	112.78	Pending remanded by CEGAT but Central Excise department filed appeal in High Court
7	Central Excise Act, 1944	N2O4 Exemption	Jan.,06 to Feb.,08	104.63	Customs, Excise and Service Tax Appellate Tribunal
8	Central Excise Act, 1944	Duty on clearance on Molten Sulphur	Nov.,98 to Dec.,98	5.05	Deputy commissioner central excise
9	Central Excise Act, 1944	Duty on clearance on Molten Sulphur	Dec.,98 to Jan.,99	2.59	Deputy commissioner central excise
10	Finance Act 1944	Wrong credit avails on Angels, bar and HR coils and Plates	May-07 to July 10	1.44	Appeal filed before Assistant commissioner Central Excise
11	Finance Act 1944	Cleaning, gardening and rent a cab services	Oct.,9 to Nov.,11	8.88	Deputy Commissioner Central Excise
12	Finance Act 1944	Service tax on canteen services	Feb.07 to Mar.11	66.96	Commissioner of Central Excise Custom and Service Tax.
13	Finance Act 1944	Capital goods Bills of entry	27.11.2013 to 18.12.14	17.58	Appeal filed before Hon'ble Comm. C excise Appeals Mumbai. II
14	Finance Act, 1994	Flood case	Jan.,2007	9.34	Appeal is to be filed in CESTATE
15	Finance Act, 1994	Reversal Penalty and int. payment as O-in O	Oct.,13 to Mar.15	10.95	Assistant commissioner Central Excise.

Sr. No.	Name of Statute	Nature of Dues	Period to which the dispute relates	Amount of Dispute (Rs. in lakhs)	Forum where dispute is pending
16	Finance Act, 1994	Molten Sulphur	1999	7.62	Commissioner of Central Excise Appeals, Mumbai - II
17	Finance Act, 1994	Shortage of inputs		13.64	Commissioner of Central Excise
18	Finance Act, 1994	Reversal of cervat credit	2006-07	18.66	Commissioner of Central Excise se
19	Finance Act, 1994	Service tax credit works	2015-16	17.80	Joint commissioner Central Excise
20	Finance Act, 1994	Contract Service		8.90	Appeal is to be filed before Hon'ble Comm. Central Excise Appeals Mumbai - II
21	Income Tax Act, 1961	Penalty u/s 271(1)(c)	A.Y 1999-00	91.07	Bombay High Court
22	Income Tax Act, 1961	Penalty u/s 271(1)(c)	A.Y 1999-00	57.55	Bombay High Court
23	Income Tax Act, 1961	Penalty u/s 271(1)(c)	A.Y 2003-04	607.25	Bombay High Court
24	Income Tax Act, 1961	Penalty u/s 271(1)(c)	A.Y 2004-05	63.23	Bombay High Court
25	Income Tax Act, 1961	Disallowance of Expenses	A.Y. 2011-12	404.71	Bombay High Court. Awaiting for hearing.
26	Income Tax Act, 1961	Disallowance of Expenses	A.Y. 2012-13	81.03	Bombay High Court. Awaiting for hearing.
27	Income Tax Act, 1961	Disallowance of Expenses	A.Y. 2013-14	106.51	Bombay High Court. Awaiting for hearing.
<b>Total</b>				<b>1900.26</b>	

**Kochi Unit**

Sr. No.	Name of Statute	Nature of Dues	Period to which the dispute relates	Amount of Dispute (Rs. in lakhs)	Forum where dispute is pending
1	ESI Corporation	ESI contribution of employees	1.04.92 to 31.10.92	2.17	Employees Insurance Court (Industrial)
2	Finance Act 1994	Availing of CEVAT credit on service tax on transportation of final products to Rasayani Depot	04/03 to 12/06	41.47	CESTAT, Bangalore
3	Finance Act 1994	Insurance renewal/Tyres trading charge	07/11 to 05/12	3.17	CESTAT, Bangalore
4	Finance Act 1994	Bus, Car transportation to employees	11/11 to 06/12	1.16	Commissioner of Central Excise Appeals, Ernakulam
5	Finance Act 1994	Insurance renewal/Tyres trading charge	04/11 to 03/13	10.96	Commissioner of Central Excise Appeals, Ernakulam
6	Finance Act 1994	Outdoor Catering/ Insurance renewal & Tyres trading charge	04/06 to 01/13	83.33	Department filed appeal to CESTAT, Bangalore
7	Employees Provident Fund	Employees Family Pension Scheme- Damage for default payment	1995 to 1997	18.05	Appeal filed before High Court, Kerala
8	Central Sales Tax Act, 1956	Levy of interest- CST	2005-06	155.23	Tribunal Dept. of Commercial Taxes, Ernakulam
9	KVAT Act, 2003	Levy of interest- KVAT	2005-06	152.63	Tribunal Dept. of Commercial Taxes, Ernakulam
10	KVAT Act, 2003	KVAT Act, 2003 - Demand U/S 25(1)	2011-12	714.58	Commissioner of commercial taxes - Thiruvananthapuram
11	Central Sales Tax Act, 1956	Input Tax due from April, 12 to March, 13	2012-13	73.36	D.C (Appeals), Dept. of Commercial Taxes, Ernakulam
<b>Total</b>				<b>1256.11</b>	



8. In our opinion & according to the information and explanation given to us, the group has made default in repayment of dues to banks, and Government loan during the year due to insufficient cash inflow and further the Holding Company and Subsidiary Company both are declared as SICK unit under BIFR. The revival proposal of Holding Company is submitted with administrative Ministry and BIFR and the same is under process. Details for the default made by the company are as follows:

(Rs In Lakhs)

S.No	Year	Government Loan*(Holding Co.)	Canara Bank Loan** (Holding Co.)	Government Plan Loan*** (Subsidiary Co.)
1	2002-03	61.60	-	-
2	2003-04	152.60	-	-
3	2004-05	212.60	-	-
4	2005-06	268.50	-	-
5	2006-07	328.50	-	-
6	2007-08	328.50	-	-
7	2008-09	448.50	-	-
8	2009-10	804.50	-	-
9	2010-11	749.10	-	-
10	2011-12	749.10	-	-
11	2012-13	687.50	-	-
12	2013-14	828.50	-	-
13	2014-15	768.50	-	-
14	2015-16	412.00	58.43	398.61
<b>Total</b>		<b>6800.00*</b>	<b>58.43**</b>	<b>398.61***</b>

\*Annual Installments for various loans \*\* Monthly Installments of Rs. 5.33 Lakhs \*\*\* Rs. 97.18 Lakhs for 7 months & Rs.301.43 Lakhs for 4 months

9. In our opinion and according to the information and explanations given to us, the group has not raised money by way of public issue/ follow-on offer (including debt instruments)/term loan during the year. The group has received Government loan during the year and the same was applied for the purpose for which it was raised
10. According to the information and explanations obtained by the statutory auditors of the companies in the group, no fraud on or by the companies in group by its officers/ employees has been noticed or reported during the year;
11. Based upon the audit procedures performed and the information and explanations given to us, the managerial remuneration has been paid or provided in accordance with the requisite approvals mandated by the provisions of section 197 read with Schedule V to the Companies Act.
12. In our opinion, the Company as a group is not a Nidhi Company. Therefore, the provisions of clause 3 (xii) of the Order are not applicable to the Group.
13. In our opinion, all transactions with the related parties are in compliance with section 177 and 188 of Companies Act, 2013 and the details have been disclosed in the Financial Statements as required by the applicable accounting standards.
14. Based upon the audit procedures performed and the information and explanations given to us, the group has not made any preferential allotment or private placement of shares or fully or partly convertible debentures during the year under review. Accordingly, the provisions of clause 3 (xiv) of the Order are not applicable to the Company and hence not commented upon.
15. Based upon the audit procedures performed and the information and explanations given to us, the group has not entered into any non-cash transactions with directors or persons connected with him. Accordingly, the provisions of clause 3 (xv) of the Order are not applicable to the group and hence not commented upon.
16. In our opinion, the company as a group is not required to be registered under section 451A of the Reserve Bank of India Act, 1934 and accordingly, the provisions of clause 3 (xvi) of the order are not applicable to the group and hence not commented upon.

For JMT & Associates  
Chartered Accountants  
FRN: 104167W

Sd/-  
CA Jayesh Shah  
Partner  
Membership number: 39910

Place: Mumbai  
Date: 20.05.2016

Annexure II to the Independent Auditor's Report of even date To the Members of Hindustan Organic Chemicals Limited For the year ended 31<sup>st</sup> March, 2016

(Referred to in paragraph 2 under Report on Other Legal and Regulatory Requirements)

As required by the directions and sub-directions issued by the Office of the Comptroller and Auditor General of India under Section 143(5) of the Companies Act, 2013, we give below our comments on the matters referred therein

1. Whether the Company has clear title/lease deeds for freehold and leasehold respectively? If not please state the area of freehold & leasehold land for which title/lease deeds are not available? Based on the information & Explanation given to us we report that the Company as a Group has clear titles/lease deeds for freehold and leasehold respectively.

2. Please report whether there are any cases of waiver/ write off of debts/loans/interest etc., if yes, the reasons there for and the amount involved.

Rasayani unit:

The Rasayani unit of the company has not written off of any Debts/Loans/Interest etc during the year.

Kochi Unit

The Kochi Unit of the Company has written off Rs. 32.66 lacs due from M/s Shubham Chemicals & Solvents Ltd., New Delhi towards the delayed payment charges after getting the approval of the competent authority.

3. Whether proper records are maintained for inventories lying with third parties & assets received as gift from Govt. or other authorities.

As informed to us, there are no inventories lying with third parties and there are no assets received as gift from Govt. or other authorities during the year.

Sub-directions u/s 143(5) of the Companies Act. 2013

1. State the area of land under encroachment and briefly explain the steps taken by the Company to remove the encroachment.

Rasayani Unit:

As informed to us, in Rasayani Unit, 40 acres (approx) land is under encroachment. The management has not taken any effective action for eviction of the encroachers. The land area allotted by the Government of Maharashtra is not earmarked and measured. Detail of encroachment given on approximate basis.

It is recommended to obtain exact measurement report duly certified by collector to earmarked encroached area and fencing of total area. Thereafter actual area of encroachment can be measured correctly.

Kochi Unit:

In Kochi Unit, we are informed that no encroachment of land has been noticed.

2. (i) Whether the amount of (a) bank balances (b) Trade Receivable (c) Trade Payables (d) Loans & Advances for which third party confirmation was not made available has been reported.

