

47th
ANNUAL REPORT 2007-2008



HINDUSTAN ORGANIC CHEMICALS LIMITED



| AUDITORS | CONTENTS | Page Nos. |
|---|--|-----------|
| Statutory Auditors M/s. L. S. Nalawaya & Co. Chartered Accountants Mumbai | Board Committees | 2 |
| Branch Auditors - Kochi Unit M/s Elias George & Co.,. Chartered Accountants Kochi | AGM Notice | 3 |
| COST AUDITORS M/s.V.J.Talati & Co. Mumbai | Chairman's Statement | 4 |
| BANKERS State Bank of India | Directors' Report | 5 |
| REGISTRAR AND SHARE TRANSFER AGENTS M/s.Sharepro Services (India) Pvt.Ltd. Registered Office : Satam Estate, 3rd Floor, Above Bank of Baroda, Chakala, Andheri (E), Mumbai 400 099. | Auditors' Report | 18 |
| HINDUSTAN ORGANIC CHEMICALS LTD. REGISTERED OFFICE : Rasayani, Dist.Raigad, Maharashtra 410 207 | Comments of CAG of India | 21 |
| CORPORATE OFFICE Harchandrai House, 81, Maharshi Karve Road, Marine Lines, Mumbai 400 002 | Balance Sheet | 22 |
| MANUFACTURING FACILITIES 1. Rasayani unit Dist.Raigad Maharashtra 410 207 2. Kochi Unit Ambalamugal, Dist. Ernakulam Kochi 682 302 | Profit & Loss Account | 23 |
| | Schedules | 24 |
| | Abstract and Business Profile | 37 |
| | Cash flow statement | 38 |
| | Annual Report of Hindustan Fluorocarbons Ltd.(Subsidiary Co.)..... | 39 |
| HINDUSTAN ORGANIC CHEMICALS LIMITED | | |
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| COCHIN UNIT : Ambalamugal, Dist. Ernakulam, Pin - 682 302. Tel : (0484) 2720911 / 2720912 / 13 Fax : (0484) 2720893 E-mail : hoclchin @ md2.vsnl.net.in | HYDERABAD : 1402, Babukhan Estate, Bashir Bagh, Hyderabad - 500 001. Tel : (040) 23241051 / 23240047 Fax : (040) 23296455 | |
| REGIONAL & MARKETING OFFICES | 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 | |
| MUMBAI : Harchandrai House, 81, Maharshi Karve Marg, Mumbai - 400 002. Tel : (022) 22014269/71/72 Fax : (022) 22059533 E-mail id : hoclras@bom3.vsnl.net.in, investorgrievances@hoclindia.com | HINDUSTAN FLUOROCARBONS LTD. 1402, Babukhan Estate, Bashir Bagh, Hyderabad - 500 001 Tel : (040) 23241051 / 23237125. Fax : (040) 23296455 E-Mail : hiflonptfe@yahoo.co.in | |



BOARD OF DIRECTORS

| | |
|---------------------------------|---|
| SHRI A.S.DIDOLKAR | <i>Chairman & Managing Director</i> |
| SHRI U. SARKAR | <i>Director (Finance)</i> (up to 31/01/2008) |
| SHRI R.N. MADANGERI, | <i>Director (Technical)</i> (from 20-06-2007) |
| SHRI S.V. GANU | <i>Director (Marketing)</i> (From 12-07-2007) |
| Dr. J.S. Maini, AS&FA | <i>Director</i> (up to 28.09.2007) |
| SHRI MATHEW C. KUNNUMKAL, AS&FA | <i>Director</i> (From 28-09-2007) |
| SHRI K.C. MISRA, IAS;JS | <i>Director</i> (up to 26-09-2008) |
| DR. SUKUMAR DEVOTTA | <i>Director</i> (w.e.f. 28-05-2007) |
| DR. B.D. KULKARNI | <i>Director</i> (w.e.f. 28-05-2007) |
| SHRI MADAN VERMA | <i>Director</i> (w.e.f. 8-01-2008) |
| DR. N.J. GAIKWAD | <i>Director</i> (w.e.f. 8-01-2008) |
| DR. S. BHATTACHARYYA | <i>Director</i> (w.e.f. 8-01-2008) |
| MRS. SUSHEELA S. KULKARNI | <i>Company Secretary</i> |

AUDIT COMMITTEE OF THE BOARD

| | |
|--|--|
| SHRI MADAN VERMA <i>Director, Chairman</i> | SHRI A.S. DIDOLKAR <i>CMD, Invitee</i> |
| SHRI K.C. MISRA <i>Director, Member</i> | SHRI U. SARKAR <i>Director (Finance)</i> (upto 31-01-2008) |
| DR. SUKUMAR DEVOTTA <i>Director, Member</i> | SHRI R.N. MADANGERI <i>D(T), Invitee</i> (from 20-06-2007) |
| DR. B.D. KULKARNI <i>Director, Member</i> | SHRI S.V. GANU <i>D(M), Invitee</i> (from 12-07-2007) |
| | SMT.S.S. KULKARNI <i>Company Secretary</i> <i>Secretary to the Audit Committee</i> |

SHARE TRANSFER, SHAREHOLDERS'/INVESTORS' GRIEVANCE COMMITTEE

| | |
|---|---|
| Shri A.S.Didolkar <i>CMD, Chairman</i> | Shri U. Sarkar <i>D(F), Member</i> (upto 31-01-08) |
| Shri R.N. Madangeri <i>D(T), Member</i> (from 1-02-08) | Smt.S.S.Kulkarni <i>CS, Member&Secretary</i> |

EXECUTIVE COMMITTEE

| | |
|--|---|
| SHRI A.S.DIDOLKAR <i>Chairman & Managing Director</i> | SHRI N.B.JOGDAND <i>Dy.General Manager(P&A)</i> (Rasayni Unit I/c) |
| SHRI U.SARKAR <i>Director(Finance)</i> (Retired on 31/01/2008) | SHRI M.A.PILLAI <i>G.M. (Oper.)</i> Kochi Unit |
| SHRI R.N. MADANGERI, <i>Director (Technical)</i> | SHRI K.A.NATHAN <i>G.M.(Engineering)</i> Kochi Unit |
| SHRI S.V.GANU <i>Director (Marketing)</i> | SMT. S.S. KULKARNI <i>Company Secretary</i> <i>Secretary to the Executive Committee</i> |
| SHRI ANAND KUMAR <i>Chief Vigilance Officer</i> (from 10.04.2008) | |

R & D SUB-COMMITTEE

| | |
|--|---|
| DR. B.D. KULKARNI, <i>Director, Chairman of R&D Committee</i> | SHRI A.M. SATHE <i>DGM(MSS) - Co-coordinator</i> |
| SHRI A.S.DIDOLKAR <i>Chairman & Managing Director, Member</i> | DR. B.S. SHINDE <i>DGM(R&D)</i> |
| SHRI R.N. MADANGERI <i>Director (Technical)</i> | DR. C.S. SHUKLA <i>CM (R&D)</i> |

**NOTICE**

Notice is hereby given that the 47th Annual General Meeting of the Shareholders of the Company will be held on Friday, the 26th September, 2008 at 3.00 p.m. at the Registered Office of the Company at RASRANG HALL, Dr. Kasbekar Park, Rasayani, Dist. Raigad - 410 207 to transact the following business :-

ORDINARY BUSINESS :

1. To receive and to adopt the Audited, Profit & Loss Account of the Company for the period from 1st April, 2007 to 31st March, 2008 and the Audited Balance Sheet as at 31st March, 2008 together with the Directors' Report and the Auditors' Report thereon.
2. To appoint a Director or any other Director (as may be appointed by the GOI in its Order) in place of Shri Mathew C. Kunnumkal, who retires at this AGM and being eligible offers himself for re-appointment.
3. To appoint a Director or any other Director (as may be appointed by the GOI in its Order) in place of Shri K. C. Misra, who retires at this AGM and being eligible offers himself for re-appointment.

By Order of the Board of
Hindustan Organic Chemicals Ltd.

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

Place : Rasayani
Date : 31/07/2008

Registered Office :

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

NOTES :

1. **A member entitled to attend and vote is entitled to appoint a proxy or proxies to attend and vote instead of himself on a poll and that a proxy need not be a member of the Company. Proxies, in order to be effective, must be lodged at the Registered Office of the Company not less than 48 hours before the meeting.**
2. Members/Proxies should bring their attendance slip, duly filled in, at the meeting.
3. The Register of Members and the Share Transfer Books of the Company will remain closed from Friday, the 19th September, 2008 to Friday, the 26th September, 2008 (both days inclusive).
4. Members are requested to intimate immediately any change in their addresses registered with the Company.
5. Members, who hold shares in the dematerialised form, are requested to bring their depository account number for identification.
6. Members are requested to bring their copy of Annual Report at the meeting and as a measure of economy the same will not be distributed again.
7. As per the Articles of Association of the Company [Articles 76(1)&76(4)], the President of India - GOI has the power to appoint Directors on the Board of the Company, which will be considered at every AGM.

By Order of the Board of
Hindustan Organic Chemicals Ltd.

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

Place : Rasayani
Date : 31/07/2008

Registered Office :

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



CHAIRMAN'S STATEMENT

Dear Shareholders,

My Colleagues on the Board and I extend warm welcome, and express their gratitude, to all of you present here at this 47th Annual General Meeting of your Company. The Audited Annual Accounts together with the Directors' Report and Auditors' Report of the Company for the year 2007-08 and the Notice to the Shareholders have been in your hands for some time and with your permission I take them as read.

With sustained cooperation and help of all our employees, we have been able to focus on enhancing operational competitiveness which has resulted in a positive performance with a net profit of Rs. 13.61 crore. I must now share with you in brief the status of our company's performance during the year 2007-08.

PERFORMANCE :

I have great pleasure in sharing with you the highlights of another year of good performance by the Company.

HIGHLIGHTS

- The overall positive performance with a net profit of Rs. 13.61 crore.
- The excellent sales turnover resulted in operating profit of Rs.60.66 crore.
- Reduction in interest costs by Rs. 2.96 crore over the year.
- Due to net worth turning positive, BIFR has discharged our Company from the purview of BIFR under the Provisions of Sick Industrial Companies (Special Provisions) Act 1985 (SICA).

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

Your Company continued to enjoy support from all its valuable customers during the year 2007-08 due to excellent quality of its products manufactured at Kochi and Rasayani. During the year under review, your Company could achieve high sales valuing Rs. 571.42 crores.

It is expected that when the measures contemplated in the restructuring proposal are completed, and with the continued cost control steps in progress, the performance and profitability of the Company would further improve.

The company could not export bulk parcels of Phenol during 2007-08 due to unremunerative prices of these products in the export market. The marketing strategy was mainly focused on domestic customers to maximize the market share by adopting flexible marketing strategies which helped in encountering the threat posed by the importers and the domestic competitors as well.

TURNAROUND PROGRAMME :

The implementation of Rehabilitation Plan is in the active phase.

1. Restart up of the Caustic Soda plant.
2. The Company had settled and paid off approx. 98.81% of the outstanding dues of the Bond holders.
3. The Company also plans to put up Power Plant based on the Furnace Oil / Natural Gas.
4. The process of evaluating the responses received from the parties on the Expression of Interest on Joint Ventures (JVs) in the Company is underway.

The details of these Revival steps and proposals are contained in the Directors' Report. We hope that with the assistance from the Government, the Company would be able to turnaround its Rasayani Unit operations, in the near future, by implementing revival measures contemplated.

FUTURE OUTLOOK :

As you are aware, our Company has set up Hydrogen bottling facility at plant at Rasayani unit to sell the surplus Hydrogen available from its plant for captive use.

As a part of Restructuring, the Company is in the process of Re-start of its Caustic Soda / Chlorine Plant and its auxiliary and in the current year 2008-09, plant pre-commissioning checks are also carried out as a part of start up activity.

All of you are aware that retirement of high cost matured bonds is almost achieved as planned with only 1.19% leftout, resulted into



reduction in the interest burden substantially. As regards Kochi Unit, de-bottlenecking of Hydrogen Peroxide alongwith revamp of Phenol/Acetone plant and technology upgradation for Cumene manufacture from conventional Solid Phosphoric acid to zeolite is scheduled for the current year.

SAFETY, HEALTH AND ENVIRONMENT :

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

As a signatory to the 'Responsible Care' movement the Company continues to discharge its obligation in Safety, Health & Environment.

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

INDUSTRIAL RELATIONS :

The over all Industrial Relation situation was peaceful and cordial during the year. There was no strike or lock out affecting production / profitability. The details of HR activities during the year under report are contained in Directors' Report.

RESEARCH & DEVELOPMENT :

Research & Development Division has focussed its activities on the development of eco-friendly catalyst and process improvement for the production of organic chemicals of interest to HOC. R&D's contribution in successfully developing a specific fuel for ISRO, Government of India, is also worthy of appreciation.

CORPORATE GOVERNANCE :

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

HINDUSTAN FLUOROCARBONS LIMITED (HFL) - SUBSIDIARY :

The details of performance of HFL are given in the Directors' Report. While the Company continues to be under BIFR Net, Company's position has been slightly improved thanks to the one time settlement of the Dues of the FIs and waiver of interest by the FIs and by the Holding Company, HOCL. Various Activities in connection with the CDM Project are in process.

The Company is also exploring various commercial opportunities for further improving the viability of HFL. During the year Company has received sanction of MDRS from BIFR for implementation.

ACKNOWLEDGEMENT:

I place on record my appreciation and gratitude to all the employees and others who had extended their support and co-operation during the year. In particular, I am grateful to various officials of the Govt., especially from the Ministry of Chemicals & Fertilizers, Finance Ministry, Department of Banking, Board Members, Statutory/Govt. Auditors and all the agencies concerned. I must also acknowledge the gratitude for the untiring efforts the employees and the Unions have put in and the productive work culture they have established. My gratitude is also to the shareholders and customers who have stood by us in the present phase of our turbulent period.

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

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



(A.S. DIDOLKAR)

CHAIRMAN & MANAGING DIRECTOR

**DIRECTORS' REPORT**

Dear Shareholders

Your Directors are pleased to present the 47th Annual Report and the Audited Annual Accounts of the Company for the financial year ended 31st March, 2008.

FINANCIAL HIGHLIGHTS

The financial performance of the Company for the year ended March 31, 2008 is summarized below:

Rs.in Lacs

| | Year ended 31/03/2008 | Year ended 31/03/2007 |
|--|--------------------------|--------------------------|
| Sales and Other Income | 66659.90 | 59125.57 |
| Operating Profit/(Loss) | 6066.54 | 7059.74 |
| Less: Interest | 1876.63 | 2173.16 |
| Depreciation | 2622.98 | 2710.71 |
| Profit/(Loss) before tax | 1566.93 | 2175.87 |
| Less: Provision for taxation | 37.93 | 64.51 |
| Add: Prior Period adjustments | 167.55 | 407.14 |
| Profit/(Loss) after tax & Prior period adjustments/Provisions. | 1361.45 | 1704.22 |

However, in view of accumulated losses as at the end of the Financial Year 2007-08 are carried forward, your Directors do not recommend any dividend on equity shares for the year ended 31st March, 2008.

Results of Operations

During the year, the Company's Kochi Unit has scaled good performance with profit of Rs. 74.95 crores leading to the Company's overall positive performance with a net profit of Rs.13.61 crores, while the operating profit was Rs. 60.66 crores and Profit Before Tax was Rs. 15.67 crores as compared to Rs. 70.60 crores and Rs. 21.76 crores of the previous year. The Interest costs reduced by Rs.2.96 crores over the year. The earning per share stood at Rs. 2.02 in the year under review. In spite of substantial growth in the sales turnover, the steep increase in input cost of raw materials as well as energy had eroded the profit margin. In addition certain mandatory provisions have to be made in accordance with the Accounting Standards. All these factors contributed to depress the Operating Profit as compared to the previous year.

OPERATIONS

During the year under Report, your Company's Kochi unit, achieved a very impressive sales turnover of 84239 MTs valuing Rs.46529.86 lacs as against 77543 MTs valuing Rs.41200.48 lacs of the previous year.

With the production of 242013 MTs (main products) during the year 2007-08 as against the production of 207110 MTs (main products) in 2006-07, your Company could achieve an overall capacity utilization of 60% during the year. Your Company has recorded the sale of 158100.57 MTs during the year (last year 128244.56 MTs) valuing Rs.57142.84 lacs (last year Rs.50596.22 lacs).

The high labour cost and high incidence of cost on closed plants at Rasayani unit are the major concerns. Your Company has continued its cost cutting measures to counter these problems and in order to be competitive and improve performance and profitability.

PRODUCTION**Kochi Unit :**

During the year, your Company's Kochi unit could achieve 167103 MT of production as against 157473 MT of the previous year. It is 6% more than the last year's production. The Phenol, Acetone, Cumene and Hydrogen Peroxide plants have been operated at more than its rated capacity (106.4%).

Rasayani Unit :

During the year, Rasayani unit of your Company could achieve only 91038.19 MT of production as against 66226.18 MT production of the previous year, 37.47% more than the previous year's production. This is mainly due to continuous operation of the major plants.

MARKETING:

HOC continued to enjoy support from all its valuable customers during the year 2007-08 due to excellent quality of its products manufactured at Kochi and Rasayani. It has achieved sales turnover of 571.42 Crores (net of excise duty) as against Rs. 505.96 crores (net of excise duty) of the previous year. The sales volume during year 2007-08 was 1,58,100.57 MTs against 1,28,244.56 MTs for the year 2006-07, registering a higher sales realization for the year amounting to Rs.571.42 crores, which was mainly due to better price realization.

The company could not export bulk parcels of Phenol during 2007-08 due to unremunerative prices of these products in the export market. The marketing strategy was mainly focused on domestic customers to maximize the market share by adopting flexible marketing strategies which helped in encountering the threat posed by the importers and the domestic competitors as well.

FINANCE:

You will be pleased to know that the better price realisation resulted in increased sales value and good performance on all the fronts, has enabled the company to earn net profit for the year after provision for taxes and adjustments of Rs.13.61 crore.

STATUS OF TURNAROUND

With the Positive performance resulting into net profits in the year under review as well as in the previous year, in the current year 2008-09, your Company is now come out of the "SICK Unit" / BIFR status. Accordingly, the Company has received Order No. 501/2005 dtd. 28th May, 2008 from Board for Industrial & Financial Reconstruction (BIFR) discharging HOCL, from the purview of Sick Industrial Companies (Special Provisions) Act, 1985 (SICA), on achieving the positive Net Worth.

The implementation of Rehabilitation Plan (as approved by the Government) is in the active phase.

1. During the year under report the work of restart of the Company's Caustic Soda/Chlorine plant and its auxiliary had almost been completed. The pre commissioning checks are in progress as a part of start up operations.
2. The Company had settled and paid off approximately 98.81% of the outstanding dues of the Bond holders as per our approved Restructuring Scheme. The restructuring and repayment of the remaining few Bond holders are expected to be effected and completed during the current year.
3. Further, with the availability of natural gas, Company also plans to put up Power Plant based on the Furnace Oil/ Natural Gas dual feed arrangement to economise on the operation.



4. The process of evaluating responses received from the parties on the Expression of Interest on Joint Ventures (JVs) in HOCL from the technical and financial angles is underway. The responses related to mainly 1. Setting up a value added product plant (Poly Aluminium Chloride) downstream to Caustic Soda Plant. , 2. Setting up a JV for the production of 8000 TPA Cyclohexylamine Plant in India. and 3. Setting up a JV for the production of MDI/TDI Plant in India.

ENERGY CONSERVATION/TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS AND OUTGO

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

RESEARCH & DEVELOPMENT

R&D Division has focused its activities on the development of eco-friendly catalysts and process improvements for the production of organic chemicals of interest to HOC. Also, it is involved with collaborative programmes with Sud-Chemie India Pvt. Ltd. for making re-use of spent aniline and formaldehyde catalysts which will result in substantial savings and disposal of the hazardous wastes in an eco-friendly way. R&D's contribution in successfully developing a specific fuel for ISRO , Government of India, is also worthy of appreciation.

HUMAN RESOURCE DEVELOPMENT AND INDUSTRIAL RELATIONS

Company strongly believes that Human Resources are the only appreciating ones amongst all other resources. To meet the challenges of global competitive environment, the company is upgrading the skills of their employees by systematically identifying training needs of employees by using skill inventory matrix. For this purpose, internal faculties as well as external faculties are used in the 'Incompany' training programmes. Employees are sponsored to attend the external training programmes conducted by reputed institutions and organizations to upgrade specialized skills. During the year 2007-08, in all 49 Training programmes were conducted, 1459 mandays were trained during incompany training programmes, 529 mandays were trained through sponsorship (outside) training and 36 mandays were trained through on the job training. i.e. Total Mandays Trained = 1459. ISO awareness programmes were conducted for officers & 112 officers were covered under these programmes.

Special efforts are made to prepare SSC passed Mazdoors to attend Chemical Trade Exams. of ITI in the trade of Attendant Optr.(CP) & Mechanical Maint. (CP). Total 13 Mazdoors will be eligible for appearing the above test. Similarly technical programmes on Process plant, Material Balance were conducted for plant personnel.

1. Company has Suggestion Scheme in both the Units i.e. Rasayani & Kochi. All employees are eligible to participate in the scheme. Suggestions received are evaluated by the competent committee. Good and practical suggestions are implemented and rewarded.
2. In order to attain the twin objectives of reducing manpower and increasing the productivity, company has initiated the process of rationalization and restructuring of human resources for optimum utilization of available manpower. Company is also engaged in finding out ways and means to develop, retain and deploy the work force so as to meet with confidence, the new challenges and opportunities in highly competitive business environment.

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

No employee of the Company has drawn the remuneration during the year 2007-08 or any part thereof, in excess of the limits specified under the Company's (Particulars of Employees) Rules 1975.

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

VIGILANCE

HOCL's Vigilance wing headed by Chief Vigilance Officer on deputation from Govt. of India continued to play an important role and ensured that prescribed rules and regulations are followed. A major thrust of the department has been towards system study, improvement and to ensure the implementation of laid-down procedures, policies, rules and regulations, etc. of the company and the guidelines of Central Vigilance Commission. As a result of the efforts Vigilance initiatives, web tendering above a threshold value of Rs. 50,000/- has become mandatory. The vigilance department took prompt action regarding complaint received and followed them by investigations / actions based on departmental recommendations. The Periodic and Surprise inspections continued to support the organisation's movement towards the system improvements. The department has been maintaining close liaison with the Central Vigilance Commission and the Central Bureau of Investigation and have carried out all such activities as were mandated periodically. The preventive vigilance remained the focus of the vigilance activities.

CORPORATE SOCIAL RESPONSIBILITY

Recognizing the obligation to the society both in the areas of environment protection and social development, your Company has taken up several initiatives towards implementing welfare schemes for uplifting the quality of living of the community surrounding the Factory area. To fulfill this, the initiatives it has taken in this direction included-

- Providing basic civic amenities to the neighbouring villages, rendering assistance to the neighborhood in different forms viz. Financial assistance, building material, furniture, computers, laboratory equipments to the neighbouring schools, construction of approach roads and toilet blocks, drinking water supply, medicines, etc.
- Promotion of school education, by giving scholarship to X and XII std. Students. Company extend need based assistance to deserving SC/ST students in the nearby villages for their graduate and post graduate education. Company also extends vocational training facilities to the wards of employees , provides the facilities to carry out project work for students studying in nearby Engineering Colleges / and Management Institutes, Science and Technical disciplines etc., for enhancing their practical knowledge. Company also engages diploma (sandwich course) apprentices as a part of their curriculum for imparting practical training. Company provides technical training to XI and XII std., Students of HOC's Junior College and defense personnel on regular basis.
- Further, your Company has always stood by the people during any unforeseen calamities like flood, storms, famine and earthquake etc. by providing relief.
- Company has also constructed a hall in the name of Bharatratna Dr. Babasaheb Ambedkar with a view to provide a platform for discussions / seminars / symposiums on principles / teachings of Dr. Babasaheb Ambedkar. Certain improvements have also been made for better utilization.

- Company has been active in doing peripheral development works for the betterment of villagers around the factory areas.

ENVIRONMENT MANAGEMENT :

- The company has been in the forefront in the management of Health, Hygiene and Environment.
- Based on the toxicity of chemicals periodic medical examination of all the employees are carried out by doctors specially trained in occupational health and hygiene at company's occupational Health center. Individual medical history is tabulated and analyzed to check for deleterious effects if any on the workers' physiological functions. Biochemical monitoring is carried out to estimate the extent of exposure of employees to various chemicals through urine, breath and blood samples.
- State - of - the -art Industrial Hygiene and Environment Laboratory is in operation and manned by qualified scientist. To safeguard the working conditions, monitoring and analysis of various chemicals is performed utilizing unique technique of thermal desorption and gas chromatography. It is observed that in the year 2007 - 2008, the concentration of chemicals was well below the prescribed limits set by the statutory authorities.
- As per the requirement of Central Pollution Control Board, ambient air monitoring and analysis is carried out for sulfur dioxide, Oxides of Nitrogen and Suspended particulate matter at various locations, including sensitive area like Karnala Bird Sanctuary 10km away from factory premises. Reports are submitted on regular basis to concerned authorities.
- The concentration of sulfur dioxide, oxides of nitrogen and particulate matter emitted from stacks of Boiler, Nitric Acid and Sulfuric Acid Plant is analyzed and maintained well below the prescribed consent limits.
- Company has its own effluent treatment facility and the treated effluent meets the prescribed standards. The quality of effluent is checked for various consent parameters like pH, COD, BOD etc before discharging to designated point.
- Company's Kochi Unit could maintain the quality of the treated effluent, stack emission and ambient air quality well within the limits stipulated by statutory authorities throughout the year.
- In the year 2007 - 2008, HOCL has improved its treated effluent disposal facility by putting 2 x 7 km old Cast Iron Effluent Pipelines in operation.

SAFETY :

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

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

Company's continued to maintain a good safety record without any major accident or fire. Consistent safety training, safety audit, safety inspections and hazop studies were performed to keep the safety standard high. In order to augment our fire fighting capacity, mutual aid scheme for emergency help between HOCL, BPCL - KR and FACT (CD) is in existence with HOC holding the leadership for two year 2007-08. Also HOCL (Kochi) is taking active participation in offsite emergency drills and District and local level crisis groups activities.

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

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

Our employees have bagged maximum awards in zonal level safety competitions. HOC is a major contributor to Mutual Aid Response Group - Khopoli, Rasayani, Patalganga zone (MARG - KRAPA).

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

IMPLEMENTATION OF OFFICIAL LANGUAGE POLICY

During the year under report, your Company continued its intensive and extensive efforts for the progressive use of the official language. To promote Hindi as Official Language in day to day working in line with the Government policies, Official Language Implementation Cell of the Company continued to function effectively. Various Cash Incentive Schemes have been introduced in the Company. Hindi Workshops are being conducted regularly. Official Language Implementation Committee meetings are arranged every quarter. Comprehensive programme like HINDI FORTNIGHT was organized at both Rasayani and Kochi units and in the Corporate Office in Mumbai during September, 2007. Several periodical meetings, training programmes, workshops, essay writings, noting and drafting competitions were organised to propagate the use of HINDI. During September, 2007 Committee of Parliament on Official Language inspected our Rasayani unit under the banner of Navi Mumbai Town Official Language Committee. During January 2008 Committee of Parliament on Official Language inspected our Mumbai Marketing Office. All documents coming under Sec. 3 (3) of the Official Language Act, 1963 are issued in bilingual form. Efforts are being made to fulfil the targets set in the Annual Programme issued by Department of Official Language, Ministry of Home Affairs.

ISO CERTIFICATION

Rasayani and Kochi units have been certified under ISO-9001:2000 standards through Bureau Veritas Certification India Pvt. Ltd. (BVC). Environment Management System (EMS) of Kochi unit has been certified under ISO-14001:2004 standards through BVC. Rasayani unit has been re-certified in January' 2008 and Kochi unit has been re-certified in June'2008 under ISO-9001:2000 standards.

INSURANCE

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

FIXED DEPOSITS

During the year Rs. 1064.25 lakhs (Pr.Yr.Rs. 1163.60 lakhs) worth deposits had matured and have been paid. The total deposits matured and remaining unclaimed which are outstanding as on 31-3-2008 was Rs. 18.29 lakhs (11 Nos.) (Pr.Yr.Rs. . 1082.54 lakhs (42 Nos.)

DEPOSITORY SYSTEM

As the members are aware your company's shares are tradable compulsorily in electronic form and your company has established connectivity with both the depositories i.e. National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL). In view of the enormous



advantages offered by the Depository system, Members are requested to avail the facility of dematerialisation of the company's shares on either of the depositories as aforesaid.

MANAGEMENT DISCUSSION AND ANALYSIS REPORT

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

CORPORATE GOVERNANCE

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

RESPONSIBILITY STATEMENT

The Directors confirm:

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

The Directors further state that up to the year under review i.e. 2007-08, HOC has been registered as a Sick Industrial Company by the BIFR, as per the provisions of SICA 1985, vide Case No. 501/2005. However, during the current year 2008-09, it has come out of BIFR / Sick Unit net, on achieving the positive networth.

HINDUSTAN FLUOROCARBONS LIMITED (Subsidiary)

During the year under review HFL has achieved production of 596 MTs (PTFE & CFM 22) as against 1036 MTs in the previous year, thus achieving a sales turnover of Rs.1016 lakhs (Pr.Yr. 1657lakhs.) The total income for the year 2007-08 was Rs. 5508 lakhs as against Rs. 1542 lakhs for the year 2006-07. Consequent to the one time settlement with the Company's FIs and due to waiver of interest by the FIs, and by the Holding Company (HOCL), HFL posted a Net profit of Rs.3996 Lakhs in the current year under review for (07-08) as compared to Net loss of Rs. 931 lakhs of the previous year (06-07).

Due to its vigorous efforts, HFL was successful in imposing anti dumping duty on imports from Russia and China. The Company has selected the technology and provider of turnkey project of CDM. It is expected that Registration of the project and accruing of the CER Credits will commence in the coming financial year.

As the Members are aware, being a sick company, HFL has been referred to BIFR. During the year Company has received Modified Draft Rehabilitation Scheme (MDRS) from BIFR for implementation.

The audited accounts are appended which are subject to the audit of CAG u/sec.619(4) of the Companies Act, 1956.

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

AUDITORS

In terms of provisions of Section 619(2) of the Companies Act, 1956. The Comptroller & Auditor General of India, under its letter No. CA.V/COY/CENTRAL GOVT.HOCL(2)/47 dated 27/8/2007 has appointed M/s L.S..Nalawaya & Co. Chartered Accountants, Mumbai as Statutory Auditors of the Company to audit the accounts of the Rasayani unit and to audit the consolidated accounts of the company and M/s. Elias George & Co., Cochin as branch auditors to audit the accounts of Cochin unit for the year ended 31st March, 2008.

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

The report of the Comptroller & Auditor General of India under section 619(4) of the Companies Act, 1956, on the Accounts of the Company for 2007-08 is annexed to the Statutory Auditors' Report in the Annual Report.

Pursuant to directions from the Department of Company Affairs for appointment of Cost Auditors, Board of Directors of the company appointed M/s V.J.Talati & Co. as the Cost Auditors for Sulphuric Acid for 2007-2008.

DIRECTORS

During January 2008, GOI has appointed 3 Independent Non-Official Directors, viz. Dr. N.J. Gaikwad, Director, Professor & Head Deptt. Of Pharmaceutical Science, Rashtrasant Tukadoji Maharaj Nagpur University, Dr. Subir Kumar Bhattacharyya, Director, Former Director, Durgapur Steel Plant, Shri Madan Verma, Director, a CA and a former Director of Bank of Maharashtra and Vijaya Bank, on the Board of our Company w.e.f. 8th January, 2008.

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

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

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

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

ACKNOWLEDGMENT

Your Directors gratefully acknowledge the valuable guidance and directions given by the Hon'ble Union Minister for Chemicals & Fertilizers and Steel, Shri Ram Vilas Paswanji who had amidst his pressing commitments visited the Rasayani plant during the year. Your Directors also gratefully acknowledge the support and co-operation extended by the valued and esteemed customers, shareholders, suppliers, bankers, Statutory/Internal and Tax Auditors, Bondholders, and Fixed Deposit holders.

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

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

Sd/-

A.S.DIDOLKAR

Chairman & Managing Director

Place: Mumbai
Date : 31st July, 2008



ANNEXURE - I

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

| Sl. No. | Particulars | Rs.in lakhs |
|---------|---|---|
| 1. | In compliance with the requirement of Section 212(1) of the Companies Act, 1956, the audited accounts of the subsidiary are to be enclosed. | Attached. |
| 2. | Statement of Company's interest in the subsidiary company under Section 212(1(e)) read with Section 212(3) of the Companies Act given below : Extent of holding in the subsidiary | 1,10,60,000 Equity Shares of Rs.10/- each fully paid up. 56.43% |
| 3. | Net aggregate amount of the subsidiary's Profit/(Loss) so far as it concerns members of the holding company & is not dealt with in the company's accounts : i) For 2007-2008 ii) For Previous financial year iii) Cumulative Total | 2255.17 2255.17 (2950.31) |
| 4. | Net aggregate amount of the profits of the subsidiary after deducting its losses or vice versa dealt with in the company's accounts :- i) For 2007-2008 ii) For Previous financial year iii) Cumulative Total | Nil Nil Nil |

ANNEXURE II

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

Energy Conservation Measures taken :

- Re start of concentrated nitric acid plant at Rasayani unit with replacement and modification in the inter stage coolers which has brought down the power consumption in nitric acid plant substantially.
- With the proposed re start of caustic soda plant in the year 2007-08, capacitor bank's management has been reviewed and additional capacitor banks have been installed to maintain the unit power factor at Rasayani unit.
- Measures like cleaning of choked effluent pipeline and replacing the damaged portion has resulted in reducing pressure drop in the transportation of the effluent from the lagoons to disposal point that is about 7 kilometers away at Rasayani unit. This has resulted in reduction of power consumption.
- Installation of variable frequency drive for boiler feed water pump, hydrogenation feed pumps and tampered water cooler at Kochi unit to reduce the power consumption.
- Modification in surface agitators in ETP at Kochi unit has resulted in saving of electrical power.

Future Plans:

- More Variable Frequency Drives will be installed at DM water pump, instrument air compressors, cooling tower fans at Kochi unit to save electrical energy.
- The energy management information system will be expanded connecting LT loads also.
- LT capacitors will be provided to improve power factor at Kochi unit.
- Cooling tower fans will be replaced with FRP blades to reduce power consumption.

Form-A

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

| | Current Year 2007-08 | Previous Year 2006-07 | | |
|--|----------------------------|---------------------------------|---------------------------------|-------|
| 1. Electricity | | | | |
| a) Purchased (unit) | 6,47,58,944 | 7,64,57,120 | | |
| Total amount (Rs.) | 25,52,80,249 | 28,60,40,713 | | |
| Rate per unit (Rs.) | 3.94 | 3.74 | | |
| b) Own generation | | | | |
| i) Through LSHS | 12,01,320 | NIL | | |
| units per Kg. of LSHS | 5.27 | NIL | | |
| Cost per unit (Rs.) | 3.73 | - | | |
| ii) Through steam generation | NIL | NIL | | |
| Units per litre of fuel oil | - | - | | |
| Cost per unit (Rs.) | - | - | | |
| 2. Coal | NIL | NIL | | |
| 3. Furnace Oil/ LSHS | | | | |
| Quantity (MT) | 22,841 | 23,173 | | |
| Total Amount (Rs.) | 44,82,25,285 | 37,92,82,807 | | |
| Average rate (Rs.) | 19,623 | 16,367 | | |
| 4. Others/ Internal Generation | NIL | NIL | | |
| (a) Others- Diesel (Litres) | 2,785 | 3,890 | | |
| (b) Internal Generation | NIL | NIL | | |
| C. Consumption per unit of Production | | | | |
| | Standard | 2007-08 | 2006-07 | |
| Product | Power consumption (kwh/MT) | Prod. (MT) consumption (kwh/MT) | Prod. (MT) consumption (kwh/MT) | |
| Nitrobenzene | 56 | 9964 | 23 | 11945 |
| Hydrogen | 570 | 467 | 895 | 527 |
| Aniline | 280 | 6210 | 277 | 7100 |
| Sulfuric acid | 70 | 23592 | 94 | 12417 |
| Formaldehyde | 100 | 38547 | 90 | 22626 |
| Nitrotoluene | 170 | 410 | 156 | 607 |
| Conc. Nitric Acid | 840 | 3592 | 1050 | 1365 |
| Propylene | 30 | 27458 | 22 | 25587 |
| Phenol/Acetone | 599 | 68045 | 463 | 66196 |
| Hy. Peroxide - 50% | 2711 | 11778 | 1150 | 8822 |

Note:

- Higher power consumption in nitrobenzene, hydrogen, aniline, nitrotoluene plants is because of the lower capacity utilisation.
- Lower power consumption in hydrogen peroxide plant is not comparable with the previous year's figures as most of the time hydrogen gas was procured from M/s Kochi Refineries Limited and as a result the in house power consuming electrolysis unit for hydrogen production was not operational.

FORM - B

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

- Studies on improved eco-friendly chrome free catalyst for aniline production.
- Studies on repelletization of chrome-free catalyst for re-use in commercial aniline plant.
- Studies on development of Kerosene fuel required for semi cryogenic engines -ISRO PROJECT (Government of India).
- Studies on repelletization of used formaldehyde catalyst for commercial application.
- Studies on the development of a continuous process for cyclohexylamine from aniline.

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

- Studies on regeneration of improved eco-friendly chrome free copper catalyst have indicated that the regenerated catalyst can be successfully utilized for commercial production of aniline.
- Single tube pilot plant studies on repelletization of used chrome free copper catalyst reveal that the repelletized catalyst can be successfully utilized. Further, the repelletization process needs some more improvements for matching the performance of the fresh catalyst to produce aniline.



- (c) Laboratory scale catalytic process developed for hydro-treating Kerosene was successfully used to produce the fuel of ISRO's specifications. Through this process, 5 litres of the specific kerosene was produced and sent to ISRO who had approved its quality.
- (d) Studies in collaboration with M/s Sud-Chemie India Pvt. Ltd. (SCIPL) on repelletization of used formaldehyde catalyst have been taken up. Initial results are encouraging. Since, SCIPL are a catalyst manufacturer, further scale up will be easier.
- (e) Through the continuous process on laboratory scale, a maximum aniline conversion of 99.6% with a CHA selectivity of 97.3% was achieved earlier. Further studies for identifying a suitable catalyst and optimization of the process parameters were undertaken. The results indicate that the process needs more improvements and has potential for commercial application.

3. FUTURE PLANS

- (a) Studies on eco-friendly chrome-free copper catalyst for its dinitrobenzene tolerance efficiency in aniline production.
- (b) Studies on improvements in the repelletization of used chrome free copper catalyst for aniline production.
- (c) Studies on development of a continuous process to produce a specific grade Kerosene fuel - ISRO PROJECT (Government of India).
- (d) Further improvements in the repelletization of used formaldehyde catalyst for commercial application in collaboration with M/s Sud-Chemie India Pvt. Ltd.
- (e) Studies on further improvements in the continuous process to produce cyclohexylamine from aniline.

4. EXPENDITURE ON R&D*

| | |
|-------------|-----------------|
| (a) Capital | Rs. NIL lakhs |
| (b) Revenue | Rs. 85.93 lakhs |
| (c) Total | Rs. 85.93 lakhs |

TECHNOLOGY ABSORPTION, ADAPTATION AND INNOVATION

- 1 Efforts in brief, made towards technology absorption, adaptation and innovation
- (a) Commercial application of regenerated catalyst to produce aniline was continued.
- (b) Repelletization of used chrome-free copper catalyst was successful. Further improvements for matching the performance of the fresh aniline catalyst are in progress.
- (c) Hydro-treated Kerosene produced through laboratory scale batch process has met the specifications of ISRO and has been accepted.
- (d) Repelletization of used catalyst requires improvements for desired performance in the commercial production of formaldehyde.
- (e) Laboratory scale process for CHA after further improvements will have potential for scale up.
- 2 Benefits derived as a result of above efforts, e.g. product improvement, cost reduction, product development, import substitution etc.
- (a) Continued commercial benefits due to regular utilization of the regenerated catalyst to produce aniline
- (b) Improvements have resulted in more environment friendly disposal of chrome free aniline catalyst through re-utilization in commercial plant.
- (c) HOCL has contributed to national cause by successfully developing a process to produce a specific fuel for ISRO. It is a technological advancement.
- (d) Further improvements are required in the repelletization of used formaldehyde catalyst to match the performance of the fresh catalyst.
- (e) Further improvements in the laboratory scale process of CHA will have potential for scale up.

Annexure - III - Consolidated report as on 31-03-2008 (SC/ST/WOMEN) Rasayani & Kochi Unit.

| Group | Total | SC | ST | Women |
|------------|-------|-----|----|-------|
| A | 408 | 58 | 18 | 21 |
| B | 362 | 56 | 15 | 24 |
| C | 562 | 76 | 23 | 64 |
| D | 50 | 12 | 4 | 3 |
| Total..... | 1382 | 202 | 60 | 112 |

ANNEXURE IV

Reply of the Directors' on the Statutory Auditors' Report to the Members for the Financial Year 2007-08:

- i) The Company has provided the liability for interest on loan received from Govt. of India at stipulated rate. Penal interest is payable by the company for delayed payment of interest/ installment of principal if the option is exercised by the Govt. of India. In absence of any indication to exercise such discretion from Govt. of India, no provision is required to be made in the accounts towards penal interest on unpaid/delayed paid interest or installments. (Ref: Auditor's Report-Para-4-vi a).
- ii) The company has implemented wage revision to the employees with effect from 1st January, 2001. Though wage revision is effective from 1st January 1997, the arrears from 1st January 1997 to 31st March, 2000 is payable only when the company will generate adequate surplus. During the year 2007-08, the company was under BIFR and continued with accumulated loss, the operating agency, appointed by BIFR, recommended freezing of arrears payment shown as contingent liabilities as on 31st March, 2006, accordingly, no provision for arrears for the above mentioned period has been made. (Ref: Auditor's Report-Para-4-vi b).
- iii) The provision for guaranteed throughput charges was incorporated in lease agreement with presumption that the port authorities would provide suitable infrastructure facilities within specified time, however, this was not built-up by JNPT. The port users had taken up this issue for waiver of throughput charges which was accepted by the port authorities with effect from November, 2002. The request for waiver for earlier period is under consideration. Pending the favourable decision, the amount is shown under contingent liability. (Ref: Auditor's Report-Para-4-vi c).
- iv) The company has made adequate provision for obsolescence of Stores & Spares. Many of the plants of Rasayani unit are closed down and so hundred percent of the value of spares which are not moving for more than five years has been provided. In case of Kochi unit, since the spares of phenol plant are very well usable, provisions amounting to Rs.129.14 lakh was not considered necessary as the provision is limited to the 50% value of the non-moving stock. (Ref: Auditor's Report- Para-4-vi d)
- v) The company offered One Time Settlement scheme (OTS) to Bond/ FD holders in consonance with rehabilitation scheme proposed by State Bank of India, Operating Agency, appointed by BIFR and most of the Bond/FD holders accepted the payment under OTS. Hence, management finds no difficulty in settling the dues of remaining Bond/FD holders as per ongoing OTS during the current year. The matter has been adequately disclosed in notes as referred by the Auditors. (Ref: Auditor's Report-Para 4-vii a)
- vi) Adequate disclosure has been made at note No.17, which forms part of the accounts regarding pending confirmation. (Ref: Auditor's Report-Para 4-vii b)
- vii) Record generation with respect to identification of assets and exact location of each at Rasayani is under progress. The Assets register will be in order within current financial year. (Ref: Annexure to Auditor's Report- Para-i a).
- viii) The suggestion of the auditors has been noted for compliance. (Ref: Annexure to Auditor's Report- Para-i b).
- ix) Due to hazardous nature of product, physical contact of chemicals, exposure to hydrocarbon vapours and possibility of product contaminations, dip measurement is not practiced. The performance of the electronic measurement system of inventory is found accurate and reliable. (Ref: Annexure to Auditor's Report-Para-ii b).
- x) The Internal Audit scope has been enlarged in the financial year 2007-08 for Rasayani unit. The scope of Audit is reviewed continuously. (Ref: Annexure to Auditor's Report- Para-vii).

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

Place: Mumbai
Date : 31st July, 2008

Sd/
A.S.DIDOLKAR
Chairman & Managing Director

**Annexure V****MANAGEMENT DISCUSSION AND ANALYSIS REPORT**

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

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

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

In order to prevent dumping and to reform the sector to enable it to meet global competition, Government will have to find alternatives. The bottom line of chemical companies can be protected only through excellence in production and marketing efforts.

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

KEY OPPORTUNITIES INCLUDE

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

KEY THREATS INCLUDE

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

SEGMENTWISE PERFORMANCE

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

| Product Segment | Year ended 31/3/08 | | | Year ended 31/3/07 | | |
|-----------------|--------------------|---------|------------|--------------------|---------|------------|
| | Target | Product | Percentage | Target | Product | Percentage |
| | MT | MT | Achieved | MT | MT | |
| Chemicals | 228360 | 242013 | 105.98% | 216225 | 207110 | 95.78% |

PRODUCTWISE PERFORMANCE (MAIN PRODUCTS)

| Product | Cumulative for the year-2007-08 | |
|-----------------------|---------------------------------|--------|
| | Target | Actual |
| Quantity (MT) | | |
| Nitrobenzene Products | 32466 | 10373 |
| Aniline | 21296 | 6210 |
| Phenol | 39000 | 41908 |
| Acetone | 24177 | 26136 |
| H2O2 | 5700 | 5889 |

OUTLOOK AND INITIATIVES FOR THE CURRENT YEAR

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

During the year, the Company had utilised Hydrogen bottling facility set up during 2006-07 at Rasayani Unit to sell the surplus Hydrogen available from its plant for captive use, in the neighbouring industries at prevailing market rates to improve revenue earnings.

Further, as a part of Restructuring, the Company is in the process of setting up/ Re start of its Caustic Soda /Chlorine Plant and its auxiliary. Further, in this current year 2008-09, the plant precommissioning checks are being carried out as a part of start up activity.

Retirement of high cost matured bonds is almost achieved as planned resulted into reduction in the interest burden substantially. As regards

Kochi unit, de-bottlenecking of Hydrogen Peroxide along with Phenol/Acetone plant and technology upgrade for Cumene manufacture from conventional Solid phosphoric acid to zeolite is scheduled.

SOME RISKS & CONCERNS

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

INTERNAL CONTROL SYSTEMS & THE ADEQUACY

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

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

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

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

As part of good Corporate Governance the Audit Committee of the Board has been reconstituted w.e.f. May 2007. Further the Audit committee of the Board periodically reviews the internal controls, Audit Programmes, Financial Results, Recommendations of the Auditors and Management's Replies to those Recommendations.