Confirmations/ Bank Statements for all bank balances have been received. In case of Kochi unit we have not received any direct confirmation from debtors and creditors. In case of Rasayani unit few creditors have confirmed balances to us, list of which is provided to the management.

a)	Bank Balance	Confirmation received for all banks
b)	Trade receivable	No Confirmation received
c)	Trade payables	Confirmation received of 12 parties amounting to Rs 119.43 Lakhs.
d)	Loan & Advances	No Confirmation received

(ii) Where such balance has been confirmed by the respective parties, whether it varies widely from the amounts reflected under respective heads in the financial statements and if so differences to be disclosed.

Rasayani Unit:

Out of the confirmations received on creditors/debtors reconciliation there were 2 parties were variations exceeded Rs. 1 lakh individually. These accounts are yet to be reconciled. They represent a small percentage as compared to the total amount of outstanding.

S.No	Name of Party	Balance in Books (Rs In Lakhs)	Balance confirmed Rs In Lakhs)	Variations (Rs In Lakhs)
1	Kaizen Automations	9.94	15.28	5.34
2	Hazels Mercantile Limited	72.69	140.48	67.79
	<b>Total</b>	<b>82.63</b>	<b>155.76</b>	<b>73.13</b>

3. Independent verification may be made, of information / inputs furnished to actuary viz, number of employees, average salary, retirement age etc. and assumptions made by the actuary regarding the discount rates, future cost increase, mortality rate etc. for arriving at the provisions for liability of retirement benefits viz., gratuity, leave encashment, post-retirement medical benefits etc.

The particulars furnished to the actuary and the assumption made by the actuary for arriving at the provisions for liability of retirement benefits have prima facie been verified by us.

For JMT & Associates  
Chartered Accountants  
FRN: 104167W

Sd/-  
CA Jayesh Shah  
Partner  
Membership number: 39910

Place: Mumbai  
Date: 20.05.2016

**Annexure III" to the Independent Auditor's Report of even date on the Consolidated Financial Statements of HINDUSTAN ORGANIC CHEMICALS LIMITED****Report on the Internal Financial Controls under Clause (i) of Sub-section 3 of Section 143 of the Companies Act, 2013 ("the Act")**

We have audited the internal financial controls over financial reporting of HINDUSTAN ORGANIC CHEMICAL LIMITED as at March 31, 2016 in conjunction with our audit of the consolidated financial statements of the group for the year ended on that date.

**Management's Responsibility for Internal Financial Controls**

The group's management is responsible for establishing and maintaining internal financial controls based on "the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls over Financial Reporting issued by the Institute of Chartered Accountants of India". These responsibilities include the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the orderly and efficient conduct of its business, including adherence to company's policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information, as required under the Companies Act, 2013.

**Auditors' Responsibility**

Our responsibility is to express an opinion on the group's internal financial controls over financial reporting based on our audit. We conducted our audit in accordance with the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting and the Standards on Auditing, issued by ICAI and deemed to be prescribed under section 143(10) of the Companies Act, 2013, to the extent applicable to an audit of internal financial controls, both applicable to an audit of Internal Financial Controls and, both issued by the Institute of Chartered Accountants of India. Those Standards and the Guidance Note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate internal financial controls over financial reporting was established and maintained and if such controls operated effectively in all material respects.

Our audit involves performing procedures to obtain audit evidence about the adequacy of the internal financial controls system over financial reporting and their operating effectiveness. Our audit of internal financial controls over financial reporting included obtaining an understanding of internal financial controls over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the group's internal financial controls system over financial reporting.

**Meaning of Internal Financial Controls over Financial Reporting**

A company's internal financial control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal financial control over financial reporting includes those policies and procedures that:

- (1) Pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company;

- (2) Provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and
- (3) Provide reasonable assurance regarding prevention or timely detection of unauthorised acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

**Inherent Limitations of Internal Financial Controls over Financial Reporting**

Because of the inherent limitations of internal financial controls over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may occur and not be detected. Also, projections of any evaluation of the internal financial controls over financial reporting to future periods are subject to the risk that the internal financial control over financial reporting may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

**Opinion**

In our opinion, the group does have, an adequate internal financial controls system over financial reporting and such internal financial controls over financial reporting were operating effectively as at March 31, 2016 in material aspects, based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India *except* as reported below:

- The Holding Company needs to improve system of maintaining status of litigations or legal cases and periodic confirmations from legal consultants/in-charges should be placed in board meeting to ensure adequate provisioning under pending cases.
- The Holding Company should improve system of follow up with all creditors/debtors to ensure periodic reconciliation with parties because very few confirmations received during the year.
- The Holding Company needs to implement program for physical verification of all movable and immovable assets on periodic basis in addition to impairment study done by external independent agency.
- The Holding Company should conduct Quarterly internal audit because no internal audit reports are placed in board meeting during the year due to delay in appointment of internal auditors.

For JMT & Associates  
Chartered Accountants  
FRN: 104167W

Sd/-  
CA Jayesh Shah  
Partner  
Membership number: 39910

Place: Mumbai  
Date: 20.05.2016



## Consolidated Balance Sheet as at 31st March, 2016

	Notes	As at 31.03.2016	As at 31.03.2015	₹ lakhs
<b>I. EQUITY AND LIABILITIES</b>				
(1) Shareholders' funds				
(a) Share capital	2	33726.96	33726.96	
(b) Reserves and surplus	3	(112099.50)	(93282.79)	
			-78372.54	-59555.83
(2) Deferred government grants	4	1971.25	1971.25	1595.96
(3) Non-current liabilities				
(a) Long-term borrowings	5	29355.35	29258.95	
(b) Other Long term liabilities	6	0.00	136.33	
(c) Long-term provisions	7	8512.98	8682.63	
			37868.33	38077.91
(4) Current liabilities				
(a) Short-term borrowings	8	4488.22	5764.13	
(b) Trade payables	9	16575.81	11943.24	
(c) Other current liabilities	10	38346.04	28039.82	
(d) Short-term provisions	11	1806.04	3288.10	
			61216.11	49035.29
<b>TOTAL</b>			<b>22683.15</b>	<b>29153.33</b>
<b>II. ASSETS</b>				
(1) Non-current assets				
(a) Fixed assets	12			
(i) Tangible assets		12278.15	13484.74	
(ii) Intangible assets		219.99	251.23	
(iii) Capital work-in-progress	13	442.20	1128.80	
(b) Non-current investments	14	5.00	5.00	
(c) Long-term loans and advances	15	495.69	215.68	
			13441.03	15085.45
(2) Current assets				
(a) Inventories	16	3873.15	6129.08	
(b) Trade receivables	17	870.03	2497.74	
(c) Cash and cash equivalents	18	475.17	1308.47	
(d) Short-term loans and advances	19	3805.60	3899.42	
(e) Other current assets	20	218.17	233.17	
			9242.12	14067.88
<b>TOTAL</b>			<b>22683.15</b>	<b>29153.33</b>
Significant Accounting Policies	1			
Notes to the Consolidated Financial Statements	2 to 52			

For and on behalf of the Board of Directors

As per our report of even date attached

Sd/-  
**S.B. Bhide**  
 Acting Chairman & Managing Director  
 & Director (Technical)

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

**For JMT & Associates**  
 Chartered Accountants  
 Firm's Registration No.104167W

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

Sd/-  
**P.O. Luise**  
 Chief Financial Officer

Sd/-  
**Jayesh Shah**  
 Partner  
 Membership No. 39910

Place: Mumbai  
 Date: 20-05-2016

Place: Mumbai  
 Date: 20-05-2016



### Consolidated Statement of Profit and Loss for the year ended 31st March, 2016

	Notes	Year ended 31.03.2016	Year ended 31.03.2015
<b>₹ lakhs</b>			
<b>REVENUE</b>			
Revenue from operations:			
Sale of products	21	16035.40	19994.14
Other operating revenue		8.33	111.79
		<u>16043.73</u>	<u>20105.93</u>
Less : Excise duty		1601.58	2177.62
		<u>14442.15</u>	<u>17928.31</u>
Other income	22	486.36	824.16
<b>Total revenue</b>		<u><u>14928.51</u></u>	<u><u>18752.47</u></u>
<b>EXPENSES</b>			
Cost of materials consumed	23	5565.14	11117.15
Changes in Inventories of finished goods and work in progress	24	1944.40	(557.45)
Variation in excise duty on finished goods inventory		(239.79)	173.79
Employee benefits expenses	25	11009.80	12238.11
Finance costs	26	6892.65	5272.74
Depreciation and amortization expenses		993.07	989.86
Provision for impairment loss on fixed assets		1593.70	14.25
Other expenses	27	6710.23	7807.50
<b>Total expenses</b>		<u>34469.20</u>	<u>37055.95</u>
Profit / (Loss) before prior period adjustment, exceptional items and tax		(19540.69)	(18303.48)
Less: Prior Year Adjustment	28	(1038.11)	4002.38
Profit / (Loss) before exceptional items and tax		(18502.58)	(22305.86)
Less: Exceptional items	29	0.00	(600.83)
Profit / (Loss) before tax		(18502.58)	(21705.03)
Extra-ordinary items		0.00	0.00
Profit / (Loss) before tax		(18502.58)	(21705.03)
Tax expenses :			
Current tax		-	-
Deferred tax		-	-
		<u>(18502.58)</u>	<u>(21705.03)</u>
Minority Interest		(484.23)	(164.46)
<b>Profit / (Loss) for the year</b>		<u><u>(18018.35)</u></u>	<u><u>(21540.57)</u></u>
Earnings per equity share: (in ₹) (Face value ₹ 10 each)			
Basic and Diluted	39	(26.82)	(32.07)
Significant Accounting Policies	1		
Notes to the Consolidated Financial Statements	2 to 52		

**For and on behalf of the Board of Directors**

As per our report of even date attached

Sd/-  
**S.B. Bhide**  
Acting Chairman & Managing Director  
& Director (Technical)

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

**For JMT & Associates**  
Chartered Accountants  
Firm's Registration No.104167W

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

Sd/-  
**P.O. Luise**  
Chief Financial Officer

Sd/-  
**Jayesh Shah**  
Partner  
Membership No. 39910

Place: Mumbai  
Date: 20-05-2016

Place: Mumbai  
Date: 20-05-2016



### Consolidated Cash Flow Statement for the year ended 31st March, 2016

(₹ lakhs)