REVIEW OF FINANCIAL PERFORMANCE

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

The financial performance highlights are as follows:-

The sales turnover was of the order of Rs. 571.42 crores against Rs. 505.96 crores for the previous year showing an increase of 13%. Other income was Rs. 20.50 crores against Rs. 36.21 crores for the previous year. There was an Operating Profit before interest and depreciation of Rs. 60.66 crores against the Operating Profit of Rs. 70.60 crores for the previous year. Company incurred an interest expenditure of Rs. 18.77 crores against Rs. 21.73 crores for the previous year, showing an improving trend in the cost reduction..

The outlook for the future appears to be good with the revival of economic growth. The Accumulated losses are likely to go down further substantially during the year in view of proposed implementation of several improvement plans for Rasayani and Kochi Units, complete restructuring of Debts of Bond / Fixed Deposit holders and repayment thereof as per the restructuring package for the revival of the Company as approved by the Govt. for implementation in the company. Further the Company is now out of BIFR /SICK unit net from the year 2008-09 on achieving positive network.

CAUTIONARY STATEMENT

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



**Annexure VI
Report on Corporate Governance
(As on 31-03-2008)**

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

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

As per the Code of Governance propounded by the Government, Corporate Governance involves a set of relationships between a Company's management, its Board, its shareholders and other stakeholders. Corporate Governance provides a principled process and structure through which the objectives of the Company, the means of attaining the objectives and systems of monitoring performance are also set. Corporate governance is a set of accepted principles by management of the inalienable rights of the shareholders as a true owner of the corporation and of their own rule as trustees on behalf of the shareholders. It is about commitment to values, ethical business conduct, 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 prides the global recognition by ensuring the integrity, value addition to its domestic as also the international customers in its product commitments.

2. Board of Directors

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

a) Composition of the Board :

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

As on 31-03-08 the Board of HOCL consisted of Ten members with 3 Executive Directors (upto 31-01-08-4nos.) and 7 Non-Executive Directors, who are acknowledged as leading professionals in their respective fields. Other than the Three Whole Time Directors, (Four WTDs upto 31-01-2008), the other Seven members of the Board are non-executive, Independent /and Government Nominee Directors.

During January 2008, GOI has appointed 3 Independent Non-Official Directors, viz. Dr. N.J. Gaikwad, Director, Professor & Head Deptt. Of Pharmaceutical Science, Rashtrasant Tukadoji Maharaj Nagpur University, Dr. Subir Kumar Bhattacharyya, Director, Director of National Fertilizers Ltd., Director of TOYO Rolls Ltd. and Former Director, Durgapur Steel Plant, Shri Madan Verma, Director, a CA, Director of Meghraj Biscuits Ind. Ltd. and a former Director of Bank of Maharashtra and Vijaya Bank, on the Board of our Company w.e.f. 8th January, 2008.

During May 2007, GOI has appointed Dr. Sukumar Devotta, Ex-Director, NEERI and Dr. B. D. Kulkarni, Acting Director, NCL as Non-Official Independent Directors on the Board w.e.f. 28-05-2007.

Earlier, the GOI has appointed in May 2007, Shri R.N. Madangeri (who was Ex. MD HFL) as Whole-time Director (Technical) w.e.f. 20/6/2007 and Shri S.V. Ganu (EX-General Manager, Rashtriya Chemicals and Fertilizers Ltd) as whole-time Director (Marketing) w.e.f. 12/7/2007 on the Board of our Company. Accordingly, currently as on 31/03/08 the Board of HOCL consists of 10 Directors.

With the above position of the Composition of the Board of Directors, the Company is complying with the provisions of Clause 49 of the Listing Agreement with Stock Exchanges, during the Year 2007-08.

The Composition of the Board is given below :

Details of the Board of Directors during the year 2007-08 were as under:- (As on 31-03-2008)

| Sr. No. | Name of the Director | Category Of Director (ED, NED, NEID) | No. of Other Director Ships | Member Ship in Other Board Committees | Chairman Ship in Other Board / Committee |
|---------|--|--------------------------------------|-----------------------------|---------------------------------------|--|
| 1. | Shri A.S.Didolkar | (ED) CMD | 2 | 3 | 5 |
| 2. | Shri U.Sarkar (upto 31-01-2008) | (ED) D(Finance) | 2 | 4 | - |
| 3. | Dr. J.S. Maini, IAS, AS&FA (upto 28-09-2008) | NED Govt. Nominee | 5 | 1 | - |
| 2. | Shri R.N.Madangeri | (ED) Dir. (Tech.) | 2 | 3 | - |
| 3. | Shri. S.V.Ganu | (ED) Dir.(Mrkt.) | - | - | - |
| 4. | Shri. M.C.Kunnumkal | NED Govt. (Nominee) Director | 5 | - | - |
| 5. | Shri K. C. Misra | NED Govt. (Nominee) Director | 1 | 2 | 1 |
| 6. | Dr. Sukumar Devotta | NEID | 1 | 2 | - |
| 7. | Dr. B.D.Kulkarni | NEID | 1 | 1 | - |
| 8. | Dr.N.J.Gaikwad | NEID | - | - | - |
| 9. | Dr.Subir Kumar Bhattacharyya | NEID | 2 | 2 | 1 |
| 10. | Shri Madan Verma | NEID | 1 | 1 | 1 |

ED - Executive Director

NED - Non-Executive Director

NEID - Non-Executive Independent Director

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

**Changes in the Board of Directors.**

1. Shri. Mathew C. Kunnumkal AS &FA has been appointed by the GOI as Govt.Nominee Director on the Board of HOCL w.e.f.28-09-07. (in place of Director, Dr. J. S. Maini, AS&FA).
2. Dr. Sukumar Devotta, Ex-Director, NEERI, Nagpur, has been appointed as Non Official Independent Director on HOCL Board with effect from 28/05/2007.
3. Dr. B.D. Kulkarni, Director, NCL, Pune, has been appointed as Non Official Independent Director on HOCL Board with effect from 28/05/2007.
4. Shri R.N. Madangeri, Director (Technical) has been appointed on HOCL Board with effect from 20/06/2007. (He was earlier MD HFL.)
5. Shri S.V. Ganu, Director (Marketing) has been appointed on HOCL Board with effect from 12/07/2007. (Earlier he was GM in RCF Ltd.).
6. Dr. N.J.Gaikwad, Director, Professor & Head Deptt. Of Pharmaceutical Science, Rashtrasant Tukadoji Maharaj Nagpur University as Non Official Independent Director With effect from. 08-01-2008.
7. Dr. Subir Kumar Bhattacharyya, Non Official Independent Director & Director of National Fertilizers Ltd., Director of TOYO Rolls Ltd. and Former Director of Durgapur Steel Plant, with effect from. 08-01-2008.
8. Shri. Madan Verma, Director, a CA, Director of Meghraj Biscuits Ind. Ltd. and a former Director of Bank of Maharashtra and Vijaya Bank as Non Official Independent Director, with effect from. 08-01-2008.
9. Director (Finance) Shri. U.Sarkar has been superannuated on 31-01-2008 from the Company.

b) Brief resume of Directors appointed, their other Directorship, Membership/Chairmanship in other Committees etc.**Shri. Dr.N.J.Gaikwad**

Non Official Independent Director with effect from. 8-1-2008

Qualifications : M.Pharm., Ph.D., LL.B.,D.B.M.,B.J.
Dr. N.J.Gaikwad, Director, Professor & Head. Deptt. Of Pharmaceutical Science, Rashtrasant Tukadoji Maharaj Nagpur University,

Dr. Subir Kumar Bhattacharyya,

Non Official Independent Director with effect from. 8-1-2008
Qualifications : Graduate from B.E. College in 1961 in Metallurgy and obtained Doctor of Science in Metallurgy from M.I.T., U.S.A. in 1972. He then joint Carnegie Mellon University, U.S.A. as a research fellow.

Director : Presently he is member, Board of Directors of National Fertilizers Ltd. TOYO Rolls Ltd. and Adviser to Steel Authority of India Ltd. and Former Director, Durgapur Steel Plant.

Shri. Madan Verma,

Non Official Independent Director with effect from. 8-1-2008
Qualifications : B.A.(HONS),B.COM, LLB, FCA.
Sr. Partner of M.Verma Associates, CAs., Director in Meghraj Biscuit Ind. Ltd. Delhi, Former Director of Bank of Maharashtra and Vijaya Bank.

c) Meetings of the Board :

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

Board Agenda and Material :

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

The Board of the Company met 6 times during the financial year 2007-08 on the following dates :

| | | |
|------------|------------|------------|
| 16/04/2007 | 28/05/2007 | 20/06/2007 |
| 24/07/2007 | 30/10/2007 | 24/01/2008 |

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

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

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

For the year 2007-08.

| DIRECTORS | NO. OF BOARD MEETINGS ATTENDED | ATTENDANCE AT THE LAST AGM |
|---------------------------|--------------------------------|----------------------------|
| Shri A.S.Didolkar | 6 | Yes |
| Shri U.Sarkar | 6 | Yes |
| Dr. J.S. Maini | 2 | No |
| Shri. R.N.Mdangeri | 3 | Yes |
| Shri. S.V.Ganu | 3 | Yes |
| Shri. Mathew C. Kunnumkal | 2 | No |
| Shri Kumaresh C. Misra | 5 | No |
| Dr. Sukumar Devotta | 2 | No |
| Dr. B.D.Kulkarni | 4 | No |
| Dr. N.J.Gaikwad | 1 | No |
| Dr.Subir K. Bhattacharyya | 1 | No |
| Shri. Madan Verma | 1 | No |

e) Information supplied to the Board:

Among other, information supplied to the Board includes :

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



3. Remuneration of The Directors

Details of remuneration paid / payable to the Directors for the year ended March 31, 2008 are as follows :

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

| Name | Amt.in Rs. | | | | Total Rs. |
|-------------------------------|--|---------|------------------------|--------------------------|--------------|
| | Directors Salary including Perks (Rs.) | Arrears | Retirement benefits | Sitting Fees & OPE | |
| Shri A.S.Didolkar, CMD | 5,90,992.00 | Nil | 1,12,568.85 | - | 7,03,560.85 |
| Shri U.Sarkar , DF | 4,43,335.00 | Nil | 77,986.15 | - | 5,21,321.15 |
| Shri. R.N.Madangeri, DT | 3,68,975.00 | Nil | 68,050.98 | - | 4,37,025.98 |
| Shri. S.V.Ganu, DM | 3,60,155.00 | Nil | 45,311.00 | - | 4,05,466.00 |
| Shri K.C. Misra, Director, JS | N.A. | Nil | Nil | Nil | Nil |
| Shri. Mathew C. Kunnumkal | N.A. | Nil | Nil | Nil | Nil |
| Dr.Sukumar Devotta | N.A. | Nil | Nil | 12000/- | 12000/- |
| Dr. B.D.Kulkarni | N.A. | Nil | Nil | 18000/- | 18000/- |
| Dr. N.J.Gaikwad | N.A. | Nil | Nil | 4000/- | 4000/- |
| Dr. Subir K. Bhattacharyya | N.A. | Nil | Nil | 4000/- | 4000/- |
| Shri. Madan Verma | N.A. | Nil | Nil | 4000/- | 4000/- |

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

- * The Company has not given any stock options.
- * Non-executive Directors: The Company does not pay any remuneration to its non-executive Directors.

4. Board Committees :

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

The Board of Directors have constituted 5 Committees - Viz. Audit Committee of Directors, Executive Committee, Share Transfer/Shareholders'/Investors' Grievance Committee, Bonds Sub-Committee of Directors & R&D Committee.

I. Audit Committee of the Board :

The Audit Committee was reconstituted in May, 2007 as per Cl. 49 of Listing Agreement. The Audit Committee met during the year to transact the business entrusted to the Committee in the Companies Act 1956 provisions and Listing Agreement with the SEs. The representatives of Statutory Auditors & of Internal Auditors were invited, as a transparent Corporate Governance Policy as and when required by the Committee & Board.

Composition :

The Committee consists of the following Directors as its members :

- a) Shri Madan Verma, Director & a CA - Chairman of the Committee, (b) Dr. Sukumar Devotta, Dr. B.D. Kulkarni, & Shri K.C.Misra Directors are its Members and (c) Mrs. S.S. Kulkarni, as Secretary to the Audit Committee.

The Committee met 4 times during the year on the following dates :

20/06/2007; 24/07/2007; 30/10/2007 ; & 18/03/2008

Further, one more meeting of the Audit Committee, which was scheduled on 24/01/2008, could not be held for want of quorum.

- (i) **Terms of Reference:** Apart from all the matters provided in Clause 49 of the Listing Agreement and Section 292(A) of the Companies (Amendment) Act, 2002, the Committee

reviewed reports of the Internal Auditors, met Statutory Auditors periodically and discussed their findings, suggestions, internal control systems, compliance with the accounting standard, scope of audit, observations of the Auditors and other related matters. The Committee also reviewed the major accounting policies followed by the Company. The Committee invited senior executives as it considers appropriate at its meetings. CMD, Director (Finance) and Head of Internal Audit attend the meetings of Audit Committee as special invitees. The representatives of the Statutory Auditors are also invited to attend the meetings. The Company Secretary is Secretary to the Committee.

II. Executive Committee :

The cases in respect of Capital Expenditure & important contracts, items are referred to the Executive Committee for discussion and for decisions. Some items needing Board approval are referred for recommendations of the Committee.

The Committee was reconstituted in July, 2008 consisting of followings as Members:

- (a) Chairman & Managing Director, Shri A.S. Didolkar (b) Director (Technical), Shri R.N. Madangeri, (c) Director (Marketing), Shri S.V. Ganu, (d) GM (Opers) Kochi Unit I/c , Shri M.A. Pillai, (e) DGM(P&A) (Rasayani Unit I/c), Shri N.B. Jogdand(f) GM (Engg.) Kochi Unit, Shri K.A. Nathan and (g) Company Secretary, Smt. S.S. Kulkarni.

III. R&D Sub-Committee:

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

The Committee reconstituted w.e.f. May, 2008 consisting of the members as:

- (a) Dr. B.D. Kulkarni, Director, (Chairman of the Committee) (b) Shri A.S. Didolkar, Chairman & Managing Director, (c) Shri R.N. Madangeri, Director (Technical), (d) Shri A.M. Sathe, DGM(MSS), (e) Dr. B. S. Shinde, DGM (R&D), (f) Shri C.S.Shukla, CM(R&D). Further Unit Incharge of Rasayani Unit/or Kochi Unit will be co-opted as may be relevant.

IV. Share Transfer, Shareholders' / Investor' Grievance Committee

As required under the Companies Act, 1956, the Company already has a Share Transfer Committee comprising of Shri A.S.Didolkar, CMD as Chairman, Shri U. Sarkar, Director (Finance) , (upto 31-01-08) , Shri R.N.Madangeri, Director (Technical) (from 01-02-08) and Mrs.S.S.Kulkarni, Company Secretary, as its members. The quorum of the committee is two Directors. Mrs.S.S.Kulkarni, Company Secretary is designated as the Compliance Officer and acts as Secretary to the Committee.

Share Transfer System

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

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

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



an Email ID i.e investor grievances@hocindia.com is available to all the Investors/Shareholders.

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

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

03/04/07, 18/04/07, 07/05/07, 21/05/07, 04/06/07, 18/06/07, 10/07/07, 24/07/07, 13/08/07, 30/08/07, 18/09/07, 28/09/07, 11/10/07, 26/10/07, 07/11/07, 20/11/07, 04/12/07, 20/12/07, 03/01/08, 17/01/08, 06/02/08, 18/02/08, 10/03/08, 28/03/08,.

Summarised information on complaints received and resolved during 1st April 2007 to 31st March, 2008

| Sr. No. | Nature of Complaint | Received | Redressed | Pending as on 31/3/08 |
|---------|-----------------------------------|----------|-----------|-----------------------|
| DIRECT: | | | | |
| 1. | Non receipt of dividends/Warrants | - | - | - |
| 2. | Non receipt of share Certificates | 2 | 2 | - |
| 3. | Miscellaneous SEBI : | 3 | 3 | - |
| 4. | Non receipt of dividend warrants | - | - | - |
| 5. | Non receipt of share certificates | 2 | 2 | - |
| 6. | Miscellaneous | 3 | 3 | - |

No. of Pending Share Transfers

As on 31st March, 2008 there are 2 Nos. of Share transfer cases pending consisting of 400 shares. These transfers were already approved within the prescribed time in the month of April 2008.

5. Remuneration Committee

HOCL being a Government Company, the remuneration of the Executive Directors is decided by the Government of India. The Non-Executive Directors are not paid any remuneration except sittings fees for attending the meetings of the Board or Committees thereof. However, Government Nominee Directors are not paid any Sitting Fees.

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

6. Annual General Meetings

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

| Particulars | FY 2005-2006 | FY 2006-2007 | FY 2007-2008 |
|---------------|--|--|---|
| Date and Time | 25-09-2006 3.00 p.m. | 28-09-2007 3.00 p.m. | 26-09-2008 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 AtPO :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.

7. Disclosures:

- i) 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 ;

- ii) There was no case of Non-compliance by the Company of Statutory Provisions of the Companies Act, 1956 (except Section 292A) or SEBI Regulations or provisions of Listing Agreement (except Clause 49II) or any other Statutory Authority. Further, these authorities have never passed any strictures or imposed any penalties on the Company on any matter related to capital markets, during the last three years ;

- iii) It is affirmed that no personnel has been denied access to the audit committee;

- iv) Details of compliance with mandatory requirements and adoption of the non-mandatory requirements of this clause - are provided in this report;

8. Means of Communication

- I) The quarterly, half-yearly reviewed and annual audited financial results are regularly posted by the Company on its website www.hocindia.gov.in

- II) 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.

- III) The results are published in Regional Language (Navashakti) and English National Daily (The Free Press Journal) as per the requirements of the Listing Agreement with the Stock Exchanges.

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

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

9. General Shareholders' Information

Compliance Officer

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

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

a) Annual General Meeting :

Date & Time : September 26, 2008 at 3.00 p.m.

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

b) Financial Calender :

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

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

From 19/09/2008 to 26/09/2008 (both days inclusive).

d) Dividend payment date : Not Applicable

e) Listing on Stock Exchanges :

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

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



f) Stock Code at BSE : 500449

g) Registrar & Share Transfer Agents :
M/s Sharepro Services (I) Pvt. Ltd.
Relation Centre
912, Raheja Centre, Free Press Journal Road
Nariman Point, Mumbai 21

h) Demat ISIN at NSDL /CDSL : INE048A01011

i) Market Price Data

a) High/Low of market price of the equity shares traded on the National Stock Exchange of India Ltd., Mumbai for the year 2007-08 was as follows:

| Month | Monthly Highest | Monthly Lowest |
|-----------------|-----------------|----------------|
| April, 2007 | 39.55 | 31.00 |
| May, 2007 | 43.50 | 35.50 |
| June, 2007 | 46.85 | 38.15 |
| July, 2007 | 59.85 | 42.65 |
| August, 2007 | 55.50 | 41.80 |
| September, 2007 | 77.80 | 67.40 |
| October, 2007 | 70.95 | 49.10 |
| November, 2007 | 83.45 | 58.00 |
| December, 2007 | 98.90 | 70.10 |
| January, 2008 | 107.50 | 48.75 |
| February, 2008 | 64.50 | 48.80 |
| March, 2008 | 48.80 | 29.50 |

b) High/Low of market price of the equity shares traded on the Bombay Stock Exchange Ltd., Mumbai for the year 2007-08 was as follows:

| Month | Monthly Highest | Monthly Lowest |
|-----------------|-----------------|----------------|
| April, 2007 | 39.40 | 31.10 |
| May, 2007 | 41.35 | 36.25 |
| June, 2007 | 45.75 | 37.70 |
| July, 2007 | 57.15 | 44.25 |
| August, 2007 | 53.00 | 42.15 |
| September, 2007 | 72.50 | 49.20 |
| October, 2007 | 68.00 | 52.95 |
| November, 2007 | 78.60 | 60.05 |
| December, 2007 | 94.85 | 74.50 |
| January, 2008 | 103.80 | 50.05 |
| February, 2008 | 62.40 | 48.70 |
| March, 2008 | 47.25 | 30.15 |

j) Distribution Of Shareholding

The distribution of holdings as on March 31, 2008 was as follows :

| Description | Holders(s) | | | Holding(s) | |
|-----------------|------------|--------|----------|------------|--|
| | Folios | % | Shares | % | |
| Less than 500 | 60282 | 89.26 | 9228955 | 13.70 | |
| 501 - 1000 | 3950 | 05.85 | 3402625 | 5.05 | |
| 1001 - 2000 | 1658 | 02.46 | 2645291 | 3.93 | |
| 2001 - 3000 | 554 | 00.82 | 1454628 | 2.16 | |
| 3001 - 4000 | 233 | 00.35 | 849899 | 1.26 | |
| 4001 - 5000 | 273 | 00.40 | 1309749 | 1.94 | |
| 5001 - 10000 | 335 | 00.50 | 2545756 | 3.78 | |
| 10001 and Above | 249 | 00.37 | 45929197 | 68.18 | |
| | 67534 | 100.00 | 67366100 | 100.00 | |

k) Shareholding Pattern as on 31st March, 2008 was as under:

| Category | No. of Shares held | Percentage of Shareholding |
|-----------------------------------|--------------------|----------------------------|
| A PRESIDENT OF INDIA | 39481500 | 58.61 |
| B NON-RESIDENT | — | - |
| 1 Foreign Collaborators | - | - |
| 2 Non-domestic Companies | 1100 | 00.00 |
| 3 Overseas Corporate Bodies | - | - |
| 4 Foreign Institutional Investors | 436.32 | 0.06 |
| 5 Individual (Repatriation) | 793959 | 1.18 |
| 6 Individual (Non-Repatriation) | 105383 | 0.16 |
| C RESIDENT | | |
| 1 Financial Institutions | 1100 | 0.00 |
| 2 Nationalised Banks | 3300 | 0.00 |
| 3 Mutual Funds | 111100 | 0.16 |
| 4 Bodies Corporate | 5027016 | 7.46 |
| 5 NSDL shares in Transit | — | — |
| 6 Others : | 21798110 | 32.36 |
| GRAND TOTAL | 67366100 | 100.00 |

i) Dematerialisation of Shares and Liquidity

The shares of the Company are compulsorily traded in dematerialised mode. To facilitate the shareholders to dematerialise the shares, the Company has signed agreements with both the depositories i.e. National Securities Depository Limited and Central Depositories Services (India) Ltd. 95.78% of the share capital of the Company has been dematerialised as on 31st March, 2008.

m) Plant Locations

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

n) Address for correspondence :-

(1) Regd. office address : Rasayani, Dist. Raigad, Maharashtra 410207

(2) R&T Agents address :
M/s Sharepro Services (India) Pvt. Ltd
Investor Relation Centre, 912, Raheja Centre,
Free Press Journal Road
Nariman Point, Mumbai 21

M/s Sharepro Services (India) Pvt. Ltd
Regd. Office : Satam Indl. Estate, 3rd Floor,
Above Bank of Baroda, Cardinal Gracious Road, Chakala,
Andheri (E), Mumbai 93.

(3) Email ID for Shareholders'/Investors' Grievances :
investorgrievances@hocindia.com

10. CFO Certification of the Company :

Shri A.S. Didolkar, CMD and CEO, certified that as on 31-3-2008 :

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

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

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

(b) There are, to the best of their knowledge and belief, no transactions entered into by the Company during the year which are fraudulent, illegal or violative of the Company's Code of conduct.



- (c) We accept responsibility for establishing and maintaining internal controls and that have evaluated the effectiveness of the internal control systems of the Company and they have disclosed to the auditors and the Audit Committee, deficiencies in the design or operation of internal controls, if any, of which they are aware and the steps they have taken or propose to take to rectify these deficiencies.
- (d) We have indicated to the Auditors and to the Audit Committee:
- (i) Significant changes in internal control during the year;
- (ii) Significant changes in accounting policies during the year and that the same have been disclosed in the notes to the financial statements; and
- (iii) Instances of significant fraud of which they have become aware and the involvement therein, if any, of the management or an employee having a significant role in the Company's internal control system.
- 11. Secretary's Responsibility Statement**
- The Company Secretary confirms that as of 31/03/2008, the Company has :
- Maintained all the Statutory Registers required to be maintained under the Companies Act, 1956 ("the Act") and the Rules made there under.
 - Filed all forms and returns and furnished necessary particulars in time to the Registrar of Companies (ROC) and/or Authorities as required under the Act.
 - Issued all notices as required to be given for convening the meeting of the Board of Directors and General Meetings of the shareholders within the time limit prescribed by the Law.
 - Conducted the meetings of the Board of Directors and Annual General Meeting as per the provisions of the Act.
 - Complied with all the requirements relating to the minutes of the proceedings of the meeting of the Directors and the of shareholders.
 - Made due disclosures under the requirements of the Act including the requirements in pursuance to the disclosures made by the directors.
- Obtained necessary approvals of the directors, shareholders, Central Government and other authorities as per the statutory requirements.
- Given loans and made investments in accordance with the requirements of the Act.
- Not exceeded the borrowing powers of the Company.
- Registered all the particulars relating to the creation, modification, and satisfaction of the charges with the ROC.
- Effected share transfers and dispatched the certificates within the time limit prescribed under the Act and rules made thereunder.
- Complied with all the requirements of the Listing Agreement entered into with the Stock Exchanges. (to the extent possible within its permissible authority)
- Reasons for pending compliance of mandatory requirements of Clause 49:- The power to appoint / nominate additional / Independent Directors on the Board is vests with the Govt. of India.
- The Company has also complied with the requirements prescribed by Securities and Exchange Board of India (SEBI) and other Statutory Authorities and also the requirements under the Act and related statutes in force.
- 12. Compliance Certificate of the Auditors**
- The Statutory Auditors have certified that the Company has complied with the conditions of Corporate Governance as stipulated in Clause 49 of the Listing Agreement with the Stock Exchanges and the same is annexed hereto to the Directors' Report .
- The said Certificate from the Statutory Auditors is placed in Annexure VII to Directors' Report.
- 13. Re-appointment of Directors**
- The Two Non-executive Directors viz. Shri Kumaresh C. Misra, IAS, JS and Shri Mathew C. Kunnumkal, IAS, AS & FA are due for retirement by rotation at the ensuing 47th Annual General Meeting of the Company and are eligible for reappointment as per the directions of the Govt.

Annexure VII**AUDITORS' CERTIFICATE ON CORPORATE GOVERNANCE**

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 2008 as stipulated in Clause 49 of Listing Agreement of the Company with the Stock Exchanges.
2. The Compliance of conditions of Corporate Governance is the responsibility of the Management. Our examination has been limited to review of procedures and implementation thereof adopted by the Company for ensuring compliance with the conditions of the Corporate Governance as stipulated in the said Clause. It is neither an audit nor an expression of opinion on the financial statements of the Company.
3. In our opinion and to the best of our information and according to the explanation given to us and based on the representations made by the Directors and the Management, we certify that the Company has complied with the conditions of Corporate Governance as stipulated in Clause 49 of the above mentioned Listing Agreement.
4. As required by the Guidance Note issued by the Institute of Chartered Accountants of India, we have to state that based on the report given by the Registrars and Share Transfer Agents of the Company, as on 31st March 2008 there was no investor grievance remaining unattended / pending for more than 30 days.
5. We further state that such compliance is neither an assurance as to the future viability of the Company nor of the efficiency or effectiveness with which the Management has conducted the affairs of the Company.

For L. S. NALWAYA & Co.
Chartered Accountants

Sd/-
AASHISH NALWAYA
Partner
MRN – 110922

Mumbai, the 18th August 2008

**AUDITORS' REPORT**

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

- 1 We have audited the attached Balance Sheet of Hindustan Organic Chemicals Limited as at 31st March 2008 the Profit and Loss Account and also the Cash Flow Statement of the Company for the year ended on that date annexed thereto, in which is incorporated the Balance Sheet, Profit and Loss Account and Cash Flow Statement of the Branch audited by other auditors appointed by the Central Government. In preparing this Report, we have considered the report on the accounts of the branch, audited by the Branch Auditors together with the particulars and information relating thereto, furnished to us by the management. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion of these financial statements based on our audit.
- 2 We conducted our audit in accordance with auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
- 3 As required by the Companies (Auditors' Report) Order 2003 issued by the Central Government in terms of Section 227 (4A) of the Companies Act, 1958, we enclose in the Annexure a statement on the matters specified in the paragraphs 4 and 5 of the said Order.
- 4 Further to our comments in the annexure referred to above, we report that:
 - i. We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit;
 - ii. In our opinion, proper books of account as required by law have been kept by the company so far as appears from our examination of those books of the Company.
 - iii. The Balance Sheet, Profit Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of account of the Company.
 - iv. In our opinion, the Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report, comply with the Accounting Standards referred to in sub section (3C) of Section 211 of the Companies Act, 1956.
 - v. As per Notification No GSR 829(E) dated 21.10.2003, provisions of section 274 (1) (g) of the Companies Act, 1956 regarding disqualification of the directors are not applicable to the Company being Government Company.
 - vi. **Reference is invited to the following Notes on Accounts in Part B of Schedule 22 with regard to**

non-provision / pending charge to the Profit and Loss Account:

- a. Note No. 2(c) regarding penal interest of Rs. 80.52 Lacs on overdue loan from Government of India,
 - b. Note No. 8(a) regarding liabilities of wages revision for the period 01.01.1997 to 31.12.2000 Rs. 2308.08 Lacs,
 - c. Note No. 18(1)(a)(iv) regarding Claims of JNPT which include minimum guaranteed throughput charges of Rs. 1012.50 Lacs payable to JNPT authorities.
 - d. Note No. 5 regarding short provision for obsolete / non-moving stock of Rs. 129.14 Lacs.
- vii. Reference is also invited to the following Notes on Accounts in Part B of Schedule 22 with regard to pending accounting treatment, the precise impact of which on the Balance Sheet and the Profit and Loss Account could not be ascertained for the reasons stated therein:
- (a) Note No.1 (b) and 2(a) regarding non-provision of interest on overdue principal amount of fixed deposits. The above amount is not ascertained and thus we are unable to quantify the impact of the same on the Profit for the year.
 - (b) Note No. 17 regarding pending confirmations and reconciliation of balances of Sundry Debtors, Sundry Creditors, Loans and Advances and other debit / credit balances.
 - (c) Note No. 6(d) regarding misappropriation of Company's fund to the tune of Rs. 64.81 Lacs, pending final report from CBI and outcome of the civil suit.
 - (d) Note No. 8(b) regarding non provision for additional liability in respect of Kochi Unit that will arise out of wage settlement / salary revision.
- viii. In respect of suspected fraud in import of cumene during 2002-2003 at Kochi unit, three officers of the Company were suspended and pending the final report from CBI, the impact, if any, on the accounts of the Company could not be quantified.
- ix. We further report that effect of items mentioned at 4(vii) and 4(viii) above could not be determined and had the provision been made for the items referred in Para 4(vi) above, Profit for the year would have been lower by Rs. 3530.24 Lacs resulting in a Loss of Rs. 2168.79 and Accumulated Loss as at the year end would be higher by the same amount. Further, the Current Liabilities would have been higher by Rs. 3530.24 Lacs.
- x. Subject to our comments in Para 4(ix) above, in our opinion and to the best of our information and according to the explanations given to us, the said accounts read together with the significant accounting policies and notes on accounts appearing in Schedule 22, give a



true and fair view in conformity with accounting principles generally accepted in India:

- i. in the case of Balance Sheet, of the state of affairs of the Company as at 31st March, 2008;
- ii. in the case of Profit and Loss Account, of the profit for the year ended on that date; and
- iii. In the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

For L.S. NALWAYA & Co.
Chartered Accountants

Sd/-
AASHISH NALWAYA
Partner
MRN - 110922

Mumbai, the 28th June 2008

ANNEXURE TO THE AUDITORS' REPORT

(Referred to in paragraph 3 of the Auditors' Report to the members of **Hindustan Organic Chemicals Limited** on the accounts for the year ended on 31st March 2008)

- i. (a) The Kochi unit has maintained proper records showing full particulars including quantitative details and situation of fixed assets. **The records at Rasayani unit are not complete with regard to identification of the assets and exact location of the assets.**
- (b) According to the information and explanations given to us the physical verification of major items of fixed assets was carried out during the year at Kochi unit and no material discrepancies were noticed on such verification. **However, records in respect of the same were not made available for verification. As informed, at Rasayani Unit, no physical verification has been carried out during the year except for the Guest House. In our opinion, having regard to the size of the unit and the nature of its business the physical verification of fixed assets at Rasayani unit needs to be carried out every year.**
- (c) During the year the Company has not disposed off substantial part of its fixed assets, which has effect on the Company as a going concern.
- ii. (a) The management has carried out physical verification of inventories at reasonable intervals during the year.
- (b) In our opinion the procedures of physical verification of inventories followed by the management are reasonable and adequate in relation to the size of the Company and the nature of its business. **However, in respect of inventory in storage Tanks, the Kochi unit does not have the system of taking dip measurements. Instead, reliance is placed on the electronic readings reported by the Distribution Control System.**
- (c) The Company is maintaining proper records of inventory. Discrepancies noticed on such physical verification were not material. As informed to us, the same were properly dealt with in the books of account.
- iii. (a) As informed to us, the Company has neither granted nor taken any loans secured or unsecured to / from

companies, firms or other parties covered in the register maintained under section 301 of the Companies Act, 1956 as such provisions of the clause 4 (iii) is not applicable.

- iv. In our opinion and according to the information and explanations given to us, there is adequate internal control system for the purchase of inventories and fixed assets and for the sale of goods and services commensurate with the size of the Company and the nature of its business. During the course of our audit, we have not observed any continuing failure to correct major weaknesses in internal control system.
- v. According to the information and explanations given to us, there were no transactions that needed to (should) have been entered into the register maintained under section 301 of the Companies Act, 1956.
- vi. In our opinion and according to the information and explanation given to us, the Company has complied with the directives issued by the Reserve Bank of India and the provisions of Section 58A and 58AA or any other relevant provisions of the Act and the rules framed there under, to the extent applicable except rule 3A of the Companies (Acceptance of Deposits) Rules, 1975 regarding investment in liquid assets. We have been informed by the management that no order has been received by the Company, from Company Law Board, National Company Law Tribunal or Reserve Bank of India or any court or any other tribunal under section 58A and 58AA.
- vii. **The Company has appointed firms of Chartered Accountants for conducting internal audit. In our opinion the internal audit system of the Company is inadequate commensurate with the size of the Company and nature of its business. The Company does not have an effective system of follow up action based on the points raised by the Internal Audit. The scope of the internal audit of the company needs to be enlarged and the system of internal audit needs to be suitably strengthened.**
- viii. We have broadly reviewed the books of account maintained by the Company in pursuance to the rules made by the Central Government for the maintenance of the cost records under section 209(1) (d) of the Companies Act, 1956 for certain products of the Company and are of the opinion that prima facie the prescribed accounts and records have been made and maintained. We have not, however, made a detailed examination of records with a view to determine whether they are accurate or complete.
- ix. (a) The Company is generally regular in depositing undisputed statutory dues including provident fund, investor education and protection fund, employee's state insurance, income tax, sales tax, wealth tax, service tax, customs duty, excise duty, Cess and other statutory dues wherever applicable with the appropriate authorities. **However, a general delay in depositing TDS dues of the Company with appropriate authorities is observed on which penal interest has also been paid.**

According to the information and explanations given to us, no undisputed amount payable in respect of income tax, sales tax, wealth tax, service tax, customs duty, excise duty, Cess and other statutory dues were in arrears as at 31st March 2008 for a period of more than six months from the date they became payable.



According to the records of the Company, details of outstanding dues of income tax, sales tax, wealth tax, service tax, customs duty, excise duty and Cess which have not been deposited on account of disputes are given below:

| Sl. No | Name of Statute | Nature of Dues | Period to which disputes relates | Amount of Dispute (Rs. In lacs) | Forum where Dispute is pending |
|----------------------|------------------------------|---|----------------------------------|---------------------------------|--|
| Rasayani Unit | | | | | |
| 1 | Customs Act | Customs Duty | NA | 10.80 | Customs, Excise and Service Tax Appellate Tribunal |
| Total | | | | 10.80 | |
| 1 | Central Excise Act | Molten Sulphur Classification | 1994-95 | 15.53 | Customs Excise and Service Tax Appellate Tribunal |
| 2 | Central Excise Act | Molten Sulphur Classification | 1999-00 | 7.62 | Commissionerate |
| 3 | Central Excise Act | Shortage of Inputs | 2002-03 | 6.82 | Commissionerate |
| 4 | Central Excise Act | Wrong availment of CENVAT | 2003-04 | 2.50 | Customs Excise and Service Tax Appellate Tribunal |
| 5 | Central Excise Act | Reversal of CENVAT Credit availed on Inputs lost in Flood | 2006-07 | 18.66 | Commissionerate |
| Total | | | | 51.13 | |
| Kochi Unit | | | | | |
| 1 | Central Sales Tax Act | Differential Sales Tax on account of disallowance of discount and non submission of statutory forms etc. | 1988-89 | 9.94 | Deputy Commissioner (Appeals) |
| 2 | Central Sales Tax Act | Differential Sales Tax on account of non submission of statutory forms etc. | 1989-90 | 44.74 | Sales Tax Appellate Tribunal |
| 3 | Central Sales Tax Act | Differential Sales Tax on account of non submission of statutory forms etc. | 1990-91 | 10.85 | Assistant Commissioner |
| 4 | Central Sales Tax Act | Differential Sales Tax on account of non submission of statutory forms etc. | 1994-95 | 0.55 | Assistant Commissioner |
| 5 | Central Sales Tax Act | Interest | 1995-96 | 7.61 | Sales Tax Appellate Tribunal |
| 6 | Central Sales Tax Act | Differential Sales Tax on account of non submission of statutory forms and Interest | 1997-98 | 3.56 | Deputy Commissioner |
| 7 | Central Sales Tax Act | Differential Sales Tax on account of non submission of statutory forms and Interest | 1992-93 | 8.27 | Deputy Commissioner |
| 8 | Kerala General Sales Tax Act | Differential Sales Tax on account of non submission of statutory forms etc. | 1990-91 | 2.86 | Assistant Commissioner |
| 9 | Kerala General Sales Tax Act | Tax payable on second sale of scrap items | 1992-93 | 19.44 | Deputy Commissioner |
| 10 | Kerala General Sales Tax Act | Tax payable on second sale of scrap items | 1993-94 | 17.36 | Deputy Commissioner |
| 11 | Kerala General Sales Tax Act | Interest | 1996-97 | 2.60 | Assistant Commissioner |
| 12 | Kerala General Sales Tax Act | Differential Sales Tax on account of non submission of statutory forms and Interest | 1997-98 | 6.99 | Deputy Commissioner (Commercial Taxes) |
| 13 | Kerala General Sales Tax Act | 8% KGST demanded for water purchased from KWA | 2000-01 | 3.84 | Deputy Commissioner (Appeals) |
| 14 | Kerala General Sales Tax Act | Differential Sales Tax on account of non submission of statutory forms and levy of purchase tax on Water | 2001-02 | 1.43 | Deputy Commissioner |
| 15 | Central Sales Tax Act | Differential Sales Tax on account of non submission of statutory forms and Interest | 2001-02 | 18.74 | Assistant Commissioner |
| 16 | Kerala Value Added Tax Act | Disallowance of discount levy of purchase tax on water and excess reversal of input tax on stock transfer | 2005-06 | 59.10 | Deputy Commissioner |
| Total | | | | 217.88 | |
| 17 | Central Excise Act | Disallowance of CENVAT Credit | 2004-05 | 52.15 | Customs Excise and Service Tax Appellate Tribunal |
| Total | | | | 52.15 | |



- x. During the year, the Company has not incurred cash losses nor has it incurred cash losses during the immediately preceding financial year. The net worth of the Company is positive as at the year end pursuant to allotment of 8% non cumulative preference shares to Government of India amounting to Rs. 270 Crores. The Company has been discharged from the purview of the Sick Industrial Companies (Special Provisions) Act, 1985 on 26th May 2008.
- xi. The company has defaulted in repayment of dues to bondholders, the details of which are given below:
- | Bond Series | Amount of Default (Rs. In Lacs) |
|------------------|---------------------------------|
| Bond Series - I | 131.25 |
| Bond Series - IX | 50.00 |
- xii. Based on our examination of records and the information and explanations given to us, the Company has not granted any loans or advances on the basis of security by way of pledge of shares, debentures or other securities.
- xiii. The company is not a chit fund or a nidhi, mutual benefit fund / society, therefore the provisions of clause 4 (xiii) of the Companies (Auditors' Report) Order 2003 are not applicable to the Company.
- xiv. In our opinion, the Company is not dealing or trading in shares, securities, debentures and other investments. Accordingly, provisions of clause 4 (xiv) of the Order are not applicable to the Company.
- xv. The Company has given a guarantee of Rs. 345.00 Lacs to State Bank of Hyderabad on behalf of Hindustan Fluorocarbons Limited, a subsidiary company. In our opinion, the terms and conditions of the said guarantee are prima facie, not prejudicial to the interest of the Company.
- xvi. The Company has not availed any term loans. Hence provisions of clause 4 (xvi) of the Companies (Auditors' Report) Order 2003, are not applicable to the Company.

xvii. According to the information and explanations given to us and on an overall examination of the Balance Sheet of the Company, we are of the opinion that no funds raised on short-term basis have been used for long-term investment.

xviii. The company has not made preferential allotment of shares to parties and companies covered in the Register maintained under Section 301 of the Companies Act, 1956.

xix. The Company has raised Rs. 100 Crores by way of issuing Bonds during the year, in respect of which Security is created. However, in respect of following bonds issued in earlier years, for which the company has not created securities:

| Particulars of Bonds | Series | Maturity Date | Principal Outstanding as on 31st March 2008 (Rs. In Lacs) |
|------------------------------|--------|---------------|---|
| 13.50% taxable Secured bonds | IX | 30.06.2005 | 50.00 |

xx. The Company has not raised any funds by way of public issue during the year.

xxi. Based upon the audit procedure performed for the purpose of reporting the true and fair view of the financial statement and as per the information and explanations given by the management we report that no fraud is noticed or reported by the Company during the year.

For L. S. NALWAYA & Co.
Chartered Accountants

Sd/-
AASHISH NALWAYA
Partner
Membership No. 110922

Mumbai, the 28th June 2008

COMMENTS OF THE COMPTROLLER AND AUDITOR GENERAL OF INDIA UNDER SECTION 619(4) OF THE COMPANIES ACT, 1956 ON THE ACCOUNTS OF HINDUSTAN ORGANIC CHEMICALS LIMITED FOR THE YEAR ENDED 31 MARCH 2008.

The preparation of financial statements of Hindustan Organic Chemicals Limited for the period ended 31 March 2008 in accordance with the financial reporting framework prescribed under the Companies Act, 1956 is the responsibility of the management of the company. The statutory auditor appointed by the Comptroller and Auditor General of India under section 619(2) of the Companies Act, 1956 is responsible for expressing opinion on these financial statements under section 227 of the Companies Act, 1956 based on independent audit in accordance with the auditing and assurance standards prescribed by their professional body the Institute of Chartered Accountants of India. This is stated to have been done by them vide their Audit Report dated 28 June 2008.

I, on the behalf of the Comptroller and Auditor General of India, have conducted a supplementary audit under section 619(3)(b) of the Companies Act, 1956 of the financial statements of Hindustan Organic Chemicals Limited for the period ended 31 March 2008. This supplementary audit has been carried out independently without access to the working papers of the statutory auditors and is limited primarily to inquiries of the statutory auditors and company personnel and a selective examination of some of the accounting records. Based on my supplementary audit, I would like to highlight the following significant matter under section 619(4) of the Companies act, 1956 which has come to my attention and which in my view is necessary for enabling a better understanding of the financial statements and the related Audit Report.

Comment on Financial Position

Balance Sheet

Application of Funds

Fixed Assets

Land and Land Development – Rs.10.00 crore (Schedule 5)

This includes Rs. 3.32 crore being the lease premium paid for land taken on lease, which should have been classified under 'Leasehold land'. Further, the company has neither amortized the lease premium paid on the leasehold land in accordance with its accounting policy no 3(c) nor disclosed the reasons for not amortizing the lease premium.