	2015-16	2014-15
<b>CASH FLOW FROM OPERATING ACTIVITIES:</b>		
Net Profit/(Loss) before tax, prior year adjustments and exceptional items as per Statement of Profit and Loss	(19540.69)	(18303.48)
Adjusted for :		
Depreciation and amortization expenses	993.07	989.86
Impairment loss (net of provision written back)	1593.70	0.18
Provision for Impairment on CWIP	-	2634.54
Provision for Diminution of Investment-HFL.	-	-
Loss on sale/ discard of assets (net)	-	0.94
Profit on Sale of Assets	-	(202.40)
Fixed assets/Expenses written-off	-	-
Provision for Stock Obsolescence	184.84	104.88
Govt grant transferred to income (Refer note 4)	(102.03)	(92.47)
Finance costs	6892.65	5272.74
Provision no longer required written back	-	(20.04)
Provision for wage arrears no longer required written back	-	-
Interest income from Subsidiary	-	-
Interest income	(15.01)	(80.82)
<b>Operating Profit/(Loss) Before Prior Year Adjustments and exceptional itmes</b>	<b>(9993.47)</b>	<b>(9696.07)</b>
Add :- Net prior year adjustments and exceptional items:	<b>1038.11</b>	<b>(3401.55)</b>
<b>Operating Profit / (Loss) Before Working Capital Changes</b>	<b>(8955.36)</b>	<b>(13097.62)</b>
Adjusted for :		
Trade and other receivables	1627.71	(1293.28)
Inventory	2071.09	(368.55)
Trade and other payables	10408.31	3465.04
Loans and advances	5.27	(303.28)
<b>Cash Generated from Operations</b>	<b>5157.02</b>	<b>(11597.69)</b>
Taxes paid (net)	-	-
<b>Net Cash from Operating Activities : (A)</b>	<b>5157.02</b>	<b>(11597.69)</b>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>		
Purchase of fixed assets	(662.30)	(423.56)
Sale of fixed assets	-	388.93
Purchase of investments	-	-
Interest income	15.01	80.82
<b>Net Cash Used In Investing Activities : (B)</b>	<b>(647.29)</b>	<b>46.19</b>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>		
Borrowings (net of repayments)	552.96	14133.75
Bond issue expenses	(314.11)	(227.43)
Interest paid	(5746.39)	(3635.14)
Grant from ISRO	164.50	98.07
<b>Net Cash from / Used In Financing Activities : (C)</b>	<b>(5343.04)</b>	<b>10369.25</b>
<b>Net Increase In Cash and Cash Equivalents (A+B+C)</b>	<b>(833.31)</b>	<b>(1182.25)</b>
<b>Opening Balance of Cash and Cash Equivalents</b>	<b>1308.48</b>	<b>2490.73</b>
<b>Closing Balance of Cash and Cash Equivalents</b>	<b>475.17</b>	<b>1308.48</b>

Note : 1. Figures in brackets represent outflows.

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

**For and on behalf of the Board of Directors**

As per our report of even date attached

Sd/-  
**S.B. Bhide**  
Acting Chairman & Managing Director  
& Director (Technical)

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

**For JMT & Associates**  
Chartered Accountants  
Firm's Registration No.104167W

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

Sd/-  
**P.O. Luise**  
Chief Financial Officer

Sd/-  
**Jayesh Shah**  
Partner  
Membership No. 39910

Place: Mumbai  
Date: 20-05-2016

Place: Mumbai  
Date: 20-05-2016

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

The financial statements have been prepared on accrual basis, unless stated otherwise, under the historical cost convention, in accordance with the generally accepted accounting principles in India and the provisions of the Companies Act, 2013.

**B. USE OF ESTIMATES**

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

**C. BASIS OF CONSOLIDATION.**

- The financial statements of the Holding Company and its subsidiary companies are combined on a line by line basis by adding together the book values of like items of assets, liabilities, income and expenses, after fully eliminating intra-group balances and intro-group transactions resulting in unrealized profits or losses in accordance with Accounting Standard (AS) 21 on "Consolidated Financial Statements" issued by the Institute of Chartered Accountants of India.
- Minority interest' share of the net profit of consolidated subsidiary for the year is identified and adjusted against the income of the group in order to arrive at the net income attributable to shareholders of the Holding Company. Minority interests' share of net assets of consolidated subsidiary is identified and presented in the consolidated financial statement only if the impact is significant.
- As far as possible, the consolidated financial statements are prepared using uniform accounting policies are like transactions and other events in similar circumstances and are presented in the same manner as the Holding Company's separate financial statements.

**D. FIXED ASSETS**

- Fixed Assets are stated at historical cost less depreciation. Costs include all expenses incurred to bring the assets to its present location and condition.
- The constructed/fabricated capital assets are capitalized as and when the same are installed in the plants.
- Machinery spares which are procured for use in connection with particular machinery/equipment and stand by equipments which are identified to a particular item of fixed asset and having irregular use are capitalized and written off over the remaining useful life of the machinery/equipment.
- In respect of Plant and Machinery, significant expenditure on repairs, renewals and replacement having a separate identity and is capable of being used after the existing assets are disposed off or which are certified by the concerned technical department to have resulted in technical improvement, increased capacity or increased useful life of the assets, is capitalised. The estimated residual value of the replaced parts, determined on technical assessment is charged to Statement of Profit and Loss as loss on scrapping of assets.
- Items of fixed assets that have been retired from active use and are held for disposal are valued at lower of their net book value or net realisable value.

**E. IMPAIRMENT OF ASSETS**

The carrying amount of assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. An asset is treated as impaired when the carrying cost of assets exceeds its recoverable value. An impairment loss is charged to the Statement of Profit and Loss in the year in which an asset is identified as impaired. The impairment loss recognised in prior accounting periods is reversed if there has been a change in the estimate of recoverable amount.

**F. DEPRECIATION**

- Depreciation is provided during the year at the rates prescribed in Schedule II of the Companies Act, 2013 for all tangible assets.
- Assets are depreciated upto 95% of their cost and balance 5% is carried in the books as residual value except in case of intangible assets.
- Intangible Assets consisting of computer software and SAP license cost are amortised over a period of 5 years on straight line basis from the date of acquisition.
- Assets individually costing less than ₹ 5000/- are fully depreciated in the year of acquisition.
- Lease premium paid on leasehold land is amortised over the life of lease.

**G. INVENTORIES**

- Inventories are valued at lower of cost and net realizable value except in case of,
  - Raw materials are valued at cost on **weighted average basis**.
  - Stores and spares, which are valued at cost, determined as per weighted average cost method,
  - By-products which are valued at estimated net realizable value, and
  - Intermediate products which are exclusively held for captive consumption are valued at cost.
- For the purpose of valuation of stock-in-process and stock of finished goods pending inspection, the same is converted into equivalent units of finished products held for captive consumption depending upon stage of completion.

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

**H. SUNDRY DEBTORS**

Provision for Doubtful debts/Loans/Advances: Full provision is made in the books, in respect of Sundry Debtors outstanding for more than 3 years except for in respect of receivables from Government departments/Companies.

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

**I. REVENUE RECOGNITION**

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

**J. GOVERNMENT GRANTS**

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

**K. FOREIGN CURRENCY TRANSACTIONS**

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

**L. BOND ISSUE EXPENSES**

Bond Issue Expenses are being charged off against Securities Premium Account as per the provisions of the Companies Act, 2013.

**M. RETIREMENT BENEFITS**

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

**N. 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.

**O. PRIOR PERIOD ADJUSTMENTS**

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

**P. PREPAID EXPENSES**

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

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

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

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

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



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(₹ lakhs)

Note No.	As at 31.03.2016	As at 31.03.2015
<b>2 SHARE CAPITAL:</b>		
<b>AUTHORISED</b>		
100000000 (previous year 100000000) Equity Shares of ₹ 10 each	10000.00	10000.00
270000000 (previous year 270000000) 8% Non-cumulative Redeemable Preference Shares of ₹ 10 each.	27000.00	27000.00
	<u>37000.00</u>	<u>37000.00</u>

**ISSUED, SUBSCRIBED AND FULLY PAID-UP**

**Equity Share Capital**

67173100 (previous year 67173100) Equity Shares of ₹ 10 each	6717.31	6717.31
Add: Paid-up amount on shares forfeited	9.65	9.65
	<u>6726.96</u>	<u>6726.96</u>

**Preference Share Capital**

270000000 (previous year 270000000) 8% Non-cumulative Redeemable Preference Shares of ₹ 10 each.	27000.00	27000.00
	<u>33726.96</u>	<u>33726.96</u>

**2A** During the year 2010-11, the Holding Company forfeited 193000 shares of ₹ 10 each (₹ 5 paid up) for non payment of allotment and call monies and the amount paid towards application money in respect of these forfeited shares has been transferred to "Share's Forfeiture Account".

**2B** The Government of India had released in earlier year ₹ 27000 lakhs (for financial restructuring ₹ 25000 lakhs and Caustic Soda Plant recommissioning ₹ 2000 lakhs ) against allotment of 8% Non-Cumulative Redeemable Preference Shares, thereby broadening the capital base as per the revival scheme. The 8% Preference Shares were allotted to Government of India by the Board on 28th January, 2008, redeemable @ 20% commencing from 4th year with last redemption in the 8th year. The first, second, third, forth & fifth installments of 20% i.e. ₹ 5400.00 lakhs each was due for redemption in financial year 2011-12, 2012-13, 2013-14, 2014-15 & 2015-16 respectively. At the request of the Company, Government of India has extended the commencement of redemption from financial year 2011-12 to financial year 2015-16 onwards in 4 equal installments @ 25% each year. The Board has authorised the company to request the Govt. for further extension of the redemption date by another four years. The consultant has recommended for conversion of Preference shares into equity in the revival report submitted to the government.

**2C** The particulars of shareholders holding more than 5% equity shares.

The Government of India		
Number of shares held	39481500.00	39481500.00
Percentage of holding	58.78%	58.78%

**2D Terms/rights attached to equity shares**

The Company has only one class of equity shares having a par value of ₹ 10 per share. Each holder of equity shares is entitled to one vote per share. In the event of liquidation of the Company, the holders of equity shares will be entitled to receive remaining assets of the Company, after distribution of all preferential amounts. The distribution will be in proportion to the number of equity shares held by the shareholders.