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

Sd/-
(A.W.K. Langstieh)
Principal Director of Commercial Audit and
Ex-Officio Member, Audit Board-I, Mumbai

Place: Mumbai
Date: 28 Aug. 08



| BALANCE SHEET AS AT 31ST MARCH, 2008 | | (Rs.in lacs) | |
|--|---|---|--|
| | Schedule No. | As at 31.03.2008 | As at 31.03.2007 |
| SOURCES OF FUNDS | | | |
| 1 Share holders' Funds | | | |
| a. Share Capital | 1 | 33727.11 | 6726.89 |
| b. Share Application Money | | - | 27000.00 |
| c. Reserves and Surplus | 2 | 7973.52 | 8015.54 |
| | | <u>41700.63</u> | 41742.43 |
| 2. Loan Funds | | | |
| a. Secured Loans | 3 | 11848.13 | 12651.55 |
| b. Unsecured Loans | 4 | 6361.90 | 8969.52 |
| | | <u>18210.03</u> | 21621.07 |
| | | <u>59910.66</u> | <u>63363.50</u> |
| APPLICATION OF FUNDS | | | |
| 1. Fixed Assets | | | |
| a. Gross block | | 67670.31 | 67551.47 |
| b. Less: Depreciation | | 46275.47 | 43710.67 |
| c. Net block | 5 | 21394.84 | 23840.80 |
| d. Capital Work-in-progress | 6 | 4769.00 | 3147.07 |
| | | <u>26163.84</u> | 26987.87 |
| 2. Investments | 7 | 49.70 | 49.70 |
| 3. Current Assets, Loans and Advances | | | |
| a. Inventories | 8 | 5873.84 | 6266.45 |
| b. Sundry Debtors | 9 | 6590.50 | 5426.04 |
| c. Cash and Bank Balances | 10 | 6286.94 | 9107.07 |
| d. Other Current Assets | | 814.93 | 948.64 |
| e. Loans and Advances | 11 | 3534.10 | 3064.04 |
| | | <u>23100.31</u> | 24812.24 |
| Less: Current Liabilities and Provisions | | | |
| a. Liabilities | 12 | 10036.27 | 10586.66 |
| b. Provisions | 13 | 3842.20 | 3776.26 |
| | | <u>13878.47</u> | 14362.92 |
| Net Current Assets | | 9221.84 | 10449.32 |
| 4. Miscellaneous Expenditure (to the extent not written off or adjusted) | | | |
| - Deferred Revenue Expenditure | | 346.30 | 321.04 |
| - Preliminary Expenses | | 65.14 | 130.28 |
| 5. Profit and Loss Account | | 24063.84 | 25425.29 |
| | | <u>59910.66</u> | <u>63363.50</u> |
| Significant Accounting Policies and Notes on Accounts | 22 | | |
| As per our report of even date attached For L.S.Nalwaya & Company Chartered Accountants | For and on behalf of the Board of Directors of HOCLtd. | | |
| Sd/- (Aashish Nalwaya) Partner MRN 110922 | Sd/- (A.S.Didolkar) Chairman & Managing Director | Sd/- (Madan Verma) Director Chairman- Audit Committee | Sd/- (R.N.Madangeri) Director (Technical) |
| | Sd/- (S.V.Ganu) Director (Marketing) | Sd/- (Mrs.S.S.Kulkarni) Company Secretary | |
| Place: Mumbai Date: 28/06/2008 | Place: Mumbai Date:28/06/2008 | | |



| PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH,2008 | | (Rs.in lacs) | |
|--|---|---|--|
| | Schedule No. | Year ended 31st March 2008 | Year ended 31st March 2007 |
| INCOME: | | | |
| Sales (Gross) | | 66659.90 | 59125.57 |
| Less: Excise duty | | 9517.06 | 8529.35 |
| Net Sales | | 57142.84 | 50596.22 |
| Sale of Trading Goods | | - | 10.84 |
| Other Income | 14 | 2049.78 | 3621.09 |
| Profit on Sale of Assets | | 14.22 | 1.28 |
| Increase/(Decrease) in Stock-in-Trade | 15 | (1594.80) | (745.09) |
| | | 57612.04 | 53484.34 |
| EXPENDITURE: | | | |
| Materials Consumed | 16 | 35497.20 | 30888.75 |
| Excise duty | | (305.65) | 101.15 |
| Purchase of Trading Goods | | - | 10.84 |
| Employees' Remuneration and Benefits | 17 | 5931.07 | 6123.61 |
| Manufacturing,Administrative and Selling Expenses | 18 | 10332.93 | 9299.58 |
| Interest | 19 | 1876.63 | 2173.16 |
| Depreciation | | 2622.98 | 2710.71 |
| Provisions | 20 | 87.71 | 405.36 |
| Loss on sale/disposal of Assets | | 2.24 | 0.67 |
| | | 56045.11 | 51713.83 |
| Profit/(Loss) for the year before Tax | | 1566.93 | 1770.51 |
| Less:Provision for Taxation | | - | - |
| Less:Provision for Fringe Benefit Tax | | 38.57 | 38.20 |
| Less: Fringe Benefit Tax - Previous Year | | (0.64) | 26.31 |
| Profit/(Loss) After Tax | | 1529.00 | 1706.00 |
| Less:- Reserve/Provision no longer required, Prior period & extra ordinary items | 21 | 167.55 | 1.78 |
| Profit/(Loss) after Tax & Adjustments | | 1361.45 | 1704.22 |
| Add:Opening Balance of Profit and Loss Account | | (25425.29) | (27129.51) |
| Balance carried to Balance Sheet | | (24063.84) | (25425.29) |
| Earnings per Share | | 2.02 | 2.53 |
| Significant Accounting Policies and Notes on Accounts | 22 | | |
| As per our report of even date attached | | For and on behalf of the Board of Directors of HOCLtd. | |
| For L.S.Nalwaya & Company Chartered Accountants | | | |
| Sd/- (Aashish Nalwaya) Partner MRN 110922 | Sd/- (A.S.Didolkar) Chairman & Managing Director | Sd/- (Madan Verma) Director Chairman- Audit Committee | Sd/- (R.N.Madangeri) Director (Technical) |
| | Sd/- (S.V.Ganu) Director (Marketing) | Sd/- (Mrs.S.S.Kulkarni) Company Secretary | |
| Place: Mumbai Date: 28/06/2008 | Place: Mumbai Date:28/06/2008 | | |



| SCHEDULES FORMING PART OF THE BALANCE SHEET | | (Rs.in lacs) | |
|---|------|-----------------------------|-----------------------------|
| | Note | As at 31.03.2008 | As at 31.03.2007 |
| SCHEDULE-3: SECURED LOANS (Contd.) | | | |
| 850 (Nil) Secured 9.50 % Taxable Bonds of Rs.10,00,000/- each redeemable at the end of one year with yearly interest payment. Due on 28.08.2008 | 2 | 8500.00 | - |
| From Bank on Cash Credit Account | 3 | 1668.03 | 1748.52 |
| From HDFC Bank & ICICI Bank Vehicle Loan | 4 | 1.31 | 4.21 |
| | | <u>11848.13</u> | <u>12651.55</u> |
| <p>Note: 1. 17.5% Taxable 131.25000 (Redeemed,in part) Bonds of Rs.1,00,000/- each are secured by way of a legal mortgage in English form created by way of Registered Bond Trust deed over its immovable properties situated at village Deolali, Posari, Wasambe,Parade,Savale,Turade,Dapivali and Ambivali Talukas Panvel and Khalapur, District Kolaba in the State of Maharashtra and plant and machinery,equipments,fixtures and fittings, movable machinery, spares, articles and things in the State of Maharashtra (excluding current assets).</p> <p>2. 1000 Secured Bonds of Rs.10,00,000/- each are secured against Guarantee provided by Govt.of India for repayment of principal and interest thereupon and also against equitable mortgage of flat No.511 at Nestle Apartment Worli, Mumbai belonging to the company. The Government of India Guarantee for Rs.100 crores is for total Bond issue of Rs.100 crores created by way of Registered Bond trust deed and the Guarantee is effective for a period of one year from 28.08.2007 i.e.date of allotment. The Registration of charge with ROC is in progress.</p> <p>3. Loan from bank on cash credit account is secured by :</p> <p>a. Hypothecation of the Company's entire stock of raw materials, finished goods, stock-in-process, consumable stores and spares and book debts in favour of the bank to the extent of Rs.15500 lacs.</p> <p>b. Equitable mortgage conveying 1st Pari Passu charge over all immovable assets at factory and township situated at Ambalamugal, Dist : Ernakulam and 2nd Pari Passu charge over the immovable properties specified in (1) hereinabove.</p> <p>4. Loan from HDFC Bank & ICICI Bank are secured against hypothecation of vehicles purchased.</p> | | | |
| | | As at 31.03.2008 | As at 31.03.2007 |
| SCHEDULE - 4: UNSECURED LOANS | | | |
| Nil (283) 13.5% Taxable Unsecured Bonds of Rs.1,00,000 each,matured on 29.06.2002 | | - | 283.00 |
| Add: Interest overdue | | - | 186.54 |
| | | <u>50.00</u> | <u>469.54</u> |
| 50 (125) 13.5% Taxable Unsecured Bonds of Rs.1,00,000 each, overdue Rs.50.00 lacs (Previous Year Rs. 125 lacs) matured on 30.06.2005 | | - | 125.00 |
| Add: Interest overdue | | 16.31 | 50.91 |
| | | <u>66.31</u> | <u>175.91</u> |
| Nil (350) 14.5% Taxable Secured * Bonds of Rs.1,00,000 each, matured on 07.08.2002 | | - | 350.00 |
| Add: Interest overdue | | - | 194.89 |
| | | <u>-</u> | <u>544.89</u> |
| Nil (290) 13.50% Taxable Secured * Bonds of Rs.1,00,000 each, matured on 14.12.2002 | | - | 290.00 |
| Add: Interest overdue | | - | 198.42 |
| | | <u>-</u> | <u>488.42</u> |
| Nil (260) 13.5% Taxable Secured * Bonds of Rs.1,00,000 each, matured on 30.07.2004 | | - | 260.00 |
| Add : Interest overdue | | - | 169.62 |
| | | <u>-</u> | <u>429.62</u> |
| *Pending creation of security treated as unsecured Fixed Deposits (includes overdue deposits Rs.18.29 lacs(Previous year Rs.1082.54 lacs)) | | 18.29 | 1082.54 |
| Add: Interest overdue | | 1.93 | 481.02 |
| | | <u>3885.00</u> | <u>3285.00</u> |
| From Government of India, includes overdue Rs.1352.30 lacs (Previous Year Rs.1023.80 lacs) and payable within one year Rs.448.50 lacs (Previous year Rs.328.50 lacs). | | - | - |
| Add: Interest overdue | | 1903.30 | 1450.15 |
| | | <u>5788.30</u> | <u>4735.15</u> |
| Other Loans and Advances | | | |
| Others, payable within one year Rs.77.76 lacs (Previous year Rs.70.08 lacs). | | 487.07 | 562.43 |
| | | <u>6361.90</u> | <u>8969.52</u> |



SCHEDULES FORMING PART OF THE BALANCE SHEET
SCHEDULE - 5 FIXED ASSETS

| Item Description | GROSS BLOCK | | | | DEPRECIATION | | | | NET BLOCK | | | | |
|--|---------------------|---------------|--------------|----------------|---------------------|---------------------|--------------|----------------|-----------------------------|-------------------------|---------------------|---------------------|---------------------|
| | As at 01.04.2007 | Additions | Sales | Adjustments | As at 31.03.2008 | Up to 01.04.2007 | Sales | Adjustments | Provided during the year | Impairment of Assets | Up to 31.03.2008 | As on 31.03.2008 | As on 01.04.2007 |
| 1. Land & Land Development | 1000.13 | - | - | - | 1000.13 | - | - | - | - | - | - | 1000.13 | 1000.13 |
| 2. Leasehold Land | 50.00 | - | - | - | 50.00 | 38.09 | - | - | 3.33 | - | 41.42 | 8.58 | 11.91 |
| 3. Buildings | 3499.59 | 39.99 | 4.32 | - | 3535.26 | 1419.41 | 0.92 | - | 60.33 | - | 1478.82 | 2056.44 | 2080.18 |
| 4. Drainage, Effluent & Pollution Control System | 991.53 | - | - | - | 991.53 | 802.79 | - | - | 22.56 | - | 825.35 | 166.18 | 188.74 |
| 5. Water Supply System | 256.70 | - | - | - | 256.70 | 146.16 | - | - | 10.63 | - | 156.79 | 99.91 | 110.54 |
| 6. Chemical & Utility Plant | 52999.86 | 76.12 | 28.36 | (8.65) | 53088.97 | 34814.25 | 19.25 | (0.28) | 2202.18 | - | 36996.90 | 16042.07 | 18185.61 |
| 7. R & D Plants | 153.99 | - | - | - | 153.99 | 123.49 | - | - | 3.35 | - | 126.84 | 27.15 | 30.50 |
| 8. Elect.Inst., AC & Elect. Equipments | 4230.89 | 36.23 | 0.36 | (34.70) | 4232.06 | 3108.87 | 0.20 | (32.88) | 186.53 | - | 3262.32 | 969.74 | 1122.02 |
| 9. Furniture, Fixtures & Equipments | 3266.97 | 38.88 | 1.79 | (0.82) | 3303.24 | 2326.28 | 1.13 | (0.72) | 113.64 | - | 2438.07 | 865.17 | 940.69 |
| 10. Railway Sittings | 35.53 | - | - | - | 35.53 | 33.77 | - | - | - | - | 33.77 | 1.76 | 1.76 |
| 11. Vehicles | 83.44 | 9.30 | - | (2.74) | 90.00 | 53.61 | - | (2.60) | 3.66 | - | 54.67 | 35.33 | 29.83 |
| 12. Library Books | 73.09 | 0.27 | 0.21 | - | 73.15 | 69.09 | 0.20 | - | 0.32 | - | 69.21 | 3.94 | 4.00 |
| 13. Plants held for disposal | 909.75 | - | - | - | 909.75 | 774.86 | - | - | 16.45 | - | 791.31 | 118.44 | 134.89 |
| Total | 67551.47 | 200.79 | 35.04 | (46.91) | 67670.31 | 43710.67 | 21.70 | (36.48) | 2622.98 | - | 46275.47 | 21394.84 | 23840.80 |
| Previous year | 66768.76 | 788.09 | 5.20 | (0.18) | 67551.47 | 41003.83 | 3.86 | (0.01) | 2710.71 | - | 43710.67 | 23840.80 | 25764.93 |



| SCHEDULES FORMING PART OF THE BALANCE SHEET | | (Rs.in lacs) | |
|---|----------------|-----------------------------|-----------------------------|
| | | As at 31.03.2008 | As at 31.03.2007 |
| SCHEDULE -6: CAPITAL WORK-IN-PROGRESS | | | |
| Construction Work in Progress | | 3123.24 | 1664.53 |
| EXPENDITURE DURING CONSTRUCTION | | | |
| 1. J.N.P.T. Tank Terminals | | 1326.48 | 1326.48 |
| 2. Combined Heat & Power Project | | 19.34 | 19.33 |
| 3. C N A Plant,Caustic Soda & NT Expansion | | 299.94 | 136.73 |
| | | <u>4769.00</u> | <u>3147.07</u> |
| | | <u>As at 31.03.2008</u> | <u>As at 31.03.2007</u> |
| SCHEDULE - 7 : INVESTMENTS (AT COST) | | | |
| Long Term Investment - Quoted | | | |
| 11060000(Previous year 11060000)Equity Shares of Rs.10 each fully paid in Hindustan Fluorocarbons Ltd.,a subsidiary Company (Market value are not ascertainable, since these shares though, listed are not traded during the year). | 1106.00 | 1106.00 | |
| Less: Provision for diminution of investment | <u>1106.00</u> | <u>1106.00</u> | - |
| Long Term Investment - Unquoted | | | |
| 30000(Previous year 30000)Equity Shares of Rs.10 each fully paid in HOC-Chematur Ltd.,a Joint Venture Company | 3.00 | 3.00 | |
| Less: Provision for diminution of investment | <u>3.00</u> | <u>3.00</u> | - |
| Current Investment - Unquoted | | | |
| 49700, 6.75% Tax Free US64 Bonds of the face value of Rs.100 each fully paid. | 49.70 | 49.70 | |
| | <u>49.70</u> | <u>49.70</u> | |
| The Trading in HFL Shares are under suspension in BSE till Nov. 2007. However, during Dec. 2007, BSE has approved the revocation of suspension and approved the reinstatement of trading in HFL Shares subject to fulfilment of certain conditions. | | | |
| | | <u>As at 31.03.2008</u> | <u>As at 31.03.2007</u> |
| SCHEDULE - 8 : INVENTORIES (AS TAKEN, VALUED AND CERTIFIED BY THE MANAGEMENT) | | | |
| Stores and Spares | 2266.54 | 2201.14 | |
| Less: Provision for obsolescence | <u>457.09</u> | <u>408.28</u> | |
| | 1809.45 | 1792.86 | |
| Raw Materials | 1902.07 | 1076.14 | |
| Materials-in-transit | <u>395.23</u> | <u>35.54</u> | |
| | 2297.30 | 1111.68 | |
| Stock-in-Process | | | |
| i) For Sale | 687.28 | 679.86 | |
| ii) Finished goods pending inspection | | | |
| a) Captive | 153.00 | 122.13 | |
| b) Sale | <u>23.36</u> | <u>14.21</u> | |
| | 863.64 | 816.20 | |
| Finished Products | | | |
| i) For Captive Consumption | 341.06 | 457.44 | |
| ii) Main Products for sale | 547.85 | 2062.48 | |
| iii) By-Products | <u>14.54</u> | <u>25.79</u> | |
| | 903.45 | 2545.71 | |
| | <u>5873.84</u> | <u>6266.45</u> | |



| SCHEDULES FORMING PART OF THE BALANCE SHEET | | (Rs.in lacs) | |
|--|-----------------------------|-----------------------------|--|
| | As at 31.03.2008 | As at 31.03.2007 | |
| SCHEDULE - 9 : SUNDRY DEBTORS | | | |
| Debts outstanding for a period exceeding six months | 3236.59 | 3094.80 | |
| Other Debts | 6394.01 | 5369.61 | |
| | <u>9630.60</u> | <u>8464.41</u> | |
| Less: Provision for Doubtful Debts | <u>3040.10</u> | <u>3038.37</u> | |
| | <u>6590.50</u> | <u>5426.04</u> | |
| NOTE: | | | |
| Secured-considered good, in respect of which Company holds Bank Guarantees/Letters of Credit | 2473.44 | 2972.24 | |
| Unsecured considered good | 4117.06 | 2453.80 | |
| Unsecured considered Doubtful | 3040.10 | 3038.37 | |
| | <u>9630.60</u> | <u>8464.41</u> | |
| Less: Provision for Doubtful Debts | <u>3040.10</u> | <u>3038.37</u> | |
| | <u>6590.50</u> | <u>5426.04</u> | |
| | As at 31.03.2008 | As at 31.03.2007 | |
| SCHEDULE - 10 : CASH AND BANK BALANCES | | | |
| Cash including Cheques in hand of Rs.471.27 lacs (Previous year Rs.320.02 lacs) | 474.82 | 322.91 | |
| With Scheduled Banks | | | |
| In Current Account | 528.50 | 969.14 | |
| In Saving Bank Account | 78.87 | 67.65 | |
| In Term Deposit Account | 5204.75 | 7747.37 | |
| | <u>6286.94</u> | <u>9107.07</u> | |
| | As at 31.03.2008 | As at 31.03.2007 | |
| SCHEDULE - 11 : LOANS AND ADVANCES | | | |
| Advances to Subsidiary Company M/s.Hindustan Fluorocarbons Ltd., (Unsecured considered good) | | | |
| Advances | 432.05 | 75.00 | |
| Interest accrued but not received | 12.73 | 3.73 | |
| | <u>444.78</u> | <u>78.73</u> | |
| (Unsecured-considered doubtful) | | | |
| Advances | 2523.93 | 2523.93 | |
| Less: Provision for doubtful advance | 2523.93 | 2523.93 | |
| | <u>-</u> | <u>-</u> | |
| Interest accrued but not received | 2346.05 | 2346.05 | |
| Less:Provision for Interest accrued but not received | 2346.05 | 2346.05 | |
| | <u>-</u> | <u>-</u> | |
| Advance to Joint Venture Co. (Unsecured-considered doubtful) | | | |
| Advances | 1065.44 | 1065.43 | |
| Less: Provision for doubtful advance | 1065.44 | 1065.43 | |
| | <u>-</u> | <u>-</u> | |
| Loans to Public Sector Undertaking (Unsecured-considered doubtful) | | | |
| Loans | 171.08 | 171.08 | |
| Less: Provision for doubtful of recovery | 171.08 | 171.08 | |
| | <u>-</u> | <u>-</u> | |



| SCHEDULES FORMING PART OF THE BALANCE SHEET | | (Rs.in lacs) | |
|--|-----------------------------|-----------------------------|--|
| | As at 31.03.2008 | As at 31.03.2007 | |
| SCHEDULE - 11 : LOANS AND ADVANCES (Contd.) | | | |
| Advances recoverable in cash or in kind or for value to be received : | | | |
| Staff Loans | | | |
| Secured-considered good | 233.63 | 315.21 | |
| Other Loans | | | |
| Unsecured-considered good | 2149.29 | 2144.78 | |
| Unsecured-considered doubtful | 30.83 | 30.83 | |
| Less: Provision for doubtful advances | 30.83 | 30.83 | |
| | - | - | |
| Balances with Customs, Excise, Post Office, Telephones, Electricity etc. (Unsecured-considered good) | 706.40 | 525.32 | |
| Unsecured-considered doubtful | 1.80 | 1.80 | |
| Less: Provision for doubtful deposits | 1.80 | 1.80 | |
| | - | - | |
| | <u>3534.10</u> | <u>3064.04</u> | |
| Dues from (excluding advances for purchases and expenses for the Company) | | | |
| -Directors | - | - | |
| -Officers | 34.89 | 62.33 | |
| Maximum amount due at any time during the year | | | |
| -Directors | - | - | |
| -Officers | 55.46 | 81.04 | |
| | <u>As at 31.03.2008</u> | <u>As at 31.03.2007</u> | |
| SCHEDULE - 12 : CURRENT LIABILITIES | | | |
| Sundry Creditors | | | |
| - Dues to Micro & Small Scale Industrial Unit * | 123.33 | 43.82 | |
| - Dues to Others | 5532.77 | 5318.14 | |
| - Dues to Employees | 549.99 | 812.96 | |
| Amount due to Customers | 867.26 | 784.23 | |
| Deposits from Contractors and Others | 468.04 | 384.43 | |
| Interest accrued but not due | 725.81 | 679.69 | |
| Book Balance - Credit | - | 551.16 | |
| Other Liabilities | 1769.07 | 2012.23 | |
| | <u>10036.27</u> | <u>10586.66</u> | |
| (*) Includes dues outstanding for more than 30 days, within the agreed terms payable to M/s.Dimple Drums & Barrels Pvt.Ltd., M/s.Gayatri Tank & Vessels & M/s.Premier Hollowares Pvt. Ltd. | | | |
| | <u>As at 31.03.2008</u> | <u>As at 31.03.2007</u> | |
| SCHEDULE - 13 : PROVISIONS | | | |
| For Taxation | - | - | |
| For water charges from Grampanchayats | 183.50 | 165.08 | |
| For leave encashment | 1786.75 | 1634.73 | |
| For M&R- Fixed Assets | 439.31 | 452.55 | |
| For Accumulated Gratuity | 1062.83 | 1327.04 | |
| For Statutory Claims | 177.40 | 158.66 | |
| For Employees Remuneration | 124.72 | - | |
| For Fringe Benefit Tax | 67.69 | 38.20 | |
| | <u>3842.20</u> | <u>3776.26</u> | |



| SCHEDULE FORMING PART OF THE PROFIT AND LOSS ACCOUNT (Rs.in lacs) | | | | |
|---|------------------|------------------------|------------------------|----------|
| | Year ended | | Year ended | |
| | 31st March 2008 | | 31st March 2007 | |
| SCHEDULE-14 : OTHER INCOME | | | | |
| INTEREST: | | | | |
| On Call and Term Deposits(Gross), (Tax deducted at source Rs.75.07 lacs) (Previous Rs.76.07 lacs) | 567.97 | | 342.36 | |
| On Advances and Deposits with MIDC,MSEB and others(Tax deducted at source Rs. Nil) (Previous year Rs.1.83 lacs) | 0.66 | | 29.02 | |
| On loan to the Subsidiary Co.,M/s.HFL | 9.00 | | 2.92 | |
| | <u>577.63</u> | | <u>374.30</u> | |
| OTHERS: | | | | |
| Estate Rent (Tax deducted at source Rs.2.26 lacs) (Previous year Rs.0.54 lac) | 89.36 | | 90.18 | |
| Transport, Water,Electricity,etc. | 75.11 | | 81.01 | |
| Exchange Rate difference | 0.28 | | 4.94 | |
| Import Duty Benefit | - | | 18.05 | |
| Delayed payment charges | 299.00 | | 152.86 | |
| Miscellaneous Income (Tax deducted at source Rs.0.53 lac) (Previous year Rs.0.02 lac) | 1008.40 | | 2899.75 | |
| | <u>1472.15</u> | | <u>3246.79</u> | |
| | <u>2049.78</u> | | <u>3621.09</u> | |
| | | Year ended | Year ended | |
| | | 31st March 2008 | 31st March 2007 | |
| SCHEDULE-15 : | | | | |
| INCREASE/(DECREASE)IN STOCK IN TRADE AND IN PROCESS | | | | |
| OPENING STOCK | | | | |
| Stock-in-Process | 816.19 | | 831.88 | |
| Stock for Captive Consumption | 457.44 | | 1263.82 | |
| Finished Products (including Rs.1.56 lacs By-products) (Previous year Rs.10.34 lacs) | 2088.27 | | 2011.29 | |
| | <u>3361.90</u> | | <u>4106.99</u> | |
| CLOSING STOCK | | | | |
| Stock-in-Process | 863.65 | | 816.19 | |
| Stock for Captive Consumption | 341.06 | | 457.44 | |
| Finished Products (including Rs.1.78 lacs By-products) (Previous year Rs.1.56 lacs) | 562.39 | | 2088.27 | |
| | <u>1767.10</u> | | <u>3361.90</u> | |
| (Decrease) / Increase | <u>(1594.80)</u> | | <u>(745.09)</u> | |
| | | Year ended | Year ended | |
| | | 31st March 2008 | 31st March 2007 | |
| SCHEDULE-16 : MATERIALS CONSUMED | | | | |
| | MT | | MT | |
| A. RAW MATERIALS | | | | |
| Sulphur | 9045 | 1086.08 | 4474 | 218.47 |
| Benzene | 45936 | 20117.89 | 44580 | 19544.78 |
| Methanol | 16631 | 2793.90 | 9856 | 2138.79 |
| Nitric acid | 1990 | 212.82 | 5040 | 414.14 |
| Toluene | 334 | 143.74 | 438 | 182.58 |
| Naphtha | 2444 | 773.74 | 2700 | 757.50 |
| Ammonia | 1257 | 215.18 | 472 | 73.65 |
| Acetic Acid | - | 0.36 | - | - |



| SCHEDULE FORMING PART OF THE PROFIT AND LOSS ACCOUNT | | (Rs.in lacs) | |
|---|-------------------------------|-------------------------------|-----------------|
| | Year ended 31st March 2008 | Year ended 31st March 2007 | |
| SCHEDULE-16 : MATERIALS CONSUMED (Contd.) | | | |
| | MT | MT | |
| Liquified Petroleum Gas | 22240 | 7842.73 | 19733 |
| Hydrogen (MT) | 1115259 | 495.87 | 6279.40 |
| Other Raw Materials | | 380.59 | - |
| | | | 300.28 |
| | | <u>34062.90</u> | <u>29909.59</u> |
| B.Stores and Spare Parts (Including catalyst consumed) | | 1434.30 | 979.16 |
| | | <u>35497.20</u> | <u>30888.75</u> |
| | | | |
| | Year ended 31st March 2008 | Year ended 31st March 2007 | |
| SCHEDULE - 17 EMPLOYEES' REMUNERATION AND BENEFITS | | | |
| Salary, Wages, Bonus, Incentives and Allowances includes Rs.106.64 lacs(Previous year Rs.86.46 lacs) being amortisation of VRS expenses. | 4047.52 | | 4139.21 |
| Company's contribution to Provident Fund, Family Pension Fund and other Funds | 407.39 | | 744.92 |
| Gratuity payments including premium for Group Gratuity-cum-Life Insurance Scheme | 171.75 | | 244.07 |
| Provision for Performance Incentive Arrears | 124.72 | | - |
| Provision for leave encashment | 318.37 | | 162.20 |
| Employees Welfare Expenses | | | |
| Medical Amenities | 234.19 | | 222.81 |
| Educational Amenities | 118.73 | | 138.20 |
| Canteen and Nutrition Amenities | 384.18 | | 365.27 |
| Other Welfare Expenses | 101.08 | | 94.01 |
| Directors' Remuneration | | | |
| Salary and Allowances (including Leave Travel Allowance, Leave Encashment and Medical Expenses) | 20.15 | 11.08 | |
| Company's contribution to Provident Fund | 2.19 | 1.24 | |
| Gratuity payment including Premium for Group Gratuity-cum-Life Insurance Scheme | 0.80 | 0.60 | |
| | <u>23.14</u> | | <u>12.92</u> |
| | <u>5931.07</u> | | <u>6123.61</u> |
| | | | |
| | Year ended 31st March 2008 | Year ended 31st March 2007 | |
| SCHEDULE- 18 : MANUFACTURING , ADMINISTRATION AND SELLING EXPENSES | | | |
| Power | 2566.32 | | 2789.72 |
| Fuel | 4482.25 | | 3792.83 |
| Water | 209.06 | | 152.49 |
| Repairs and Maintenance to : | | | |
| Buildings | 67.77 | 41.35 | |
| Plant and Machinery | 375.92 | 171.52 | |
| Other Assets | 275.38 | 162.45 | |
| | | | |
| | <u>719.07</u> | | <u>375.32</u> |
| Research and Development | 0.36 | | 0.42 |
| Consultancy Charges | 33.69 | | 99.21 |
| Rent | 82.07 | | 68.19 |
| Rates and Taxes | 57.83 | | 40.80 |
| Insurance | 120.37 | | 196.42 |
| Exchange Rate Difference-Loss | 25.71 | | 5.15 |



| SCHEDULE FORMING PART OF THE PROFIT AND LOSS ACCOUNT | | (Rs.in lacs) |
|---|-------------------------------|-------------------------------|
| | Year ended 31st March 2008 | Year ended 31st March 2007 |
| SCHEDULE- 18 : MANUFACTURING , ADMINISTRATION AND SELLING EXPENSES (Contd.) | | |
| Payment to Auditors | | |
| As Auditors | 3.55 | 3.55 |
| In Other Capacity | | |
| - Other Matter | 1.00 | 3.72 |
| - Out of pocket expenses | 0.41 | 0.40 |
| | <u>4.96</u> | <u>7.67</u> |
| Other Expenses including Directors' Travelling Rs.17.38 lacs (Previous Year Rs.14.14 lacs) | 1352.71 | 1190.64 |
| Rebate & Discount on Sales | 670.28 | 544.49 |
| Expenditure on export | - | 0.90 |
| Sales promotion and Publicity | 8.25 | 3.34 |
| Conversion charges | - | 31.99 |
| | <u>10332.93</u> | <u>9299.58</u> |
| | Year ended 31st March 2008 | Year ended 31st March 2007 |
| SCHEDULE - 19 : INTEREST | | |
| On Fixed Loans | 1459.51 | 1559.82 |
| On Other Loans | 417.12 | 613.34 |
| | <u>1876.63</u> | <u>2173.16</u> |
| | Year ended 31st March 2008 | Year ended 31st March 2007 |
| SCHEDULE - 20 : PROVISIONS | | |
| For Stores Obsolescence | 48.81 | 102.65 |
| For Doubtful debts | 1.73 | 5.33 |
| For Maintenance & Repairs | - | 252.55 |
| For Doubtful of Advance/Receivables | 18.42 | - |
| For Statutory Claims | 18.74 | 44.83 |
| For Doubtful recovery of advance to HOC Chematur | 0.01 | - |
| | <u>87.71</u> | <u>405.36</u> |
| | Year ended 31st March 2008 | Year ended 31st March 2007 |
| SCHEDULE - 21 : RESERVE/PROVISION NO LONGER REQUIRED/PRIOR PERIOD AND EXTRA ORDINARY ITEMS | | |
| 1. PRIOR YEAR ADJUSTMENTS: | | |
| INCOME | | |
| Miscellaneous income | (5.57) | 12.09 |
| Other income | - | 1.05 |
| EXPENDITURE | | |
| Sales | - | - |
| Raw Material | 6.44 | (1.82) |
| Salaries arrears,incentives & other benefits | 0.30 | - |
| General Expenses | 3.29 | 0.63 |
| Interest | 82.04 | 0.32 |
| Depreciation | (0.30) | (0.01) |
| Sales Tax | - | 24.70 |
| Interest on other loan | - | 0.10 |
| Water Charges | 70.21 | - |
| | <u>167.55</u> | <u>10.78</u> |
| 2. EXCESS PROVISION / RESERVE WRITTEN BACK | | |
| Bad Debt provision written back | - | 9.00 |
| | - | 9.00 |
| 3. EXTRA ORDINARY ITEMS | | |
| | - | - |
| | <u>167.55</u> | <u>1.78</u> |

SCHEDULE 22**NOTES ON ACCOUNT****PART A:****SIGNIFICANT ACCOUNTING POLICIES****1. Basis of Preparation of Financial Statements.****Accounting Convention**

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

2. FIXED ASSETS

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

3. DEPRECIATION

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

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

4. EXPENDITURE DURING CONSTRUCTION PERIOD

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

5. INVENTORIES

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

6. REVENUE RECOGNITION

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

7. FOREIGN CURRENCY TRANSACTIONS

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

8. BOND ISSUE EXPENSES

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

9. VRS EXPENDITURE

The expenditure incurred including gratuity (net of Grant-in-aid, if any) on Voluntary Retirement of employees, as per the Voluntary Retirement Scheme is treated as deferred revenue expenditure and is amortised over a period of 5 years and is accounted based on the actual payment made on the date of relieving of the employees.

10. RETIREMENT BENEFITS.

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

11. BONUS

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

12. INVESTMENTS

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

13. PRIOR PERIOD/PREPAID EXPENSES

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

14. CONTINGENT LIABILITIES.

Claims against the Company not acknowledged as debts relating to normal business transactions and show cause notices and demands raised by tax authorities disputed by the Company are treated as Contingent Liabilities and disclosure is made in accordance with AS -4.

**PART B:****NOTES ON ACCOUNT****1. SCHEDULE 3 - SECURED LOANS**

- a) Interest on bonds, which are live at the year end is provided at the contracted rate.
- b) Pursuant to consistent efforts during last few years most of the Bond holders agreed to settle their dues having restricted the interest claim till the date of maturity. Accordingly, on overdue bonds worth Rs.492.94 lacs (Previous year Rs. 3266.14 lacs), the reduction in liability on account of reversal of interest for earlier years amounting to Rs.200.84 lacs (Previous year Rs.1334.74 lacs) is credited to miscellaneous income. Interest on overdue principal of balance bonds amounting to Rs.131.25 lacs (previous year Rs.624.19 lacs) has been provided @ 7.50% upto 31.03.2006 in view of then prevailing market rate and ongoing settlement process, as against the coupon rate of 17.50%.
- c) As per the existing practice followed by the company, the cheques in hand as on 31.03.2008 amounting to Rs.471.27 lacs (Previous year Rs. 320.02 lacs) are included in Cash in Hand as well as in Bank on Cash Credit Account (under the Head Secured Loan).

2. SCHEDULE 4 - UNSECURED LOANS

- a) Consequent upon continuous efforts during last few years most of the investors agreed to settle the dues having restricted their interest claim upto the date of maturity. Accordingly, on such overdue bonds of Rs.1258 lacs (Previous year Rs.7405.82 lacs) and on Fixed Deposit of Rs.1064.25 lacs (Previous year Rs.1163.60 lacs), the reduction in liability on account of reversal of interest for earlier years amounting to Rs.409.49 lacs (Previous year Rs.1070.67 lacs) on bonds and Rs.275.36 lacs (Previous year Rs.404.96 lacs) on Fixed Deposits is credited to the miscellaneous income. In other cases, interest for delayed period payable on principal amount of overdue bonds of Rs.50.00 lacs (previous year Rs.1308.00 lacs) and overdue Fixed Deposit of Rs.18.29 lacs (previous year Rs.1082.54 lacs) is provided @ 7.50% upto 31.03.2006 in view of then prevailing market rate and ongoing settlement process, as against the coupon rate varying from 12.50% to 14.50% in the case of bonds and interest rate varying from 10.50% to 12.50% on Fixed Deposits.
- b) Other Loans and Advances comprises of the following :
- | | 31.3.2008
(Rs. in lacs) | 31.3.2007
(Rs. in lacs) |
|--------------------------------------|----------------------------|----------------------------|
| LIC Housing Finance Ltd. (Refinance) | 317.47 | 336.09 |
| HDFC (Corporate Housing loans) | 73.74 | 106.11 |
| Canara Bank (Housing loans) | 95.85 | 120.24 |
- c) In the view of Financial Restructuring approved by the Government of India, the company is not required to pay any penal interest on overdue principal amount of loan granted by the Government of India upto 31st March, 2005. The company has not made provision for penal interest payable on overdue Government Loan amounting to Rs.80.52 lacs (including Rs. 36.60 lacs up to the year 2006-2007) since the same are leviable at the discretion of Government of India. The company has not received any such demand.

3. SCHEDULE 5 - FIXED ASSETS

- a) Land in possession of the Company at Rasayani admeasuring 455.69 hectares (previous year 455.69 hectares) has been given free of cost for use, by the Government of Maharashtra, against which a nominal value of Re.1/- is included in "Land and Land development" by creating "Capital Reserve". Land at Panvel amounting to Rs.0.80 lac (previous year Rs.0.80 lac) included in "Land & Land development" has been given by the Government of Maharashtra for the purpose of constructing staff quarters.
- b) i) Lease hold land having Written Down Value (WDV) of Rs.8.59 lacs (previous year Rs. 11.93 lacs) relates to land at JNPT Tank Farm Project in respect of which lease deed is yet to be executed by the Port authorities as certain issues are yet to be resolved with all allottees. The settlement process between JNPT Authorities and Association of Tank Farm owners has been initiated and the matter has been referred to Arbitrators, as mutually agreed.
- ii) Capital Work-in-Progress and Expenditure during Construction Rs.2967.22 lacs (previous year Rs.2962.21 lacs) relates to cost of JNPT Tank Farm project wherein Management had decided to suspend further construction. However, the Company has initiated the process of restarting the construction work including upgradation and enhancement of capacity through Build, Operate and Transfer (BOT) arrangement. Matter is under arbitration with JNPT. Thus, the assets are carried at cost in view of the decision.
- iii) Company had incurred an expenditure of Rs.19.33 lacs during earlier years towards feasibility study for captive power plant to be erected at Rasayani. This expenditure was shown in earlier years as Capital Work In Progress. During the year, company has incurred further expenditure of Rs.1.6 lacs. The said expenditure will be capitalized after the erection and commissioning of the plant will be completed.
- c) Hydrogen Ph.-I, Dinitrobenzene, Formaldehyde-I, Butendiol, Acetyldehyde, Plants having WDV at Rs.118.46 lacs (previous year Rs. 134.90 lacs) are held for disposal. These assets have been carried at lower of net book value and Net Realisable Value ascertained on the basis of technical assessment made by the management and outside expert.

- d) Certain plants viz. Caustic Soda, PUSH, MCB & NCB, having Gross Block Rs.14912.19 lacs (previous year Rs. 14912.19 lacs), Net Block Rs.5586.93 lacs (previous year Rs.6317.59 lacs) which are not in active use on the ground of temporary uneconomical operating condition are carried at cost. After a detailed feasibility study conducted by outside expert during the year, actions have been initiated to restart the Caustic Soda plant (Gross value Rs.8993.83 lacs). The plant is expected to be recommissioned by the end of the June 2008. Similarly actions for other closed plants are under consideration.

- e) i) As there is no further impairment of assets no provision for impairment loss is made during the year.

- ii) During the year 2005-06 one generator out of two at Kochi Unit was damaged due to an accident in Captive Power Plant. The asset is covered under the Fire Insurance. The said generator can be restored to original operating efficiency after repair and replacement of some parts as assessed by a technical team which was confirmed by the Original Equipment Manufacturer. Provision for repair amounting to Rs.452.55 lacs was made during 2006-07 on the basis of amount estimated as per technical assessment. Insurance claim received during 2006-07, Rupees Two Crores, was credited to the above Provision, and the net amount of Rs. 252.55 lacs was shown as Provision for M & R - Fixed Assets in the Profit & Loss Account for the year ended 31.03.2007. Against the anticipated repair charges of Rs.452.55 Lacs, the company incurred Rs.34.23 Lacs during the year for repairs of part of the unit for which the anticipated cost was Rs.50.76 Lacs. The excess amount of Rs.16.53 Lacs has not been reversed as a matter of prudence as the exact cost of repairs for the unit as a whole cannot be ascertained at this Stage.

- iii) Some of the assets at Rasayani were affected due to heavy rains in Raigad District of Maharashtra during the financial year 2005-06. As per the technical assessment, the said assets/facilities could be restored to original condition after repairing and replacement, these assets were covered under insurance policy and the insurance company, in principle, agreed to consider the claim towards expenses for repairs and replacement of such assets. Expenses amounting to Rs.192.15 lacs have been incurred towards reinstatement of some assets, the underwriters had released an adhoc payment of Rs.112.92 lacs earlier, the balance amount of Rs.79.23 lacs is shown as insurance claim receivable. Final settlement of the claim is yet to be received. (The claim processing is under progress at insurance company).

4. SCHEDULE 7 - INVESTMENTS

- a) The company had an investment of Rs.1106 lacs (previous year-Rs.1106 lacs) in the subsidiary company M/s. Hindustan Fluorocarbons Ltd. (HFL) which was under BIFR since 1994. BIFR had ordered sale of assets of HFL to M/s. Guariflon, Italy, however, the order subsequently became inoperative due to withdrawal of the party from their acquisition plan. The transactions of HFL shares in stock exchanges remains suspended since 1998, hence, the company made suitable provision for the entire investment in the books during the year 2003-04. There is no significant change in the status of the company, therefore, the provision is maintained.
- b) The company had invested Rs.3.00 lacs in the Equity of M/s. HOC Chematur Ltd. by way of joint venture as a co-promoter, the company's total equity stake in the joint venture company shall be restricted to 30.60% of the total equity. Thus, its investment in HOC Chematur Ltd. as on 31st March, 2008, though, exceeded 51%, the company does not consider the said investment under "Investment in Subsidiary Company". HOC Chematur Ltd. had initiated the process of implementing the project, however, abandoned subsequently due to inadequate support from financial institutions. In view of such uncertainties involved in implementing the project, the company made provision for the investment in earlier years. There is no change in the status of M/s HOC- Chematur Ltd., the provision against investment is continued.

5. SCHEDULE 8 - INVENTORIES

Inventories include items not moved for last more than five years Rs.559.42 lacs (previous year Rs.595.29 lacs) and obsolete inventory of Rs.26.81 lacs (previous year Rs.26.81 lacs). An adhoc provision of Rs.457.09 lacs (previous year Rs.408.28 lacs) has been made in the Accounts for obsolescence.

6. SCHEDULE 11 - LOANS AND ADVANCES

- a) During the year for the revival of HFL, the Modified Draft Rehabilitation Scheme (MDRS) is approved by BIFR and accepted by HOCL & HFL board of directors for implementation. As per audited accounts of the subsidiary company as received, Hindustan Fluorocarbons Ltd., is having accumulated loss of Rs.5262.06 lacs as on 31st March, 2008 (previous year Rs. 9258.46 lacs), since the net worth of the subsidiary had fully eroded the company made a provision for doubtful advances during earlier years. Since implementation of MDRS is under process and as there is no significant improvement in the financial status of the company the provision is maintained.
- b) Short term loan amounting to Rs.432.05 lacs (last year Rs.75 lacs) has been sanctioned to meet the working capital need of HFL. The new loan is considered to be recoverable with interest in view of ongoing process of Carbon Credit activities being monitored by the company, hence no provision for new loan is considered necessary.
- c) Expenses amounting to Rs.1065.44 lacs (previous year Rs.1065.43 lacs) including amount paid to M/s Chematur Engg. A.B. Rs.664.71 lacs had been allocated as advances to joint venture M/s HOC- Chematur Ltd. In view of uncertainties involved in recovery/completion of the project a provision for doubtful advance of equivalent amount was made during the earlier years. Since there is no improvement in the status of the



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

7. SCHEDULE 12 - CURRENT LIABILITIES - SUNDRY CREDITORS.

Amount due to Micro enterprises and small enterprises:

| | (Rs. In Lacs) | |
|---|---------------|---------|
| | 2007-08 | 2006-07 |
| a) i) Principal amount remaining unpaid as at the end of each accounting year | 123.33 | 43.82 |
| ii) Interest due thereon | Nil | Nil |
| b) the amount of interest paid in terms of section 16 of the Micro, Small and Medium Enterprises Development Act, 2006 along with the amount of the payment made to the supplier beyond the appointed day. | Nil | Nil |
| c) The amount of interest due and payable for the period of delay in making payment (which have been paid but beyond the appointed day during the year) but without adding the interest specified under the Micro, Small and Medium Enterprises Development Act, 2006. | Nil | Nil |
| d) The amount of interest accrued and remaining unpaid at the end of each accounting year | Nil | Nil |
| e) The amount of further interest remaining due and payable even in the succeeding years, until such date when the interest dues as above are actually paid to the small enterprise, for the purpose of disallowance as a deductible expenditure under section 23 of the Micro, Small and Medium Enterprises Development Act, 2006. | Nil | Nil |

8. PROVISION FOR ARREARS WAGES

- a) No provision has been made for the liability towards wage revision of employees (other than Kochi Unit) for the period January 1, 1997 to December 31, 2000 amounting to Rs.2308.08 lacs, (previous year Rs.2308.08 lacs) since the arrears are payable only with the prior approval of Administrative Ministry and when the company generates adequate surplus.
- b) Wage Settlement / Salary Revision (Kochi Unit)
Wage settlement for workmen and salary revision on officers are due from 01.04.2007 and 01.01.2007 respectively. As the additional liability on this account cannot be ascertained at this stage, no provision has been made in the accounts.
- c) Provision for Leave Encashment
Company has made provision of Rs. 318.37 lacs (Previous Year Rs. 162.20 lacs) for leave encashment as per revised AS-15 issued by Institute of Chartered Accountants of India.

9. FINANCIAL RESTRUCTURING

The Government of India has approved financial restructuring scheme on 9th March, 2006. Accordingly the Government released Rs.250.00 crores for allotment of 8% Non-Cumulative Redeemable Preference Shares for broadening the capital base pursuant to report of SBI Capital Markets and approved by GOI. The Government further released Rs.20.00 crores for repairing and replacement of Caustic Soda Plant for re-commissioning production. The Government has released this amount of Rs.20.00 crores for allotment of additional 8% Non-Cumulative Redeemable Preference Shares to be redeemed from sales proceeds of free hold land at Panvel near Rasayani. The company has allotted 27 crore 8% Non-cumulative Redeemable Preference Shares of Rs.10/- each in favour of President of India on 24.01.2008. This amount of Rs.270.00 crores is shown as 8% Non-Cumulative Preference Shares.

10. DISCHARGE FROM BIFR

The company was declared as Sick Industrial Company by BIFR on 25th November, 2005 and State Bank of India (SBI) was appointed as Operating Agency (OA) with direction to prepare a revival scheme for it. If feasible, based on the rehabilitation proposal prepared by the company, SBI submitted the revival scheme for the company which is approved by BIFR and on 26th May,2008, BIFR discharged the Company from purview of Sick Industrial Company Act in view of the fact that the net worth of the company has exceeded the accumulated losses as a result of financial restructuring.

11. DEFERRED REVENUE EXPENDITURE :

The company has paid an amount of Rs.533.20 lacs as benefit towards Voluntary Retirement Scheme (VRS) introduced at Rasayani Unit during the year as part of its approved financial restructuring scheme which is to be amortised over a period of 5 years as per the policy of the company. An amount of Rs.106.64 lacs previous year Rs.80.26 lacs) has been charged to

Profit & Loss account during the year. The residual amount of expenditure incurred earlier towards VRS and the balance amount of Rs.346.30 lacs (previous year Rs.321.04 lacs) is carried forward and shown under deferred revenue expenditure.

12. PRELIMINARY EXPENDITURE

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

13. EARNING PER SHARE

Earnings per share has been calculated as follows:

| | 2007-08 | 2006-07 |
|---|-----------------|-----------------|
| Net Profit/Loss after Tax & Adjustment | Rs.1361.45 lacs | Rs.1704.22 lacs |
| Weighted average number of equity shares | 67366100 | 67366100 |
| Nominal Value of Weighted average number of equity shares | Rs.10/- | Rs.10/- |
| Earning per share | Rs. 2.02 | Rs.2.53 |

14. 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.