**2E** The preference shareholders have no voting rights.

Note No.	As at 31.03.2016	As at 31.03.2015
<b>3 RESERVES AND SURPLUS:</b>		
<b>Capital Reserve</b>		
Nominal value of Freehold land Re.1/- (previous Year Re.1/-)	0.00	0.00
Paid up amount of Shares Forefeited	0.87	0.87
<b>Share Premium Account</b>	5612.89	5840.32
Less: Bond Issue Expenses	314.11	227.43
	<u>5298.78</u>	<u>5612.89</u>
<b>Surplus / (Deficit) in Statement of Profit and Loss</b>		
Balance as per last Balance Sheet	(96606.75)	(74412.77)
Profit / (Loss) for the year as per the Statement of Profit and Loss	(18018.35)	(21540.57)
Depreciation on assets where useful life is over as on 31.03.2014 (Refer note no.34C)	0.00	(665.30)
Negative minority interest (refer note-48)	(2774.05)	(2277.93)
<b>TOTAL</b>	<u>(112099.50)</u>	<u>(93282.81)</u>

Note No.	As at 31.03.2016	As at 31.03.2015
<b>4 DEFERRED GOVERNMENT GRANTS :</b>		
Amount received upto 01.04.2015	1932.34	1834.27
Add: Received during the year	164.50	98.07
Add: Receivable as per final statement	176.49	0.00
	<u>2273.33</u>	<u>1932.34</u>
Less: Transferred (to) / from deposit	0.00	(136.33)
	<u>2273.33</u>	<u>1796.01</u>
Less: Transferred to Income upto 31.03.2015	(200.05)	(107.58)
Less: Transferred to Income during the year 2015-16	(102.03)	(92.47)
	<u>1971.25</u>	<u>1595.96</u>

**4A** An amount of ₹ 2096.84 lakhs (previous year ₹ 1932.33 lakhs) has been received by the Holding company from ISRO (Government of India) towards Capital Grant for refurbishment of CNA Plant. An amount of ₹ 2273.33 lakhs (Previous year ₹ 1796.00 lakhs) has been spent upto 31st March, 2016 and balance unspent amount of ₹ Nil (previous year ₹ 136.33 lakhs) has been shown as deposit under the head – Other Long-term Liabilities. The refurbishment Project has been completed and commissioned on 19.01.2016 and a balance amount of ₹ 176.49 lakhs has been shown as receivable from ISRO. As per AS – 12 - 'Accounting for Government Grants', income for the year has been recognised from this grant of ₹ 102.03 lakhs (previous year ₹ 92.47 lakhs) to the extent of depreciation charged and is included in 'Miscellaneous income'.

Note No.	As at 31.03.2016	As at 31.03.2015
<b>5 LONG-TERM BORROWINGS :</b>		
<b>Secured Loans</b>		
Term Loan from Bank	920.19	2096.87
<b>Unsecured Loans</b>		
1000 (Previous year 1000) Non-convertible 10.57% Taxable Bonds of ₹ 1000000 each, redeemable on 28.08.2017	10000.00	10000.00
1500 (Previous year Nil) Non-convertible 9.36% Taxable Bonds of ₹ 1000000 each, redeemable on 28.09.2017	15000.00	15000.00
Loans from Government of India	3328.80	2048.00
Other Loans	106.36	114.08
<b>TOTAL</b>	<u>29355.35</u>	<u>29258.95</u>

**5A** i) The Holding Company's Term Loan from Bank amounting to 900 Lakhs (Previous year 1800 Lakhs) is secured by equitable mortgage conveying first charge over all immovable assets at factory & township suited at Ambalamugal, Rasayani & Nestle appartments (10Flats) at Mumbai and 20.19 Lakhs (Previous year 296.87) is secured by part of land to the extent of 62 acre of the factory and Plant & Building at Rudraram Village

ii) The Holding Company has raised Bonds for ₹ 10000 lakhs (series XX unsecured 10.57% p.a. redeemable bonds) on 28.08.2013 to redeem the bonds (series XIX unsecured 8.73% p.a. redeemable bond) matured on 28.08.2013.

iii) The Holding Company has raised Bonds for ₹ 15000 lakhs (series XXI unsecured 9.36% p.a. redeemable bonds) on 01.10.2014 for working capital requirement.

iv) In the absence of profit during the year and due to accumulated losses, Bond redemption reserve has not been created against the bonds raised during the year under series XXI for ₹ 15000.00 lakhs.

v) There is a continuing default in repayment of loan by the Holding company from Government of India since the year 2002-03 and the overdue amount towards principal is ₹ 6800.00 lakhs (previous year ₹ 6388.00 lakhs) and for interest accrued is ₹ 7379.15 lakhs (previous year ₹ 6379.90 lakhs). These amounts are shown under 'Other Current Liabilities'. Further an amount of ₹ 844.20 lakhs (previous year ₹ 412.00 lakhs ) maturing in next 12 months is shown under Other Current Liabilities as 'current maturity of long-term borrowings'.

vi) The Holding Company has not made provision for penal interest payable amounting to ₹1475.58 lakhs (previous year ₹ 1268.87 lakhs) on overdue Government Loan upto 31st March, 2016 since the same is leviable at the discretion of Government of India. The Company has not received any demand from the Government of India for the same. The same has been disclosed under Contingent Liabilities.

vii) Term loan of ₹ 5.00 Crore @14.20% p.a. (floating) for refurbishment of PTFE plant and setting up Modified PTFE plant repayable in 5 years 3 months including moratorium period of 9 months after the completion of the project commencing from April, 2015. The company hypothecated land of 60.285 acres and plant and machinery as collateral security besides furnishing of



**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

corporate guarantee by promotor company Viz., HOCL to this extent. Further, HOCL has given an undertaking that they will not withdraw their investments during the period of loan.

viii) The company has received plan loan from government of India ₹ 360.00 lakhs for manufacture of MPTFE on 22.8.2014 and ₹ 1320.00 lakhs for refurbishment of the Plant and HFP and FEP related items on 01.01.2015 @11.5% p.a. repayable in 5 annual installments commencing from F.Y. 2015-16. The instalment due for F.Y. 2015-16 & 2016-17 amounting to ₹ 672.00 lakhs shown in Note-8 under the head 'Other Current liabilities being Govt. Plan Loan current maturities of long term debt'.

5B The other loans shown above is taken by the Holding company from Canara Bank towards housing finance for employees. The loans from Canara Bank ₹ 152.40 lakhs (Previous year ₹ 158.14 lakhs) are secured by way of mortgage assignment of rights available to the Company on the housing properties. The amounts re-payable to Canara Bank within one year amounting to ₹ 46.04 lakhs (previous year ₹ 44.06 lakhs) is shown under other 'as 'current liabilities' 'current maturity of long-term borrowings'.

Note No.	As at 31.03.2016	As at 31.03.2015
<b>6 OTHER LONG-TERM LIABILITIES :</b>		
Deposit from ISRO (Refer note - 4A)	0.00	136.33
<b>TOTAL</b>	<b>0.00</b>	<b>136.33</b>
<b>7 LONG-TERM PROVISIONS :</b>		
For Employee's Benefits (Refer note - 31)	8484.16	8653.82
For Others		
Difference in Fixed Assets	10.77	10.77
Statutory Claims	18.05	28.82
<b>TOTAL</b>	<b>8512.98</b>	<b>8682.64</b>
<b>8 SHORT-TERM BORROWINGS :</b>		
<b>Secured Loans</b>		
Cash Credit from State Bank of India	4041.39	5291.09
Cash credit from State bank of Hyderabad	446.83	473.04
<b>TOTAL</b>	<b>4488.22</b>	<b>5764.13</b>

8A Cash Credit from State Bank of India is secured by :

- Hypothecation of the Holding Company's entire stock of raw materials, finished goods, stock-in-process, consumable stores and spares and book debts in favour of the bank.
- Equitable mortgage conveying First charge over all immovable assets at factory and township situated at Ambalamugal, Dist: Ernakulam in the state of Kerala and over the immovable properties situated at village Deolali, Posari, Wasambe, Parade, Savale, Turade, Dapivali and Ambivali of Panvel and Khalapur talukas, District Raigad in the State of Maharashtra and plant and machinery, equipments, fixtures and fittings, movable machinery, spares, articles and things in the State of Maharashtra (excluding current assets).

8B Cash Credit from State bank of Hyderabad Secured by hypothecation of the company's entire stock of raw materials, finished goods, stock in process, consumables, stores & spares and book debts, plant and machinery and part of the land to the extent of Acres 60.285 out of the total land of Acres 126.13 at Rudraram Village and guaranteed by the holding company, viz. Hindustan Organic Chemicals Ltd. The cash credit is repayable on demand and carries interest @12.75% p.a

Note No.	As at 31.03.2016	As at 31.03.2015
<b>9 TRADE PAYABLES :</b>		
<b>Sundry Creditors</b>		
Dues to Micro, Small and Medium Enterprises	95.51	92.13
(Refer note - 32)		
Dues to Others	16480.30	11851.10
<b>TOTAL</b>	<b>16575.81</b>	<b>11943.23</b>

Trade payables include amount payable to BPCL against which the Holding company has created second and subservient charge for ₹ 12000.00 lakhs (previous year ₹ 12000 lakhs) on its property at Ambalamugal, Kochi unit.

Note No.	As at 31.03.2016	As at 31.03.2015
<b>10 OTHER CURRENT LIABILITIES :</b>		
<b>Current Maturity of Long Term Borrowings</b>		
1 Loan from Government of India (Refer note - 5A(v))	8316.20	7136.00
2 Term Loan from Bank	1124.29	574.00
3 Other Loans - (Refer note - 5B)	46.04	44.06
4 Interest accrued but not due	1904.06	1693.98
5 Interest accrued and due (Refer note - 5A(v))	7379.31	6443.13
6 Advances from customers	540.49	643.22
7 Deposits from Vendors / Customers	443.14	413.47
8 Statutory dues	1967.48	846.81
9 Employee related liabilities	12288.42	8534.30
10 Payroll Recoveries Payable	459.57	366.61
11 Other Liabilities	3877.04	1344.25
<b>TOTAL</b>	<b>38346.04</b>	<b>28039.83</b>

Note No.	As at 31.03.2016	As at 31.03.2015
<b>11 SHORT-TERM PROVISIONS :</b>		
For Employee Benefits (Refer note - 31)	1423.82	1405.97
For Employees Remuneration (Refer note - 33)	156.99	1656.90
For Interest to others	225.23	225.23
<b>TOTAL</b>	<b>1806.04</b>	<b>3288.10</b>

**NOTE 12 - FIXED ASSETS**

( ` lakhs)

Item	Description	GROSS BLOCK			DEPRECIATION / AMORTISATION / IMPAIRMENT			NET BLOCK				
		As at 01.04.2015	Additions	Deletions	As at 31.03.2016	Up to 01.04.2015	Deletions	Provided during the year	Impairment during the year	Up to 31.03.2016	As on 31.03.2016	As on 01.04.2015
<b>A. TANGIBLE ASSETS</b>												
1.	Land and Land Development	728.62	0.00	0.00	728.62	-	-	0.00	-	-	728.62	728.62
2.	Leasehold Land	336.93	0.00	0.00	336.93	49.28	0.00	5.29	0.00	54.57	282.36	287.65
3.	Buildings	3784.51	138.84	0.00	3923.35	2352.71	0.00	98.47	0.00	2451.18	1472.17	1431.80
4.	Plant and Equipment	51472.11	1147.86	0.00	52619.97	43484.27	0.00	568.13	3.00	44055.40	8564.57	7987.84
5.	Furniture and Fixtures	2241.98	0.25	0.00	2242.23	2060.83	0.00	128.45	0.44	2189.72	52.51	181.15
6.	Vehicles	187.85	0.09	0.00	187.94	136.66	0.00	20.90	0.00	157.56	30.38	51.19
7.	Office Equipment	736.78	1.58	0.00	738.36	547.77	0.00	80.28	0.00	628.05	110.31	189.01
8.	Library Books	77.45	0.00	0.00	77.45	74.21	0.00	0.00	0.00	74.21	3.24	3.24
9.	Railway Sidings	35.53	0.00	0.00	35.53	33.76	0.00	0.00	0.00	33.76	1.77	1.77
10.	Plants held for disposal	11378.62	0.00	0.00	11378.62	8756.15	0.00	0.00	1590.25	10346.40	1032.22	2622.47
	<b>Total</b>	<b>70980.38</b>	<b>1288.62</b>	<b>0.00</b>	<b>72269.00</b>	<b>57495.64</b>	<b>0.00</b>	<b>901.52</b>	<b>1593.69</b>	<b>59990.85</b>	<b>12278.15</b>	<b>13484.74</b>
	Previous year	73505.58	321.33	2846.53	70980.38	58582.47	2673.13	1572.06	14.26	57495.11	13484.74	14923.11
<b>B. INTANGIBLE ASSETS</b>												
11.	Computer Software	410.77	0.00	0.00	410.77	318.49	0.00	82.89	0.00	401.38	9.39	92.28
	M-PTFE	158.97	60.28	0.00	219.25	0.02	0.00	8.63	0.00	8.65	210.60	158.95
	<b>Total</b>	<b>569.74</b>	<b>60.28</b>	<b>0.00</b>	<b>630.02</b>	<b>318.51</b>	<b>0.00</b>	<b>91.52</b>	<b>0.00</b>	<b>410.03</b>	<b>219.99</b>	<b>251.23</b>
	Previous Year	410.78	158.97	-	569.75	235.40	0.00	83.11	0.00	318.51	251.23	175.38
	<b>TOTAL (Tangible + Intangible)</b>											
	Current year	71550.12	1348.90	0.00	72899.02	57814.15	0.00	993.04	1593.69	60400.88	12498.14	13735.97
	Previous Year	73916.36	480.30	2846.53	71550.13	58817.87	2673.13	1655.17	14.26	57813.62	13735.97	15098.49

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



**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

Note No.	As at 31.03.2016	As at 31.03.2015
<b>13 CAPITAL WORK-IN-PROGRESS :</b>		
1. J.N.P.T. Tank Terminals Project (Refer note - 34F)	2978.91	2978.91
Less: Provision for impairment	2634.54	2634.54
	344.37	344.37
2. Captive Power Plant Project (Refer note - 34H)	25.41	25.41
Less: Provision for impairment	25.41	0.00
	0.00	25.41
3. Refurbishment of CNA Plant (Refer note - 34G)	0.00	633.39
4. Khargar Project	83.20	83.20
5. Others	14.63	67.84
<b>TOTAL</b>	<b>442.20</b>	<b>1128.80</b>

Note No.	As at 31.03.2016	As at 31.03.2015
<b>14 NON CURRENT INVESTMENTS :</b>		
<b>TRADE INVESTMENTS (AT COST)</b>		
<b>Investments in Equity instruments in Subsidiary -</b>		
<b>Company - Quoted:</b>		
11060000 (previous year 11060000) Equity Shares of ₹ 10 each fully paid in Hindustan Fluorocarbons Ltd.,	0.00	0.00
Less: Provision for diminution of investment	0.00	0.00
	0.00	0.00
<b>Investments in Equity instruments in Joint Venture</b>		
<b>Subsidiary - Unquoted:</b>		
30000 (previous year 30000) Equity Shares of ₹ 10 each fully paid in HOC-Chematur Ltd., (Refer note - 35(a))	3.00	3.00
Less: Provision for diminution of investment	3.00	0.00
	0.00	3.00
<b>Investments in Unquoted Equity Shares of Kerala Enviro Infrastructure Ltd.</b>		
50000 (previous year 50000) Unquoted Equity Shares of ₹ 10	5.00	5.00
<b>TOTAL</b>	<b>5.00</b>	<b>5.00</b>

Note No.	As at 31.03.2016	As at 31.03.2015
<b>15 LONG-TERM LOANS AND ADVANCES :</b>		
<b>(Unsecured, considered good unless otherwise stated)</b>		
<b>Security Deposits</b>	493.10	208.70
Less : Provision for doubtful deposits	3.06	3.06
	490.04	205.64
(Includes deposit with Registrar High Court amounting ₹ 271.98 Lakhs)		
<b>Advance to Related Parties (Subsidiary Companies)</b>		
1. M/s. Hindustan Fluorocarbons Ltd., (Secured) (Refer note - 36)	0.00	0.00
2. HOC_Chematur Ltd. (Refer note - 35(b)) (Considered doubtful)	0.00	1067.46
Less: Provision for doubtful advance	0.00	1067.46
Staff Loans (Secured)	5.65	10.04
<b>TOTAL</b>	<b>495.69</b>	<b>215.68</b>

Note No.	As at 31.03.2016	As at 31.03.2015
<b>16 INVENTORIES :</b>		
1. <b>Raw Materials</b>	310.90	559.89
<b>Materials-in-transit</b>	44.72	10.22
	355.62	570.11
Less: Provision for obsolescence	26.31	26.31
	329.31	543.80

Note No.	As at 31.03.2016	As at 31.03.2015
<b>2. Work in Progress :</b>	783.80	1006.08
<b>3. Finished Products</b>		
i) For Captive Consumption	113.01	52.93
ii) Main Products for sale	349.35	2054.02
iii) By-Products	4.90	467.26
	467.26	2189.39
<b>4. Stores and Spares</b>	2972.67	2884.86
Less: Provision for obsolescence	679.89	495.05
	2292.78	2389.81
<b>TOTAL</b>	<b>3873.15</b>	<b>6129.08</b>

**16A** Excise duty provided on goods manufactured by the Group but not removed ₹ 37.90 lakhs (previous year ₹ 284.04 lakhs).

**16B** Stores and Spares include items not moved for more than five years ₹ 1057.93 lakhs (previous year ₹ 7,01.04 lakhs) and obsolete items of ₹ 4.02 lakhs (previous year ₹ Nil). An adhoc provision of ₹ 679.89 lakhs (previous year ₹ 495.05 lakhs) has been made for obsolescence.

Note No.	As at 31.03.2016	As at 31.03.2015
<b>17 TRADE RECEIVABLES :</b>		
Debts overdue for a period exceeding six months	3170.38	3139.28
Other Debts	618.71	2438.78
	3789.09	5578.06
Less: Bills Receivables Discounted	66.59	195.38
Less: Provision for Doubtful Debts	2852.47	2884.94
	870.03	2497.74

**NOTE:**

Considered good, in respect of which Company holds Bank Guarantees/Letters of Credit	376.40	1199.93
Unsecured considered good	560.22	1493.19
Unsecured considered Doubtful	2852.47	2884.94
	3789.09	5578.06
Less: Bills Receivables Discounted	66.59	195.38
Less: Provision for Doubtful Debts	2852.47	2884.94
	870.03	2497.74

Note No.	As at 31.03.2016	As at 31.03.2015
<b>18 CASH AND BANK BALANCES :</b>		
<b>1. CASH AND CASH EQUIVALENTS :</b>		
Balance with Banks		
In Current Account	62.22	24.41
In Saving Bank Account	119.58	114.95
	181.80	139.36
In Fixed Deposit	30.40	2.78
Cheques/Drafts on hand	0.00	31.35
Cash in hand	11.27	2.78
	223.47	176.27
<b>2. OTHER BANK BALANCES</b>		
In Term Deposit Account		
With original maturity period not exceeding 12 months	251.70	1132.21
With original maturity period exceeding 12 months	0.00	0.00
(The Term Deposits with the bank has been encashed during the year.)		
<b>TOTAL</b>	<b>475.17</b>	<b>1308.48</b>



**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

Note No.	As at 31.03.2016	As at 31.03.2015		
<b>19 SHORT-TERM LOANS AND ADVANCES:</b>				
(Unsecured, Considered Good unless otherwise stated)				
<b>Advances to related parties (Subsidiary Company)</b>				
M/s.Hindustan Fluorocarbon Ltd. (Secured)	0.00	0.00		
Interest accrued but not received	0.00	0.00	0.00	0.00
Loans to Public Sector Undertaking				
(Considered doubtful)				
Loans	171.08	171.08		
Less: Provision for doubtful recovery	171.08	0.00	171.08	0.00
Balances / Deposits with Excise, Customs and Statutory Authorities	531.39		723.97	
Less : Provision for Doubtful Deposits	2.90	528.49	2.90	721.07
Deposits				
(Considered Doubtful)	1.80		1.80	
Less : Provision for Doubtful Deposits	1.80	0.00	1.80	0.00
<b>Other Loans and Advances</b>				
Advance to Suppliers	199.38		242.59	
(including ₹ 85.01 lakhs, previous year ₹ 85.01 lakhs, considered doubtful)				
Loans and Advances to Employees	46.64		15.13	
Claims Receivable from Employees	1.84		0.00	
Other Receivable(ISRO)(Refer Note No.4A)	176.49			
Duties and Taxes Receivable	2572.12		2546.33	
(includes doubtful advance ₹ 5.00 lakhs, previous year ₹ 5.00 lakhs)				
Miscellaneous advance recoverable	197.10		177.50	
Others Deposits	0.55		0.55	
Prepaid Expenses	173.91		287.15	
	3368.03		3269.25	
Less : Provision for doubtful advances	90.92		90.92	
			3277.11	3178.33
			<b>3805.60</b>	<b>3899.40</b>

Note No. (₹ lakhs)

- 19A** i) Duties and Taxes Receivable in the books of Holding Company includes an amount of ₹ 381.22 Lakhs (PY ₹ 642.48 Lakhs) being VAT refund due from year 2005-06 to 2012-13 recovered from the input tax refunds by Commercial Taxes dept. (This has been challenged by the company by filing appeals with Dy. Commissioner (Appeals). The said disputed VAT refund will have to be written off in the event of the company loosing the appeal before the Appellate authorities. So it included in the contingent Liabilities).
- ii) Balances of short term Loans and advances are subject to confirmation/reconciliation and subsequent adjustments.