15. RELATED PARTY DISCLOSURE AS PER AS-18

- a) Related Parties
The company is a State controlled enterprise therefore the disclosures as per Accounting Standard 18 are not considered applicable.
- b) Key Management Personnel
- A. S. Didolkar, (Chairman & Managing Director)
 - U. Sarkar, (Director Finance) upto 31.01.2008
 - R. N. Madangeri, Director, (Technical) from 20.06.2007
 - S. V. Ganu, Director, (Marketing) from 12.07.2007

16. ACCOUNTING FOR TAXES ON INCOME

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

17. BALANCE CONFIRMATION

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

18. CONTINGENT LIABILITIES

| | 2007-08 | 2006-07 |
|--|---------|---------|
| 1 a) Contingent Liabilities | | |
| Claims against the Company not Acknowledged as debts : | | |
| i) Differential tax on account of concessional forms in respect of concessional sales | 416.50 | 197.50 |
| ii) Excise Claims | 51.13 | 178.97 |
| iii) Customs claim | 10.80 | 10.80 |
| iv) Other Claims * | 3095.74 | 2790.97 |
| b) Letters of Credit opened, cheques and bills of exchange discounted with the bankers and remaining outstanding | 2930.66 | 337.18 |
| c) Counter guarantees given against bank guarantees | 334.29 | 117.30 |
| 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. | 345.00 | 1577.00 |
| 2 Estimated amount of contracts remaining to be executed on capital account and not provided for (Net of advances) | 18.32 | 33.78 |
| * Other claims include contingent claims towards JNPT Tank Farm project Rs.1574.11 lacs (previous year Rs. 1659.20 lacs). In which minimum guaranteed throughput charges Rs.1012.50 lacs (Previous Year Rs. 1012.50 lacs) are included. Though these charges are being accumulated on periodic basis, negotiation with JNPT authorities for waiver of these charges is in progress. Pending settlement the claim is carried in contingent liabilities. | | |

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

| Sl. No. | Particulars | Licenced Capacity TPA @ | Installed Capacity TPA @ | Production * | | Opening Stock | | Closing Stock ++ | | Sales | |
|---------|----------------------------|-------------------------|--------------------------|---------------|----------------|----------------|----------------|------------------|------------------|-----------------|---------------|
| | | | | MT | MT | Value Rs.lacs | Value Rs.lacs | MT | Value Rs.lacs | MT | Value Rs.lacs |
| 1. | Nitroproducts | 37380 | 55430 | 10373 | 362.07 | 200.28 | 276.22 | 151.64 | 2059.57 | 971.35 | |
| | Previous year | 37380 | 55430 | 12552 | 455.94 | 243.70 | 362.07 | 200.28 | 3088.84 | 1315.64 | |
| 2. | Hydrogen | 1200 | 1600 | 467 | 0.00 | 0.00 | 0.00 | 0.00 | 32.45 | 81.09 | |
| | Previous year | 1200 | 1600 | 527 | 0.00 | 0.00 | 0.00 | 0.00 | 6.47 | 16.63 | |
| 3. | Aniline | 12000 | 25100 | 6210 | 67.70 | 57.01 | 20.97 | 18.46 | 6268.81 | 4178.31 | |
| | Previous year | 12000 | 25100 | 7100 | 195.63 | 139.67 | 67.70 | 57.01 | 7228.36 | 5006.52 | |
| 4. | Acetanilide | 4000 | 3000 | 3 | 0.05 | 0.01 | 0.00 | 0.00 | 2.85 | 2.14 | |
| | Previous year | 4000 | 3000 | 0 | 0.65 | 0.43 | 0.05 | 0.01 | 0.60 | 0.38 | |
| 5. | Acids | 73800 | 63000 | 27184 | 1642.48 | 86.04 | 1181.23 | 108.92 | 17741.42 | 1203.80 | |
| | Previous year | 73800 | 63000 | 13782 | 1907.17 | 87.41 | 1642.49 | 86.04 | 7248.15 | 147.32 | |
| 6. | Formaldehyde | 15000 | 33000 | 38547 | 695.78 | 87.39 | 146.21 | 18.92 | 39115.05 | 3718.01 | |
| | Previous year | 15000 | 33000 | 22626 | 646.00 | 67.62 | 695.78 | 87.39 | 22577.32 | 2688.58 | |
| 7. | Chlorobenzene | 4400 | 15650 | 0 | 3.89 | 0.38 | 0.50 | 0.05 | 0.00 | 0.00 | |
| | Previous year | 4400 | 15650 | 0 | 3.89 | 0.38 | 3.89 | 0.38 | 0.00 | 0.00 | |
| 8. | Acetyl Products | 10500 | 6330 | 0 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | |
| | Previous year | 10500 | 6330 | 0 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | |
| 9. | Caustic Soda | 62700 | 36000 | 0 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | |
| | Previous year | 62700 | 36000 | 0 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | |
| 10. | Phenol | 40000 | 40000 | 41908 | 2307.00 | 1544.70 | 492.00 | 325.40 | 43723.00 | 30286.91 | |
| | Previous year | 40000 | 40000 | 40733 | 2618.00 | 1458.34 | 2307.00 | 1544.70 | 41043.00 | 27938.29 | |
| 11. | Acetone | 24640 | 24640 | 26136 | 655.00 | 256.26 | 176.00 | 80.57 | 26615.00 | 12682.94 | |
| | Previous year | 24640 | 24640 | 25463 | 256.00 | 109.86 | 655.00 | 256.26 | 25065.00 | 10336.86 | |
| 12. | Hydro Peroxide | 5225 | 5225 | 5889 | 55.00 | 23.85 | 76.00 | 32.43 | 5868.00 | 2282.66 | |
| | Previous year | 5225 | 5225 | 4411 | 19.00 | 8.55 | 55.00 | 23.85 | 4376.00 | 1676.22 | |
| | | | # | | | | | | | | |
| 13. | Propylene | 7000 | 29000 | 27458 | 157.00 | 53.59 | 123.00 | 46.69 | 0.00 | 0.00 | |
| | Previous year | 7000 | 29000 | 25587 | 143.00 | 47.21 | 157.00 | 53.59 | 0.00 | 0.00 | |
| | | | \$ | | | | | | | | |
| 14. | Cumene | 0 | 54000 | 57837 | 460.00 | 209.75 | 219.00 | 105.44 | 72.00 | 45.37 | |
| | Previous year | 0 | 54000 | 54329 | 2676.00 | 1085.35 | 460.00 | 209.75 | 171.00 | 94.24 | |
| 15. | Other Chemicals | 1800 | 10750 | 0 | 7.54 | 0.66 | 7.54 | 0.39 | 0.00 | 0.00 | |
| | Previous year | 1800 | 10750 | 0 | 7.54 | 0.69 | 7.54 | 0.66 | 0.00 | 0.00 | |
| | Total Main Products | 299645 | 402725 | 242013 | 6413.51 | 2519.92 | 2718.66 | 888.91 | 141498.16 | 55452.59 | |
| | Previous year | 299645 | 402725 | 207110 | 8928.82 | 3249.22 | 6413.51 | 2519.92 | 110804.74 | 49220.68 | |
| | By Products | 0 | 0 | 16128 | 490.20 | 25.79 | 193.36 | 14.54 | 16602.41 | 1690.25 | |
| | Previous year | 0 | 0 | 16589 | 1579.74 | 25.89 | 490.20 | 25.79 | 17439.82 | 1375.54 | |
| | GRAND TOTAL : | 299645 | 402725 | 258141 | 6903.71 | 2545.71 | 2912.02 | 903.45 | 158100.57 | 57142.84 | |
| | Previous year | 299645 | 402725 | 223699 | 10508.56 | 3275.11 | 6903.71 | 2545.71 | 128244.56 | 50596.22 | |

Includes 27492 Mt(25573 Mt) for Captive Consumption.

* Includes products used for captive consumption.

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

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

\$ Includes 58006 Mt (56374 Mt) for Captive Consumption.

B) Details of Trading Goods

(Rupees in lacs)

| Sr. No. | Product | Opening Stock | | Purchase | | Sales | | Closing Stock | |
|---------|-----------------|---------------|--------------|--------------|--------------|--------------|--------------|---------------|--------------|
| | | MT | Value | MT | Value | MT | Value | MT | Value |
| 1 | Others | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 |
| | (Previous year) | 0.000 | 0.000 | 216.790 | 10.840 | 216.790 | 10.840 | 0.000 | 0.000 |
| | Total : | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 |
| | (Previous year) | 0.000 | 0.000 | 216.790 | 10.840 | 216.790 | 10.840 | 0.000 | 0.000 |

20 Value of Imports (on CIF basis) (Rs.in lacs)

| | 2007-2008 | 2006-2007 |
|-------------------------------|-----------|-----------|
| Component & Spare Parts | 155.34 | 301.34 |
| Raw Materials & Trading Goods | 139.13 | 148.04 |
| Capital Goods | 4.14 | 394.10 |

21 Consumption of Indigenous/Imported

| Materials | 2007-2008 | | 2006-2007 | |
|----------------------------|-----------------|---------------|-----------------|---------------|
| | Value | Consumption % | Value | Consumption % |
| A) Raw Materials | | | | |
| Imported | 167.50 | 0.49 | 165.37 | 0.55 |
| Indigenous | 33895.40 | 99.51 | 29744.22 | 99.45 |
| | <u>34062.90</u> | <u>100.00</u> | <u>29909.59</u> | <u>100.00</u> |
| B) Component & Spare Parts | | | | |
| Imported | 240.70 | 16.78 | 160.88 | 16.43 |
| Indigenous | 1193.60 | 83.22 | 818.28 | 83.57 |
| | <u>1434.30</u> | <u>100.00</u> | <u>979.16</u> | <u>100.00</u> |
| Grand Total | <u>35497.20</u> | | <u>30888.75</u> | |

22 Expenditure incurred in foreign currency 2007-08 2006-07

| | | |
|---|------|------|
| A) Foreign Travelling | 9.76 | - |
| B) Know-how Engineering and Consultancy | - | - |
| C) On Account of site supervision | - | - |
| D) Others | 3.30 | 1.98 |

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

24 Earnings in foreign currency
FOB value of goods exported 16.60 30.96

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

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

As per our report of even date attached For and on behalf of the Board of Directors of HOCLtd.
For L.S.Nalwaya & Company Chartered Accountants

Sd/- (Aashish Nalwaya) Partner MRN 110922
Sd/- (A.S.Didolkar) Chairman & Managing Director
Sd/- (Madan Verma) Director
Sd/- (R.N.Madangeri) Director (Technical)
Chairman- Audit Committee

Sd/- (S.V.Ganu) Director (Marketing)
Sd/- (Mrs.S.S.Kulkarni) Company Secretary

Place: Mumbai
Date: 28/06/2008

Place: Mumbai
Date: 28/06/2008

Balance Sheet Abstract and Companies General Business Profile:

I Registration Details

Registration No. 11895 State Code 11
CIN L99999MH1960GOI011895
Balance Sheet Date 31 3 2008
Date Month Year

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

a) Preference Capital - Government of India
2700000
b) Equity Capital
Public Issue NIL Right Issue NIL
Bonus Issue NIL Private Placement NIL

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

Total Liability 5991066 Total Assets 5991066

Sources of Funds

Paid up Capital 672711 Reserve & Surplus 797352
Preference Shares 2700000
Secured Loans 1184813 Unsecured Loans 636190

Application of Funds

Net Fixed Assets 2616384 Investment 4970
Net Current Assets 922184 Misc. Expenditure 41144
Accumulated Losses 2406384 Deferred Tax Asset 0

IV Performance of Company (Amount in Rs.Thousands)

Turnover (Income) 5761204 Total Expenditure 5604511
+ - Profit/Loss Before Tax 156693 + - Profit/Loss After Tax 152900
+ - Earning per share in Rs. 2.02 Dividend @ % NIL

V Generic Names of Three Principal Products/Services of Company (As per monetary terms.)

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

As per our report of even date attached For and on behalf of the Board of Directors of HOCLtd.
For L.S.Nalwaya & Company Chartered Accountants

Sd/- (Aashish Nalwaya) Partner MRN 110922
Sd/- (A.S.Didolkar) Chairman & Managing Director
Sd/- (Madan Verma) Director
Sd/- (R.N.Madangeri) Director (Technical)
Chairman- Audit Committee

Sd/- (S.V.Ganu) Director (Marketing)
Sd/- (Mrs.S.S.Kulkarni) Company Secretary

Place: Mumbai
Date: 28/06/2008

Place: Mumbai
Date: 28/06/2008

CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH, 2008

(Rs. In lacs)

| | 2007-08 | 2006-07 |
|---|------------------|-----------------|
| CASH FLOW FROM OPERATING ACTIVITIES: | | |
| Net profit before tax and extraordinary items | 1399.38 | 1768.73 |
| Adjustments for: | | |
| Depreciation | 2622.98 | 2710.71 |
| Loss on sale of Assets/ discarded assets w/off | 2.24 | 0.67 |
| Profit on sale of Assets/ discarded assets w/off | (14.22) | (1.28) |
| Interest paid | 1876.63 | 2173.16 |
| Provisions | 202.56 | 243.29 |
| Interest received from subsidiary | (9.00) | (2.92) |
| Interest Received (SCHEDULE-14) | (568.63) | (371.38) |
| Dividend Received | - | - |
| Misc. Expenditure(amortised) | - | - |
| Misc. Exp. paid(BOND ISSUE EXP.) | (42.02) | (48.95) |
| Operating Profit Before Extra Ordinary Items | 4070.54 | 4703.30 |
| Add:- Extra Ordinary Items | 5469.92 | 6472.03 |
| | 50.31 | (444.95) |
| OPERATING PROFIT BEFORE WORKING CAPITAL CHANGES | 5520.23 | 6027.08 |
| Adjustments for: | | |
| Trade & Other Receivables | (1166.19) | (1900.34) |
| Inventory | 343.80 | 1261.87 |
| Current liability & provisions | (682.59) | 973.29 |
| Loans & Advances | (470.06) | (364.38) |
| CASH GENERATED FROM OPERATING ACTIVITIES | (1975.04) | (29.56) |
| Direct Taxes (Net) | 37.93 | 64.51 |
| DEPRECIATION WRITTEN BACK | - | - |
| NET CASH FROM OPERATING ACTIVITIES (A) | 3507.26 | 5933.01 |
| CASH FLOW FROM INVESTING ACTIVITIES | | |
| Capital expenditure | (1822.72) | (644.69) |
| Sale of Fixed Assets | 25.32 | 1.94 |
| Purchase of Investment | - | - |
| Sale of Investment | - | - |
| Interest Received | 711.34 | 342.07 |
| Dividend Received | - | - |
| NET CASH USED IN INVESTING ACTIVITIES (B) | (1086.06) | (300.68) |
| CASH FLOW FROM FINANCING ACTIVITIES | | |
| Share application Money Received | 0.22 | 27000.00 |
| Long Term Borrowings(Net) | (2293.45) | (14480.17) |
| Bank Borrowings(Net) | (80.49) | (3088.04) |
| Interest paid | (2867.61) | (6544.94) |
| NET CASH FROM FINANCING ACTIVITIES (C) | (5241.33) | 2886.85 |
| NET INCREASE IN CASH & CASH EQUIVALENTS (A+B+C) | (2820.13) | 8519.18 |
| CASH & CASH EQUIVALENTS AS AT 01.04.07 (OP.BAL.) | 9107.07 | 587.89 |
| CASH & CASH EQUIVALENTS AS AT 31.03.08 (CL.BAL.) | 6286.94 | 9107.07 |

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

For and on behalf of the Board of Directors of HOCLtd.

| | | | | |
|--|--|---|--|---|
| Sd/- (A.S.Didolkar) Chairman & Managing Director | Sd/- (Madan Verma) Director Chairman- Audit Committee | Sd/- (R.N.Madangeri) Director (Technical) | Sd/- (S.V.Ganu) Director (Marketing) | Sd/- (Mrs.S.S.Kulkarni) Company Secretary |
|--|--|---|--|---|

AUDITOR'S CERTIFICATE

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

We have examined the attached Cash Flow Statement of Hindustan Organic Chemicals Limited for the year ended 31st March, 2008, which has been identified by us on. The statement is the responsibility of the management, our responsibility is to express an opinion based on our examination. The Statement of cash flow has been prepared by the Company in accordance with the requirements of clause 32 of the listing agreement with various Stock Exchange where the shares of the company are listed. The statement has been based on and in agreement with the corresponding Balance Sheet and Profit and Loss account of the Company covered by our report to the members of the Company.

Place: Mumbai
 Date: 28.06.2008

For L S Nalwaya
 Chartered Accountants
 Sd/-
(Ashish Nalwaya)
 Partner
 MRN 110922

**BALANCE SHEET AS AT 31st MARCH 2008**

| | SCH | AS AT 31-03-2008 | | AS AT 31-03-2007 | |
|--|-----|------------------|---------------|------------------|---------------|
| | | Rs.in Lacs | Rs.in Lacs | Rs.in Lacs | Rs.in Lacs |
| 1. SOURCES OF FUNDS | | | | | |
| a. Share Capital | 1 | 1,961.46 | | 1,961.46 | |
| b. Reserves & Surplus | 2 | 0.00 | 1,961.46 | 0.00 | 1,961.46 |
| 2. Loan Funds | | | | | |
| a. Secured Loans | 3 | 214.39 | | 2,110.87 | |
| b. Unsecured Loans | 4 | 3,052.41 | | 5,731.44 | |
| | | | 3,266.80 | | 7,842.31 |
| TOTAL | | | 5,228.26 | | 9,803.77 |
| APPLICATION OF FUNDS | | | | | |
| 1. Fixed Assets | | | | | |
| a. Gross Block | 5 | 5,225.77 | | 5,215.14 | |
| Less: Depreciation | | 4,908.48 | | 4,867.44 | |
| Net Block | | | 317.29 | | 347.70 |
| b. Capital work in progress | | | 54.92 | | 68.91 |
| 2. CURRENT ASSETS, LOANS & ADVANCES | | | | | |
| a. Inventories | 6 | 227.01 | | 254.12 | |
| b. Sundry Debtors | 7 | 15.82 | | 31.22 | |
| c. Cash & Bank balances | 8 | 1.89 | | 28.99 | |
| d. Loans & Advances | 9 | 147.49 | | 450.86 | |
| | | 392.21 | | 765.19 | |
| Less: Current Liabilities & Provisions | | | | | |
| a. Current Liabilities | 10 | 647.81 | | 516.05 | |
| b. Provisions | | 150.41 | | 120.44 | |
| NET CURRENT ASSETS | | | (406.01) | | 128.70 |
| 3. Profit & Loss Account | | | 5,262.06 | | 9,258.46 |
| TOTAL | | | 5,228.26 | | 9,803.77 |
| Notes to Accounts | 20 | | | | |

As per our report of even date

for V RAO & GOPI
CHARTERED ACCOUNTANTSSd/-
P HANUMANTHA RAO
PartnerPLACE : MUMBAI
Date : 26-06-2008

By order of the Board

Sd/-
A S DIDOLKAR
ChairmanSd/-
R.N.MADANGERI
DirectorSd/-
T S GAIKWAD
Managing DirectorSd/-
E SURYA RAO
Chief Manager (Finance)

**PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31st MARCH 2008**

| SCH | YEAR ENDED 31-03-2008 | | YEAR ENDED 31-03-2007 | |
|--|--------------------------|-------------------|--------------------------|---------------|
| | Rs.in Lacs | Rs.in Lacs | Rs.in Lacs | Rs.in Lacs |
| INCOME | | | | |
| Sales | 11 | 1,015.55 | 1656.55 | |
| Other Income | 12 | 4,522.11 | 33.03 | |
| Accretion/(Decretion) in stocks | 13 | (29.60) | (147.94) | |
| | | <u>5,508.06</u> | <u>1541.64</u> | |
| Expenditure | | | | |
| Materials consumed | 14 | 491.62 | 868.88 | |
| Employees remuneration and benefits | 15 | 432.89 | 412.55 | |
| Manufacturing, Admn. And Selling exp. | 16 | 438.49 | 504.91 | |
| Interest and financial charges | 17 | 63.72 | 401.86 | |
| Depreciation | 5 | 41.73 | 250.57 | |
| | | <u>1,468.45</u> | <u>2438.77</u> | |
| Loss on Impairment of assets | 5 | 34.25 | 34.25 | |
| Loss on deleted/discarded assets | 18 | 0.31 | 0.08 | |
| | | <u>4,005.05</u> | <u>(931.46)</u> | |
| Add: Prior period adjustments (net) | 19 | (6.85) | 2.39 | |
| Profit before Taxes | | <u>3,998.20</u> | <u>(929.07)</u> | |
| Provision for Fringe Benefit Tax (FBT) | | 1.80 | 1.69 | |
| PROFIT | | <u>3,996.40</u> | <u>(930.76)</u> | |
| Balance brought forward from the prev. year | | (9,258.46) | (8327.70) | |
| Balance of Loss carried to Balance sheet | | <u>(5,262.06)</u> | <u>(9,258.46)</u> | |
| Notes to the accounts | 20 | | | |