Note No.	As at 31.03.2016	As at 31.03.2015		
<b>20 OTHER CURRENT ASSETS :</b>				
Accrued Interest on Employee Advances	138.86		182.88	
Accrued Interest on Bank deposit	0.00		0.00	
Accrued Interest on Deposits	17.13		14.77	
Accrued Income from Township	69.43		42.76	
Less: Provision for Doubtful Recovery	7.25	62.18	7.25	35.51
			218.17	233.16

Note No.	As at 31.03.2016	As at 31.03.2015		
<b>21 REVENUE FROM OPERATIONS</b>				
<b>1. Sale of Products (Manufactured)</b>				
Nitroproducts	382.94		651.97	
Aniline Oil	0.00		0.00	
Acids	92.88		32.41	
Formaldehyde	0.00		0.21	
Spent Acid	4.73		9.11	
Dinitrogen Tetroxide	1820.63		527.50	
Phenol	4350.75		6894.64	
Acetone	1756.93		3970.79	
Hydrogen Peroxide	2200.90		2202.72	
Heavy Ends of Cumene	198.32		438.29	
Cumox Oil	104.97		173.87	
Polytetrafluoroethylene	375.15		476.34	
Application Development Customer Support	36.96		31.47	
CFM - 22	3039.12		2098.51	
Tetrafluoroethylene	59.88		294.15	
Hydrogenchloride	9.66		14.54	
	14433.82		17816.52	
Add: Excise Duty	1601.58		2177.62	
	16035.40		19994.14	
<b>2. Sale of Products - Traded</b>				
Toluene	0.00		0.00	
<b>Gross Sales</b>	16035.40		19994.14	
Other Operating Revenues	8.33		111.79	
	16043.73		20105.93	
Less : Excise Duty	1601.58		2177.62	
	14442.15		17928.31	

Note No.	As at 31.03.2016	As at 31.03.2015		
<b>22 OTHER INCOME</b>				
<b>INTEREST:</b>				
On Call and Term Deposits (Gross)	15.01		80.82	
On Advances and Deposits with MIDC,MSEB and others	37.25		35.93	
On loan to Subsidiary Company	0.00		0.00	
Delayed Payment and Finance Charges from Sundry Debtors	10.42	62.68	8.06	124.81
<b>OTHER NON-OPERATING INCOME:</b>				
Estate Rent	172.90		160.97	
Transport, Water, Electricity,etc. recoveries	71.84		63.79	
Provision for doubtful debts no longer required written back (net)	0.00		20.04	
Provision for Impairment written back	0.00		14.07	
Miscellaneous Income	178.94		238.08	
Gain on Foreign Exchange Fluctuation (net)	0.00		0.00	
Profit on Sale of Assets	0.00	423.68	202.40	699.35
	486.36		824.16	



**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

Note No.	As at 31.03.2016	As at 31.03.2015
<b>23 COST OF MATERIALS CONSUMED</b>		
<b>A. RAW MATERIALS</b>		
Benzene	1205.75	3378.20
Methanol	1.57	0.04
Nitric acid	258.65	156.41
CNG	0.00	0.00
Ammonia	94.65	38.06
Liquefied Petroleum Gas	2165.50	5558.84
Hydrogen	11.52	264.80
Caustic Soda Lye (100%)	22.45	47.24
Sulphuric Acid	26.43	50.04
Nitrogen	72.63	86.31
Other Raw Materials	1705.99	1537.21
	<u>5565.14</u>	<u>11117.15</u>

**24 CHANGES IN INVENTORIES OF FINISHED GOODS, WORK IN PROGRESS AND STOCK IN TRADE**

	As at 31.03.2016	As at 31.03.2015
<b>OPENING STOCK</b>		
Stock-in-Process	1006.08	1412.94
Stock for Captive Consumption	52.93	317.92
Finished Products (Main)	2047.53	872.16
By-Products	88.92	35.00
	<u>3195.46</u>	<u>2638.02</u>
<b>CLOSING STOCK</b>		
Stock-in-Process	783.80	1006.08
Stock for Captive Consumption	113.01	52.93
Finished Products (Main)	349.35	2047.53
By-Products	4.90	88.93
	<u>1251.06</u>	<u>3195.47</u>
Decrease / (Increase)	<u>1944.40</u>	<u>-557.45</u>

**24A Closing Inventory - Finished Goods**

	As at 31.03.2016	As at 31.03.2015
Nitroproducts	10.28	24.10
Dinitrogen Tetroxide (N2O4)	6.81	0.00
Formaldehyde	0.00	0.00
Other Chemicals	0.00	23.37
Phenol	7.68	1201.96
Acetone	36.55	282.91
Hydrogen Peroxide	48.76	93.83
Polytetrafluoroethylene	239.27	421.37
	<u>349.35</u>	<u>2047.54</u>
<b>Opening Inventory - Finished Goods</b>		
Nitroproducts	24.10	0.10
Dinitrogen Tetroxide (N2O4)	0.00	0.00
Formaldehyde	0.00	0.15
Other Chemicals	23.36	0.00
Phenol	1201.96	370.30
Acetone	282.91	194.41
Hydrogen Peroxide	93.83	114.08
Polytetrafluoroethylene	421.37	193.11
	<u>2047.53</u>	<u>872.16</u>

Note No.	As at 31.03.2016	As at 31.03.2015
<b>25 EMPLOYEE BENEFITS EXPENSES</b>		
Salary, Wages, Bonus, Incentives and Allowances (Refer Note - 33A, 33B and 33C)	8814.06	8867.38
Company's contribution to Provident Fund	874.62	858.98
Family Pension Fund and other Funds		
Gratuity payments including premium for Group Gratuity-cum-Life Insurance Scheme	436.75	753.52
Provision for leave encashment	0.00	795.92
<b>Staff Welfare Expenses</b>		
Medical Amenities	217.66	230.09
Educational Amenities	57.85	71.43
Canteen and Nutrition Amenities	520.34	516.25
Other Welfare Expenses	88.52	144.54
	<u>884.37</u>	<u>962.31</u>
<b>TOTAL</b>	<u>11009.80</u>	<u>12238.11</u>

Note No.	As at 31.03.2016	As at 31.03.2015
<b>26 FINANCE COSTS</b>		
<b>Interest Expenses</b>		
On Fixed Loans	3791.75	2816.32
On Other Loans	1497.34	1117.28
Interest - Others	1503.57	6792.66
Other Borrowing Cost	99.99	78.79
	<u>6892.65</u>	<u>5272.74</u>

Interest - others is in respect of interest paid / payable on delayed payment towards provident fund, gratuity, credit society, electricity charges, water charges, income tax (TDS), MSMEs and other creditors against raw-material supplies.

Note No.	As at 31.03.2016	As at 31.03.2015
<b>27 OTHER EXPENSES:</b>		
<b>Consumption of Stores and Spares</b>	389.01	455.97
(Including catalyst consumed)		
<b>Utilities:</b>		
Power and Fuel	3772.25	4397.26
Water	381.50	414.84
<b>Repairs &amp; Maintenance</b>		
Repairs to Buildings	80.19	99.04
Repairs to Machinery	140.01	135.67
Repairs to Other Assets	193.52	140.60
<b>Administration Expenses:</b>		
Rent	39.10	55.54
Insurance	74.25	91.32
Rates and Taxes	121.48	124.25
Consultancy Charges	72.72	117.03
<b>Payment to Auditors:</b>		
As Auditors	4.82	4.38
For Taxation Matters	1.34	1.34
For Other Services	2.11	2.81
For Reimbursement of Expenses	0.40	0.34
Total amount paid to statutory auditors	<u>8.67</u>	<u>8.87</u>
Power for Township	129.39	121.55
Water for Township	116.13	121.30
Security Expenses	213.06	215.01
Advertisement Expenses - Tenders, Recruitment etc.	4.89	7.31
Hire of Vehicles Expenses	120.23	126.74
Loss on Exchange Rate Fluctuation	0.00	0.22
Fixed Assets Written off	0.00	0.00
Diminution in Value of Inventory	0.00	0.00
Research and Development	0.00	0.00
Loss on Sale / Disposal of Assets	0.00	0.94
Miscellaneous Expenses	<u>337.19</u>	<u>728.91</u>
Bad Debts Written-off	0.00	0.00
Less: Provision for Doubtful Debts written back	0.00	0.00
Net amount	<u>0.00</u>	<u>0.00</u>
	<u>1237.11</u>	<u>1718.99</u>



**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

Note No.	As at 31.03.2016	As at 31.03.2015		
<b>Selling and Distribution Expenses:</b>				
Cash Discount	120.32	142.26		
Publicity Expenses	7.80	6.01		
Other Selling Expenses	0.40	8.15	128.52	156.42
<b>Provisions:</b>				
Provision for Doubtful Debts	0.19	32.66		
Provision for Doubtful Advances	0.00	0.70		
Provision for Diminution of investment - HFL	0.00	0.00		
Provision for Stock Obsolescence	184.84	104.88		
For Long term agreements	203.09	147.57		
For Provision for Statutory Claims	0.00	2.90	388.12	288.71
<b>TOTAL</b>			<b>6710.23</b>	<b>7807.50</b>

**27A** At Kochi unit of the Holding Company the SPA1 Catalyst of 76.330 MT valuing ₹ 333.41 Lakhs was charged to the reactor in Cumene plant in the month of May 2013. The estimated life of the Catalyst is to achieve a production of 1100 MT of Cumene per MT of Catalyst under good operating conditions. During the period from May 2013 to March 2016 the company has produced 32194 MT of Cumene. Due to intermittent shutdown of Cumene plant during the period which affects the life of Catalyst, the company may fall short of achieving guarantee norms.

Note No.	As at 31.03.2016	As at 31.03.2015		
<b>28 PRIOR YEAR ADJUSTMENTS:</b>				
<b>INCOME</b>				
Income Pertg. To Past Period (General)	0.06			
Others	0.00	0.06	8.12	8.12
<b>EXPENDITURE</b>				
JNPT Rent Escalation	(532.88)	1351.08		
JNPT Tank Terminal Impairment	0.00	2634.54		
General Expenses	6.61	26.58		
Prior Year's Tax Adjustment	0.00	3.85		
Trade discount related to last year	0.00	5.83		
Others DPC Reversal (2013-14)	0.00	0.90		
Consultancy Charges	28.69	0.00	(497.58)	4022.78
<b>Net Prior Period Expenditure</b>			<b>(497.64)</b>	<b>4014.66</b>
<b>EXCESS PROVISION WRITTEN BACK</b>				
Provision for Repair & Maintenance written back	0.00	4.30		
Provision for Leave Encashment written back	539.19	0.00		
Stores & Spares	1.28			
Reversal of Provision for Incentive to Employees	0.00	7.98	540.47	12.28
<b>NET PRIOR YEAR ADJUSTMENTS:</b>			<b>(1038.11)</b>	<b>4002.38</b>

Note No.	As at 31.03.2016	As at 31.03.2015		
<b>29 EXCEPTIONAL ITEM:</b>				
V R S Payment	0.00	89.82		
Sale of Land	0.00	(690.65)		
	0.00	(600.83)		

**30 RASAYANI**

i) The Holding Company has introduced VRS Scheme on 12.09.2013 and was open for 1 month upto 12.10.2013 and further re-opened from 11.11.2013 to 18.11.2013. The Company received 151 applications in total out of which 15 applicants were relieved, one applicant was expired. Further 66 applicants have been superannuated in the normal course on attaining the retirement age during the last three years. The balance 69 (previous year 97) applications are kept pending for want of funds and the VRS Compensation of ₹ 856.00 lakhs (previous year ₹ 1202.00 lakhs) has been shown under Other Commitments. (refer note-43)

ii) The Board of the holding company in its meeting held on 13.11.2013 had approved a Voluntary Separation Scheme (VSS) for the canteen workers of Rasayani Unit through the Canteen Contractor for curtailing the expenditure towards canteen facility. It is estimated that the amount payable to each canteen worker on account of this would be ₹ 5.50 lakhs. The Company has not invited any application from the canteen workers through the contractors for the VSS. However, since the Board has approved such a scheme, an amount of ₹ 404.00 lakhs (previous year ₹ 478.50 lakhs) being the estimated amount of the compensation of VSS scheme payable on implementation of this scheme to 79 canteen workers (previous year 87) is shown under Other Commitments (refer note-43).

**31 EMPLOYEES BENEFIT PLAN:**

**31A Provision for leave encashment**

The Company has made provision of ₹ Nil (previous year ₹ 878.29 lakhs) for leave encashment as per revised AS-15 issued by Institute of Chartered Accountants of India based on Actuarial Valuation and the unpaid amount of leave encashment claims submitted by the employees.

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

**31C Gratuity**

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

The ceiling of gratuity has been enhanced from ₹ 3.50 lakhs to ₹ 10.00 lakhs with effect from 1st January, 2007. The gratuity liability as on 31st March, 2016 includes the provision towards arrears for the retired employees on above account amounting to ₹ 187.54 lakhs (previous year ₹ 187.54 lakhs).

Particulars	2015-16	2014-15
(₹ Lakhs)		
(i) Reconciliation of opening and closing balances of the present value of the defined benefit obligations.		
Present value of obligation as at the beginning of the year	5672.35	5493.17
Interest Cost	428.51	494.39
Current Service Cost	219.88	191.59
Benefits paid	66.05	(457.85)
Actuarial (gain)/loss on obligations	(806.59)	(48.96)
Present value of obligations at the end of year	5580.20	5672.34
(ii) Reconciliation of opening and closing balances of fair value of the plan assets:		
Fair value of plan assets at beginning of year	120.89	125.36
Expected return on plan assets	5.44	9.75
Contributions	0.00	30.88
Benefits Paid	(3.50)	(48.79)
Actuarial gain/(loss) on plan assets	(80.04)	0.19
Fair value of plan assets at the end of year	42.80	117.39
(iii) Reconciliation of present value of obligations and fair value of plan assets:		
Fair value of Plan Asset at the end of the year	120.40	117.39
Present value of obligations at the end of year	5517.86	5672.35
Liability/(Asset) recognized in the Balance Sheet	5537.40	5554.95
(iv) Expenses recognized during the year:		
Current Service Cost	199.51	191.59
Interest cost	448.88	494.39
Expected return on plan assets	(5.16)	(9.75)
Actuarial (gain)/loss	(660.78)	(49.15)
Expenses Recognised in Profit & Loss Account	(17.55)	627.08
(v) Assumptions used to determine the defined benefit obligations		
Mortality Table (LIC) (1994-96 Ultimate) Discount rate (p.a)	0.08	0.08
Expected rate of increase in salary (p.a.)	0.07	0.07
Withdrawal rate	1% to 3% depending on age	

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

Particulars	2015-16	2014-15
a) i) Principal amount remaining unpaid as at the end of each accounting year	95.51	82.12
ii) Interest due thereon	15.78	5.94
b) The amount of interest paid in terms of section 16 of the Micro, Small and Medium Enterprises Development Act, 2006 along with the amount of the payment made to the supplier beyond appointed day.	Nil	Nil
c) The amount of interest due and payable for the period of delay in making payment (which have been paid but beyond the appointed day during the year) but without adding the interest specified under the Micro, Small and Medium Enterprises Development Act, 2006.	Nil	Nil
d) The amount of interest accrued and remaining unpaid at the end of each accounting year	30.50	14.72
e) The amount of further interest remaining due and payable even in the succeeding years, until such date when the interest dues as above are actually paid to the small enterprise, for the purpose of disallowance as a deductible expenditure under section 23 of the Micro, Small and Medium enterprises Development Act, 2006.	Nil	Nil



**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**33 PROVISION FOR EMPLOYEE REMUNERATION**

**RASAYANI**

**PROVISION FOR ARREARS OF WAGES**

**33A** During the year, the Holding Company has paid an amount of ₹ Nil (previous year ₹ Nil) towards arrears on account of wage revision of employees pertaining to the period January 1, 1997 to December 31, 2000. No provision has been made for the liability amounting to ₹ 1887.79 lakhs (previous year ₹ 1887.79 lakhs) and which is shown under contingent liability.

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

During the year, the Holding Company has paid an amount of ₹ Nil (previous year ₹ Nil) towards arrears on account of wage revision of employees pertaining to the period January 1, 2007 to March 31, 2008. No provision has been made for the liability of ₹ 161.55 lakhs (previous year ₹ 161.55 lakhs) and it is shown under contingent liability.

**33C Wage Settlement / Salary Revision w.e.f.1/1/2007 - Staff**

During the year, the Holding Company has paid an amount of ₹ Nil (previous year ₹ Nil) towards arrears on account of wage revision of employees pertaining to the period January 1, 2007 to March 31, 2008. No provision has been made for the liability towards balance amount of ₹ 148.26 lakhs (previous year ₹ 148.26 lakhs) and it is shown under contingent liability.

**34 FIXED ASSETS**

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

**34B** The Company appointed consultant/valuers during the year for assessing the impairment of Fixed Assets as per the provisions of 'As-28 'Impairment of Assets' for Rasayani Unit. As per the report of the consultant the loss on account of impairment has been worked out by comparing the fair market value as on date with the WDV as on 31st March, 2016 and an additional amount of ₹ 1593.70 lakhs (previous year ₹ 1424.91 lakhs) has been provided for during the year. This includes a provision of ₹ 1593.25 lakhs on Caustic Soda Plant.

**34C** The Acetanilide, Sulphuric Acid, Nitro Toluene, Aniline-II and Hydrogen-II plants having WDV (net of impairment) ₹ 228.97 lakhs (previous year ₹ 244.44 lakhs) are in working condition but are not in operation due to uneconomical conditions.

**34D** Upon implementation of Schedule II of Companies Act 2013, the useful life of the fixed assets has been revised by the Company in terms of the schedule in 2014-15. Accordingly the company has revised its depreciation rate so as to depreciate its assets over the balance useful life of the assets keeping the residual value at 5%. The depreciation charge during the year 2014-15 pertaining to assets whose revised useful life has expired prior to commencement of the financial year 2014-15 has been adjusted against retained earnings in terms of Schedule II. An amount of ₹ 638.01 lakhs has been adjusted against the opening Retained Earnings for the year 2014-15 as per the provisions of Schedule II. Due to the change in useful life of the assets, the depreciation charge during the year 2014-15 (including adjusted against opening Retained Earnings) was higher by ₹ 340.64 lakhs.

**34E RASAYANI**

The Caustic Soda Plant having WDV of ₹ 1032.22 lakhs (previous year ₹ 2607.90 lakhs) net of impairment has been transferred to held for disposal as per the decision of the Board in the meeting held on 13th Nov 2013. An impairment provision of ₹ 1593.70 Lakhs (previous year ₹ 14.25 Lakhs) has been made against the caustic soda plant held for disposal during the year.

**KOCHI**

The Recycle column boiler, Cumene column boiler and Propane surge drum having wdv ₹ Nil (previous year Nil) have been transferred to assets held for disposal were sold during the year 2014-15.

**34F i)** Capital Work-in-Progress and Expenditure during Construction includes ₹ 2978.91 lakhs (previous year ₹ 2978.91 lakhs) towards cost of JNPT Tank Terminal project wherein management had decided to suspend further construction. Even though the lease period has expired in June 2010, the Company has written to JNPT authorities for extension of the lease period and is hopeful of getting extension. The company has gone into arbitration alongwith other Liquid Berth Users Association against JNPT for various issues including lease period issue. Provision for Impairment amounting to ₹ 2634.54 lakhs has been made based on the valuers report during earlier year.

**ii)** As per Lease Agreement with JNPT, the Lease Rentals provide for escalation @ 10% on Lease Rent payable to JNPT. The Company had provided for Lease Rentals with old rates upto 31.03.2014 without considering the escalation @ 10% per annum as the matter is under arbitration. The amount accumulated on account of escalation upto 31.03.2014 amounting to ₹ 1351.08 lakhs has been provided in the books during earlier years. Based on the statement of accounts received from JNPT the amount excess provided during earlier years has amounting to ₹ 532.88 lakhs has been withdrawn during the year under prior period expenses.

**34G** An amount of ₹ 2658.09 lakhs (previous year ₹ 2429.40 lakhs) has been spent for refurbishment of CNA plant, funded by ISRO, is complete and capitalised during the year. The CNA plant was restarted on 19.01.2016. An amount of ₹ 176.49 lakhs balance receivable from ISRO has been shown under Misc. Receivable a/c. During the year an amount of ₹ 102.03 lakhs (previous year 92.47 lakhs) representing the depreciation has been transferred to other income.

**34H** An amount of ₹ 25.41 lakhs (previous year ₹ 25.41 lakhs) incurred towards feasibility study of captive power plant was carried forward as Capital WIP from the previous year. The project is on hold now due to high gas prices and may be taken up at a later date only. Full impairment provision has been recognised for the same in earlier year.