As per our report of even date

for **V RAO & GOPI**
CHARTERED ACCOUNTANTSSd/-
P HANUMANTHA RAO
PartnerPLACE : MUMBAI
Date : 26-06-2008

By order of the Board

Sd/-
A S DIDOLKAR
ChairmanSd/-
R.N.MADANGERI
DirectorSd/-
T S GAIKWAD
Managing DirectorSd/-
E SURYA RAO
Chief Manager (Finance)

| As at 31-03-2008 | | As at 31-03-2007 | | As at 31-03-2008 | | As at 31-03-2007 | | | | |
|---|---------------------|------------------|-----------|---|--------------------|------------------|-----------------|--------------------|---------------------|---------------------|
| Rs.in Lacs | | Rs.in Lacs | | Rs.in Lacs | | Rs.in Lacs | | | | |
| SCHEDULE - 1 SHARE CAPITAL | | | | SCHEDULE - 3 | | | | | | |
| Authorised | | | | SECURED LOANS | | | | | | |
| 2,10,00,000 Equity shares of Rs.10/- each (Previous year 2,10,00,000 Equity Shares of Rs.10/- each) | 2,100.00 | | 2,100.00 | From State Bank of Hyderabad : | | | | | | |
| Issued | | | | Cash Credit | 113.28 | | 220.44 | | | |
| 1,96,30,000 Equity shares of Rs. 10/- each (Previous year 1,96,30,000 Equity Shares of Rs.10/- each) | 1,963.00 | | 1,963.00 | Clean Credit | 101.11 | | | | | |
| Subscribed | | | | From Other Financial Institutions : | | | | | | |
| 1,95,99,100 of Rs.10/- each fully paid (Previous year 1,95,99,100 Equity Shares of Rs.10/- each) | 1,959.91 | | 1,959.91 | Term Loans | 0.00 | | 411.13 | | | |
| Shares forfeited (amount originally paid) | 1.55 | | 1.55 | Funded Interest | 0.00 | | 291.24 | | | |
| | | | | Interest accrued and due | 0.00 | | 1188.06 | | | |
| (Number of Shares 30900) | 1,961.46 | | 1,961.46 | | | | | | | |
| | | | | | 214.39 | | 2110.87 | | | |
| Note: Of the above, 1,10,65,200 Equity shares are held by M/s HOC the Holding Company. | | | | | | | | | | |
| SCHEDULE - 2 | | | | SCHEDULE - 4 | | | | | | |
| RESERVES AND SURPLUS | | | | UNSECURED LOANS | | | | | | |
| Investment allowance Reserve | 0.00 | | 0.00 | Hindustan Organics Chemicals Ltd (Holding Co) | 2609.72 | | 2609.72 | | | |
| Less:Transferred to Profit & Loss Account | 0.00 | | 0.00 | Add:Additional Loan | 430.08 | | 75.00 | | | |
| | 0.00 | | 0.00 | Interest accrued and due | 12.61 | | 3046.72 | | | |
| | | | | | 3052.41 | | 5731.44 | | | |
| SCHEDULE - 5 FIXED ASSETS AND CAPITAL WORK IN PROGRESS | | | | | | | | | | |
| | | | | Rs.in lacs | | | | | | |
| GROSS BLOCK (AT COST) | | | | DEPRECIATION | | | | NET BLOCK | | |
| PARTICULARS | AS AT 01-04-2007 | ADDITIONS | DELETIONS | AS AT 31-03-2008 | UPTO 01-04-2007 | FOR THE YEAR | ADJUST MENTS | UPTO 31-03-2008 | AS AT 31-03-2008 | AS AT 31-03-2007 |
| FIXED ASSETS | | | | | | | | | | |
| Land | 68.42 | 0.00 | 0.00 | 68.42 | 0.00 | 0.00 | 0.00 | 0.00 | 68.42 | 68.42 |
| Factory Buildings | 79.49 | 0.00 | 0.00 | 79.49 | 50.17 | 2.65 | 0.00 | 52.82 | 26.67 | 31.98 |
| Non-Factory Buildings | 68.49 | 0.00 | 0.00 | 68.49 | 21.62 | 1.12 | 0.00 | 22.74 | 45.75 | 47.98 |
| Fencing and compound wall | 11.09 | 0.00 | 0.00 | 11.09 | 11.09 | 0.00 | 0.00 | 11.09 | 0.00 | 0.00 |
| Plant and Machinery | 4,606.64 | 10.80 | 0.00 | 4,617.44 | 4,435.83 | 18.26 | 0.00 | 4,454.09 | 163.35 | 379.35 |
| Electrical Installations & equipment. | 300.11 | 0.00 | 0.00 | 300.11 | 278.13 | 13.72 | 0.00 | 291.85 | 8.26 | 36.00 |
| Furniture & Fixtures & other equipment | 62.83 | 0.33 | (0.43) | 62.73 | 55.03 | 3.39 | (0.12) | 58.30 | 4.43 | 11.15 |
| COMPUTERS | 18.07 | 0.50 | (0.57) | 18.00 | 15.57 | 2.59 | (0.57) | 17.59 | 0.41 | 10.01 |
| TOTAL | 5,215.14 | 11.63 | (1.00) | 5,225.77 | 4,867.44 | 41.73 | (0.69) | 4,908.48 | 317.29 | 584.89 |
| Capital WIP | 213.37 | 20.67 | (0.41) | 233.63 | 144.46 | 34.25 | 0.00 | 178.71 | 54.92 | 114.97 |
| GRAND TOTAL (A+B) | 5,428.51 | 32.30 | (1.41) | 5,459.40 | 5,011.90 | 75.98 | (0.69) | 5,087.19 | 372.21 | 699.86 |
| Previous Year Figures | 5,426.96 | 13.89 | (12.34) | 5,428.51 | 4,727.09 | 284.82 | (0.01) | 5,011.90 | 416.61 | 699.86 |
| SCHEDULE - 6 | | | | SCHEDULE - 8 | | | | | | |
| INVENTORIES (AS TAKEN, VALUED AND CERTIFIED BY THE MANAGEMENT) | | | | CASH AND BANK BALANCES | | | | | | |
| Stores and Spares | 136.72 | | 139.02 | Cash on Hand | 0.36 | | 0.08 | | | |
| Raw Materials | 47.03 | | 25.51 | Bank Balances | | | | | | |
| Materials in transit | 0.25 | | 13.26 | With Scheduled Banks : | | | | | | |
| Stock-in-process | 27.51 | | 36.23 | - In Current Account | 1.53 | | 0.36 | | | |
| Finished Products | 15.50 | | 40.10 | - In Deposit Account | 0.00 | | 28.55 | | | |
| | 227.01 | | 254.12 | | 1.89 | | 28.99 | | | |
| SCHEDULE - 7 | | | | SCHEDULE - 9 | | | | | | |
| SUNDRY DEBTORS (Unsecured) | | | | LOANS AND ADVANCES (Unsecured) | | | | | | |
| Exceeding Six Months | | | | Advances recoverable in cash or in kind or for value to be received | 16.92 | | 31.74 | | | |
| - Considered good | 0.00 | | 0.00 | Less: Considered for doubtful advance | 0.91 | 16.01 | 0.91 | | | |
| - Considered doubtful | 309.64 | 309.64 | 312.79 | Balance with Excise Authorities | | 31.67 | 2.18 | | | |
| Others | | | | Income Tax Refundable | | 4.84 | 3.16 | | | |
| - Considered good | 15.82 | | 31.22 | Prepaid Expenses | | 6.20 | 9.55 | | | |
| | 325.46 | | 344.01 | Deposits | | 80.77 | 80.73 | | | |
| Less: Provision for doubtful debts | 309.64 | | 312.79 | E S I | | 8.00 | 8.00 | | | |
| | 15.82 | | 31.22 | Deposit with IDBI (OA) | | 0.00 | 316.00 | | | |
| | | | | Insurance Claim Receivable | | 0.00 | 0.41 | | | |
| | | | | VAT Receivable | | 0.00 | 0.00 | | | |
| | | | | | 147.49 | | 450.86 | | | |



SCHEDULE 20

NOTES TO ACCOUNTS:

PART A: SIGNIFICANT ACCOUNTING POLICIES:

1. GENERAL.

- 1.1 The Accounts have been prepared on historical cost basis.
1.2 All revenues and expenses are accounted on accrual basis except to the extent stated otherwise.

2. FIXED ASSETS:

- 2.1 Fixed assets (including capital work-in-progress) are accounted at cost, net of modvat credit.
2.2 Expenditure during construction period including interest on loans borrowed is included in the capital cost.

3. DEPRECIATION

- 3.1 Depreciation is provided on Straight-Line Method in accordance with Schedule XIV of the Companies Act, 1956, as amended, treating plant and machinery as continuous process plant.
3.2 Depreciation on assets costing less than Rs.5000/- is provided at 100%.
3.3 Expenditure not represented by assets is written off over a period of 5 years.

4. SALES

Sales are net of trade discount and exclusive of Excise Duty and Sales Tax.

5. INVENTORIES

- 5.1) The closing stock of raw materials, stores and spares etc., are valued at cost by adopting weighted average method after giving due credit for VAT. Stock-in-process and finished goods are valued at cost or net realizable value whichever is lower after giving due credit for VAT.
5.2) Excise duty payable on finished goods manufactured but not removed is included in the Valuation of such stocks.
5.3) Sales of realizable scrap are accounted on receipt basis.
5.4) Insurance claims are accounted on accrual basis on admission of claims.

6. RETIREMENT BENEFITS

- 6.1 In respect of gratuity the company has taken an Insurance Policy with Life Insurance Corporation of India to cover the gratuity that may be payable to employees on retirement. The premium on the policy is being charged to Profit and Loss account.
6.2 Leave encashment and other retirement benefits are accounted on accrual basis and charged to P&L A/c.
6.3 Contributions to Provident Fund are charged to P & L A/c.

7. MISCELLANEOUS EXPENDITURE NOT WRITTEN OFF

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

8. EXCHANGE FLUCTUATION

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

PART B:

1. OTHERS:

1. The Company entered into a lease-cum-sale agreement with Andhra Pradesh Industrial Infrastructure Company (APIIC) in April 1986 for the land acquired by APIIC under the Land acquisition act and allotted to the company. The title in respect of the land had been transferred in favour of the company.

2. LOANS:

- 2.1 Cash credit facility from State Bank of Hyderabad is secured by hypothecation of raw materials, stock-in-process, finished goods, and consumable stores and book debts.
2.2 Cash Credit Limits from State Bank of Hyderabad is guaranteed by the holding company, viz. Hindustan Organic Chemicals.

3. An amount of Rs. 3052.41 lacs (Previous year Rs.5731.44 lacs) is due to Hindustan Organic Chemicals Limited (HOCL) including Rs.8.68 lacs (Previous year Rs.263.84lacs) provided during the year as interest on HOCL loan.

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

5. During the current year finished goods, which have not moved for more than 3 years are valued at Rs.1.00/kg and the consequential difference in value is Rs.0.00 lac (Previous year Rs.0.01 lac).

6. CONTINGENT LIABILITIES NOT PROVIDED FOR:

| | 2007-08 Rs.in lacs | 2006-07 Rs.in lacs | |
|---|---|-----------------------|----------------|
| A | Claims against the Company not acknowledged as debts. | 12.01 | 12.01 |
| B | Difference of interest on Term Loan from IFI's due to non acceptance of relief package. | 0.00 | 1790.88 |
| C | FLC/ILC Obtained as on 31-03-2008 | 0.00 | 115.00 |
| D | E S I | 13.46 | 13.46 |
| E | Salary arrears for Officers | 450.00 | 410.00 |
| F | Salary arrears for Non-officers | 910.00 | 828.00 |
| G | Differential Sales Tax due to non submission of "C" forms | 176.07 | 0.00 |
| | TOTAL | 1561.54 | 3169.35 |

7. Estimated amount of contracts remaining to be executed on capital account and not provided for (net of advances).
- | | | |
|--|------|------|
| | 0.00 | 0.00 |
|--|------|------|
8. Expenditure incurred in foreign currency
- | | | |
|--|-----|-----|
| | NIL | NIL |
|--|-----|-----|
9. HFL has deposited a sum of Rs.316.00 lacs with IDBI in a 'no lien account' in pursuance of HOCL proposal submitted to IDBI. HOCL, parent company, has submitted a revival scheme of HFL to BIFR thru IDBI with one time settlement (OTS). Accordingly HOCL has remitted the balance amount of Rs.134.34 lacs to IDBI towards OTS. IDBI and other IFI's gave their acceptance for OTS and received a certificate from each IFI for balance confirmation and on settlement of amount through IDBI (OA) no due certificate along with vacation of 1st charge based on 03-12-2007 proceedings BIFR released the order dated 19-12-2007 with revival of HFL scheme, HFL filed with ROC Hyderabad for satisfaction of charge. Accordingly IFI's sacrificed an amount for Rs. 1442.10 lacs and HOCL had also sacrificed an amount of Rs.3042.80 lacs in line with BIFR order.
10. Excise duty on closing finishing goods in respect of goods manufactured by the company amounting to Rs. 1.95 lacs (previous year Rs.5.67 lacs) is included in the valuation of such stocks.
11. Unpaid overdue amounts due on 31st March 2008 to Small Scale/Ancillary Industrial suppliers on account of principal amount together with interest aggregated to Rs.0.00 lacs (Previous year Rs.0.00 lacs). This disclosure is based on information available with the company with regard to the status of the suppliers as defined under interest on delayed payments to Small Scale and Ancillary Industries Undertaking Act, 1993.
12. Balance standing to the debit/credit of parties is subject to confirmation by them and reviews by the Company.
13. As required by Accounting Standard 28 loss on impairment of incinerator system an amount of Rs.34.25 lacs (Previous year 34.25 lacs) is charged off during the year.
14. As required by Accounting Standard 20 issued by the Institute of Chartered Accountants of India, the reporting in respect of Earning per Share (EPS) is as follows:

| | 2007-2008 Rs.in lacs | 2006-2007 Rs.in lacs |
|--|-------------------------|-------------------------|
| Profit / Loss available to equity shareholders | 3996.41 | (930.77) |
| Weighted average No. of equity share for basic EPS | No. 19599100 | No. 19599100 |
| Normal value of equity shares | Rs.10.00 | Rs.10.00 |
| Basic earning per equity share | Rs.2.04 | Rs.(4.75) |

15. As per Section 72 and 32(2) of Income tax Act 1961, at present, the company has unabsorbed carry forward business losses at around Rs.474.89 lacs (Previous year Rs.2600.81 lacs) and unabsorbed depreciation at around Rs. 3806.92 lacs (Previous year 3790.04 lacs). As per AS 22, the company has not accounted the related tax on them in its books as deferred tax assets, as no sufficient income is available to realize them. Company shall recognize related tax on them, as deferred tax assets in succeeding years only when there is certainty that sufficient taxable income will be available.

16. Auditors remuneration includes Statutory Audit fee Rs.0.60 lacs and Limited review Rs.0.24 lacs.

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

18. Quantitative details regarding consumption of Raw Materials:

| | 2007-2008 | | 2006-2007 | |
|---------------|------------|---------------------|------------|---------------------|
| | Qty MT. | Value Rs.in lacs | Qty MT. | Value Rs.in lacs |
| a. AHF | 270.510 | 200.32 | 442.83 | 315.01 |
| b. Chloroform | 761.079 | 241.55 | 1244.83 | 451.70 |
| c. RM-258 | 0.187 | 16.60 | 0.286 | 37.50 |
| d. Others | - | 24.58 | - | 49.65 |
| TOTAL | | 483.05 | | 853.86 |

19. Consumption of Raw Materials:

| | 2007-2008 | | 2006-2007 | |
|---------------|---------------|----------------------------|---------------|----------------------------|
| | Rs.in lacs | % of Total consumptions | Rs.in lacs | % of Total consumptions |
| a. Imported | 19.45 | 4.02 | 10.76 | 1.26 |
| b. Indigenous | 463.60 | 95.98 | 843.10 | 98.74 |
| Total | 483.05 | 100.00 | 853.86 | 100.00 |

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

| | 2007-2008 | | 2006-2007 | |
|---------------------|------------|---------------------|------------|---------------------|
| | Qty MT. | Value Rs.in lacs | Qty MT. | Value Rs.in lacs |
| A. PTFE | | | | |
| Licensed capacity | 500TPA* | - | 500TPA | - |
| Installed capacity | 500TPA* | - | 500TPA | - |
| Opening stock | 8.29 | 34.42 | 32.00 | 154.26 |
| Production | 113.99 | - | 245.002 | - |
| Captive Consumption | - | - | - | - |
| Sales | 118.89 | 563.89 | 268.69 | 1171.99 |
| Closing Stock | 3.39 | 13.31 | 8.29 | 34.42 |



| B. CFM-22 | | | | | 2007-2008 | | 2006-2007 | |
|---|---|---|---------------------------------|------------|-----------|--|-----------|--|
| | Qty | Value | Qty | Value | | | | |
| | MT. | Rs.in lacs | MT. | Rs.in lacs | | | | |
| Licensed capacity | 1265 TPA* | - | 1265 TPA* | - | | | | |
| Installed capacity | 1265 TPA* | - | 1265 TPA* | - | | | | |
| Opening stock | 7.522 | 9.86 | 8.462 | 11.50 | | | | |
| Production | 481.68 | - | 790.500 | - | | | | |
| Captive Consumption | 335.28 | - | 628.52 | - | | | | |
| Sales | 148.31 | 407.10 | 162.925 | 446.76 | | | | |
| Closing Stock | 5.61 | 7.37 | 7.522 | 9.86 | | | | |
| * As certified by the Management and relied upon by the auditors, being a technical matter. | | | | | | | | |
| | | 2007-2008 | 2006-2007 | | | | | |
| | | Rs.in lacs | Rs.in lacs | | | | | |
| 21. a) | CIF value of imports of Raw materials and Stores and Spares. | 28.51 | 14.10 | | | | | |
| b) | FOB Values of Exports | 0.00 | 0.00 | | | | | |
| 22. | Managerial remuneration included in employee's remuneration and benefits | | | | | | | |
| | Managing Director | 2007-2008 | 2006-2007 | | | | | |
| | | Rs.in lacs | Rs. in lacs | | | | | |
| | Salary | 2.04 | 4.11 | | | | | |
| | Rental accommodation | 1.78 | 1.64 | | | | | |
| | Medical reimbursement | 0.02 | 0.04 | | | | | |
| | Company Contribution to PF | 0.20 | 0.41 | | | | | |
| | Leave Travel Allowance | 0.06 | 0.00 | | | | | |
| | Total | 4.10 | 6.20 | | | | | |
| | Managing Director's Remuneration for the period from 01-04-2007 to 20-06-2007 and 01-01-2008 to 31-03-2008. | | | | | | | |
| 23. | Previous year figures have been regrouped/reclassified/recast wherever necessary to conform to current year's classification. | | | | | | | |
| As per our report of even date For V RAO & GOPI Chartered Accountants. | | By order of the Board | | | | | | |
| | Sd/- | Sd/- | Sd/- | | | | | |
| | P HANUMANTHA RAO (Partner) | A S DIDOLKAR (Chairman) | T S GAIKWAD (Managing Director) | | | | | |
| | | Sd/- | | | | | | |
| | | E SURYA RAO (Chief Manager (Finance)) | | | | | | |
| Place : MUMBAI Date : 26-06-2008 | | | | | | | | |
| 24. | Information as required under Part-IV of the Schedule VI to the Companies Act, 1956. | | | | | | | |
| Balance Sheet Abstract and Companies General Business Profile: | | | | | | | | |
| I. | Registration Details: | | | | | | | |
| | Registration No. | 01-4037 | State Code | 01 | | | | |
| | Balance Sheet | 31 | 03 | 2008 | | | | |
| | | Date | Month | Year | | | | |
| II. | Capital Raised during the year (Amount in Rs.Thousands) | | | | | | | |
| | Public Issue | NIL | Rights Issue | NIL | | | | |
| | Bonus Issue | NIL | Private Placement | NIL | | | | |
| III. | Position of Mobilisation and Deployment of Funds (Amount in Rs.Thousands) | | | | | | | |
| | Total Liabilities | 522826 | Total Assets | 522826 | | | | |
| | Sources of Funds | | | | | | | |
| | Paid-up Capital | 196146 | Reserves & Surplus | NIL | | | | |
| | Secured Loans | 21439 | Unsecured Loans | 305241 | | | | |
| | Application of Funds | | | | | | | |
| | Net Fixed Assets | 37221 | Investments | NIL | | | | |
| | Net current Assets | 40601 | Misc.Expenditure | NIL | | | | |
| | Accumulated Losses | 526206 | | | | | | |
| IV. | Performance of Company (Amount in Rs.Thousands). | | | | | | | |
| | Turnover | 550805 | Total Expenditure | 146845 | | | | |
| | Profit Before Tax | 399820 | Loss After Tax | 399640 | | | | |
| V. | Earning per Share in Rs. | 2.04 | Dividend Rate % | NIL | | | | |
| VI. | Generic Names of Three Principal Products/Services of the Company (as per monetary terms) | | | | | | | |
| | Item Code No (ITC Code) | 0039046000 | | | | | | |
| | Product description | FLUOROPOLYMERS (PTFE etc.) | | | | | | |
| PLACE: MUMBAI DATE : 26-06-2008 | | By Order of the Board. Sd/- A S DIDOLKAR (Chairman) Sd/- T S GAIKWAD (Managing Director) Sd/- R.N.MADANGERI (Director) Sd/- E SURYA RAO (Chief Manager (Finance)) | | | | | | |
| | | Sd/- P HANUMANTHA RAO (Partner) | | | | | | |

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

| | 2007-2008 | 2006-2007 |
|--|-------------|-------------|
| | Rs. In lacs | Rs. In lacs |
| A CASH FLOW FROM OPERATING ACTIVITIES: | | |
| Net Profit before taxation and Extraordinary items | 4005.05 | (931.46) |
| Adjustments for : | | |
| Reversal of Interest on IFI's& HOCL | (4484.90) | 0.00 |
| Depreciation | 41.73 | 250.57 |
| Interest | 56.86 | 395.71 |
| Provision for doubtful debts/advances (Net) | (3.15) | 10.92 |
| Loss on deleted / discarded assets | 0.31 | 0.08 |
| Loss on Impairment of assets | 34.25 | 34.25 |
| Operating Profit before working capital changes | (349.86) | (239.93) |
| Adjustments for | | |
| (Increase)/Decrease in Loans & Advances | 303.37 | (5.58) |
| (Increase)/Decrease in Trade receivables | 18.55 | 61.41 |
| (Increase)/Decrease in Inventories | 27.11 | 207.93 |
| Increase/(Decrease) in working capital borrowings | (6.05) | (6.00) |
| Increase/(Decrease) in Trade payables | 161.73 | (45.00) |
| Cash generated from operations | 154.85 | (27.17) |
| Interest paid | (48.17) | (35.22) |
| Direct taxes paid (FBT) | (1.80) | (1.69) |
| Cash flow before extraordinary items | 104.88 | (64.08) |
| Less: Prior period expenses (Net) | (6.85) | 2.39 |
| Add: Depreciation | 0.00 | 0.00 |
| Net Cash flow from Operating activities | 98.03 | (61.69) |
| B CASH FLOW FROM INVESTING ACTIVITIES : | | |
| Purchase of fixed assets | (31.89) | (1.66) |
| | (31.89) | (1.66) |
| C CASH FLOW FROM FINANCING ACTIVITIES: | | |
| Repayment of Secured Loans | (448.33) | 0.00 |
| Increase in Unsecured Loans | 355.08 | 50.00 |
| Net cash used in financing activities | (93.25) | 50.00 |
| Net increase in cash and cash equivalents | (27.11) | (13.35) |
| Cash and cash equivalents at the beginning of period | 28.99 | 42.34 |
| Cash and cash equivalents at the ending of period | 1.89 | 28.99 |

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

Place : MUMBAI
Date : 26-06-2008

Sd/-
A S DIDOLKAR (Chairman)
Sd/-
T S GAIKWAD (Managing Director)
Sd/-
R.N.MADANGERI (Director)
Sd/-
E SURYA RAO (Chief Manager (Finance))

AUDITORS' REPORT

We have examined the attached cash flow statement of M/s Hindustan Fluorocarbons Limited for the year ended on 31st March 2008. The statement has been prepared by the company in accordance with the requirement of clause 32 of the listing agreement with Hyderabad stock exchange and is based on and in agreement with the corresponding Profit and Loss A/c and Balance Sheet of the company covered by our report Dt.26.06.2008 to the members of the Company.

Place : MUMBAI
Date : 26-06-2008

for V RAO & GOPI
CHARTERED ACCOUNTANTS

Sd/-
P HANUMANTHA RAO (Partner)



HINDUSTAN ORGANIC CHEMICALS LIMITED

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

ATTENDANCE SLIP

Annual General Meeting, the Friday, 26th September, 2008

Name of the Shareholder(s) _____

Folio No. _____

I certify that I am a Registered Member/proxy for the Registered Member of the Company. I hereby record my presence at the FORTY-SEVEN ANNUAL GENERAL MEETING of the Company to be held at RASRANG HALL, Dr. Kasbekar Park, Rasayani at 3.00 p.m. on Friday, 26th September, 2008.

(Members'/Proxy's Name)

(Member's/Proxy's Signature)

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

Tear here



HINDUSTAN ORGANIC CHEMICALS LIMITED

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

FORM OF PROXY

Annual General Meeting, the Friday, 26th September, 2008

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

No. of Share(s) _____

I/We _____ of _____ being a Member(s) of the above named Company, hereby appoint Shri/Smt. _____ as my/ our proxy to vote for me/our behalf at the FORTY-SEVEN ANNUAL GENERAL MEETING of the Company to be held at RASRANG HALL, Dr. Kasbekar Park, Rasayani at 3.00 p.m. on Friday, 26th September, 2008.

Signed _____ day of _____ 2008.

Signature

One
Rupee
Revenue
Stamp

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

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