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

The Holding Company has plans to construct buildings on the said land on the Public Private Partnership (PPP) model basis as per the decision of the Board in its meeting held on 14.11.2014. This will avoid cash outflow by the company for the construction purpose.

**35 a)** The Holding company had invested ₹ 3.00 lakhs in the Equity of M/s. HOC-Chematur Ltd. by way of joint venture as a co-promoter. The company holds 60% of the Paid-up Equity Capital of HOC-Chematur Ltd., hence HOC-Chematur is a subsidiary company of HOCL. HOC-Chematur Ltd., had initiated the process of implementing the project, however, abandoned subsequently due to inadequate support from financial institutions. In view of such uncertainties involved in implementing the project, the company had fully provided for the losses against the investment. Since the project has been abandoned, the board of directors has decided to wind up the company under the early exit scheme of ministry of Corporate Affairs.

**b)** The advance amounting to ₹ 1067.46 lakhs (previous year ₹ 1066.75 lakhs,) paid during earlier years has been written off during the year against provision made in earlier year.

**36 a)** The Company has an investment of ₹ 1106.00 lakhs (previous year ₹ 1106.00 lakhs) in the equity share of subsidiary company M/s. Hindustan Fluorocarbons Ltd. (HFL) which is under BIFR since 1994. HFL had made profits in the 4 financial years prior to financial year 2013 -14. During the financial year 2013-14, 2014-15 and 2015-16 HFL has incurred a loss. The shares are traded below nominal value since Dec 2012 and the net worth of the Company based on its latest audited balance sheet as at 31st March, 2016 is negative. Hence provision has been made during earlier year towards diminution in the value of these investments amounting to ₹ 221.20 lakhs. No provisions are made during the year.

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

**38** The company has entered into an agreement dt. 16.10.2006 to lease the school infrastructure facilities to M/s.Mahatma Education Society (MES) for managing the school for a period of 30 years. The management of MES in order to start professional courses has constructed new buildings and facilities in the premises in contravention of the terms of agreement. The company has sent a notice for termination as per the agreement to M/s.MES. M/s.MES has filed a petition challenging the termination notice in the Dist. Magistrates Court Alibag.

**39 EARNING PER SHARE**

₹ Lakhs

Earnings per share has been calculated as follows:

	2015-16	2014-15
Net Profit/(Loss) after Tax	(18018.35)	(21540.57)
Weighted average number of equity shares	67173100.00	67173100.00
Nominal Value per equity share (₹)	10.00	10.00
Basic / Diluted Earning per equity share	(26.82)	(32.07)

**40 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.



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

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

b) Key Management Personnel		2015-16	2014-15
No.	Name	Remuneration	Remuneration
i)	Sri V. B. Ramachandran Nair, Chairman and Managing Director (upto 22.02.2016)	₹ 23.40 lakhs	₹ 19.37 lakhs
ii)	Sri S.B. Bhide, Director (Technical) / Acting CMD w.e.f. 25.02.2016	₹ 21.84 lakhs	₹ 19.73 lakhs
iii)	Sri J. N. Suryawanshi, Director (Marketing)	₹ 22.60 lakhs	₹ 20.42 lakhs
iv)	Sri R. Suresh Kumar, Director (Finance)	₹ 9.05 lakhs	₹ 19.71 lakhs

**42 DEFERRED TAXES**

The company had reviewed its net deferred tax assets as at 31<sup>st</sup> March, 2004 and decided not to carry forward such assets due to uncertainty of realizing this assets against future taxable income in view of the huge accumulated loss. This decision is followed this year also in view of Accounting Standard Interpretation issued by the Institute of Chartered Accountants of India.

**43 BALANCE CONFIRMATION**

Balances of trade receivables, trade payables, loans, advances, other current assets and borrowings are subject to confirmation / reconciliation and subsequent adjustments.

**44 Contingent Liabilities & Commitments**

i) Contingent Liabilities	₹ Lakhs	
	31.03.2016	31.03.2015
<b>a) Claims against the Company not Acknowledged as debts:</b>		
i) Differential tax on account of concessional forms in respect of concessional sales	158.32	381.28
ii) Income Tax Claims	1411.37	819.10
iii) Sales Tax Claim	1095.80	642.48
iv) Excise Claims	628.92	594.07
vi) Rental claim Harchandrai House	4403.39	4378.41
vii) Wage revision employees (Refer note 33)	2197.60	2197.60
viii) Other Statutory Claims	110.52	15.63
ix) Delayed Payment Charges claimed by BPCL	1057.48	1057.48
x) Other Claims	929.85	739.98
xii) Claims not acknowledge as debts by suppliers	51.78	49.33
xi) Penal Interest on Government Loan	1475.52	1268.87

Note No.	₹ lakhs	
	31.03.2016	31.03.2015
b) Letters of Credit opened, cheques and bills of exchange discounted with the bankers and remaining outstanding	67.22	195.38
c) Bank guarantee given	3796.15	265.15
d) Guarantees given on behalf of the Subsidiary Company, Hindustan Fluoro-carbons Limited to Financial Institutions and Commercial Banks for securing loans and cash credit facilities.	1103.00	1103.00
e) Security Bond given to Commercial Taxes Dept., Govt. of Kerala	3053.30	3053.30
<b>ii) Commitments</b>		
i) Estimated amount of contracts remaining to be executed on capital account and not provided for (Net of advances)	0.00	331.60
ii) Other Commitments (Refer note - 30A)	1260.00	1680.60

**For and on behalf of the Board of Directors**

Sd/-  
**S.B. Bhide**  
Acting Chairman & Managing Director  
& Director (Technical)

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

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

Sd/-  
**P.O. Luise**  
Chief Financial Officer

Place: Mumbai  
Date: 20-05-2016

45 Value of Imports (on CIF basis)	₹ lakhs	
	2015-16	2014-15
Component and Spare Parts	0.00	33.82
Raw Materials and Trading Goods	74.20	260.67
Capital Goods	0.00	0.00

**46 Consumption of Indigenous/Imported Materials**

	2015-16		2014-15	
	₹ lakhs	Consumption %	₹ lakhs	Consumption %
<b>A) Raw Materials</b>				
Imported	Nil	Nil	Nil	Nil
Indigenous	3864.21	100.00	11117.15	100.00
<b>TOTAL</b>	<b>3864.21</b>	<b>100.00</b>	<b>11117.15</b>	<b>100.00</b>
<b>B) Component and Spare Parts</b>				
Imported	32.66	11.76	84.09	18.44
Indigenous	244.96	88.24	371.89	81.66
<b>TOTAL</b>	<b>277.62</b>	<b>100.00</b>	<b>455.98</b>	<b>100.10</b>

47 Earning in Foreign Currency	2015-16	2014-15
	Earning in Foreign Currency	33.03

48 Minority Share of Loss in Excess of Equity is negative adjusted against the group's loss under "Reserves & Surplus"

**49 Group Information**

The Subsidiary considered in these consolidated financial statements is:

**A) Subsidiary**

Name of Company	% of Voting power held	% of Voting power held
	as on 31.03.2016	as on 31.03.2015
Hindustan Fluorocarbons Limited	56.43	56.43

B) Since The company HOC Chematur Ltd has no plan to conduct any business in future, The advance paid during earlier years has been written off during the year against provision made in earlier years.

50 In the previous year, the Company has made an application for reference to Board for Industrial and Financial Reconstruction (BIFR) in terms of Sec-15(1) of the Sick Industrial Company's (Special Provisions Act, 1985) for declaring the Company as sick under the said Act and it has been registered as per order dated 30.09.2014 and it has been declared as a sick company in the meeting held on 22.07.2015 by BIFR.

BIFR have appointed State bank of India (SBI) as operating agency and directed SBI to submit a report on the revival of the company or otherwise in the next meeting. The company appointed consultant has submitted a revival report which has been approved by the Board and submitted to the government which is under the consideration of the government. In view of this, The financial statement have been prepared on Going Concern Basis although the net worth of the company is fully eroded.

51 The Company had entered into long term supply contract with Gas Authority of India (GAIL) at Kochi for supply of Liquefied Natural Gas in 2011 for a period of 15 years ending in 2016. Material foreseeable losses can not be identified in the current scenario.

52 Previous year figures have been re-grouped / re-classified wherever necessary to make them comparable with those of the current year.

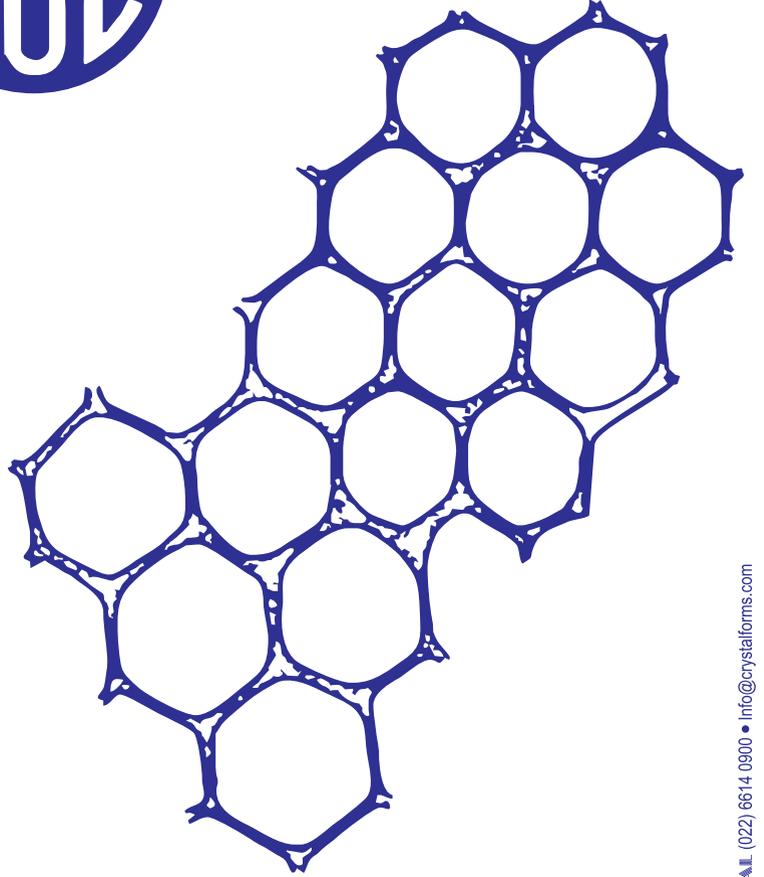
As per our report of even date attached

**For JMT & Associates**  
Chartered Accountants  
Firm's Registration No. 104167W

Sd/-  
**Jayesh Shah**  
Partner  
Membership No. 39910

Place: Mumbai  
Date: 20-05-2016

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