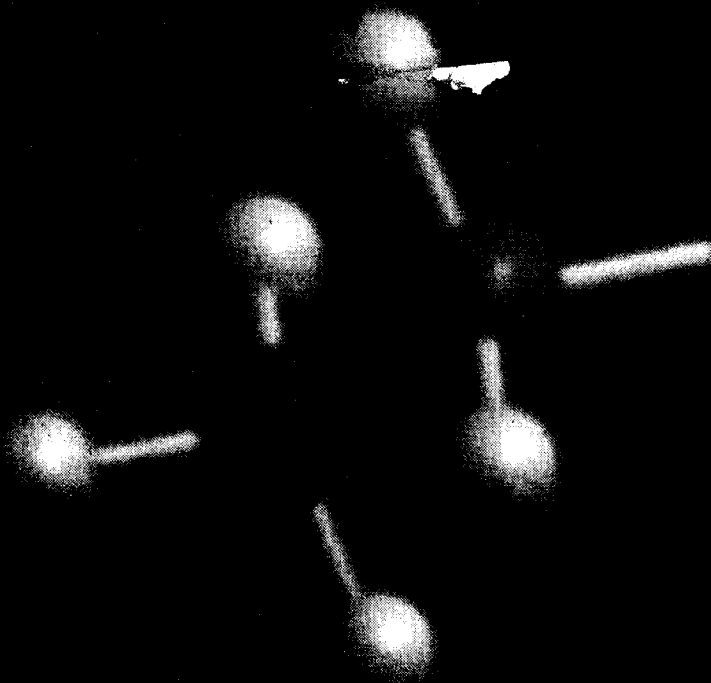


HINDUSTAN ORGANIC CHEMICALS LIMITED



50th Annual Report 2010-11



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HINDUSTAN ORGANIC CHEMICALS LIMITED		
REG.OFFICE & RASAYANI UNIT:: Rasayani, Dist.Raigad, Maharashtra, Pin - 410 207. Tel : (02192) 250041-46 Fax : (02192) 250050 E-mail id : : rasayani.cs@hocl.gov.in grievances@hocl.gov.in Website : hocl.gov.in	DELHI : Core-6, Scope Complex, 1st Floor, Lodi Road, New Delhi - 110 003. Tel : (011) 24361610 / 24364690 Fax : (011) 24360698	
KOCHI UNIT : Ambalamugal, Dist. Ernakulam, Pin - 682 302. Tel : (0484) 2720911 / 2720912 / 13 Fax : (0484) 2720893 E-mail : hindustanorganic@bsnl.in	HYDERABAD : 1402, Babukhan Estate, Bashir Bagh, Hyderabad - 500 001. Tel : (040)23329850 (Dir.) Tel.Fax: 23240058 Fax : (040) 23296455	
REGIONAL & MARKETING OFFICES BARODA : 3/A, Kirti Tower, Tilak Road, Baroda - 390 001. Telefax : (0265) 2438 122	CHENNAI : D-1, Nelson Chambers, 115, Nelson Manickam Road, Aminji Karai, Chennai - 600 029. Tel : (044) 2374 1853	
MUMBAI : Harchandrai House, 81, Maharshi Karve Road, Marine Lines Mumbai - 400 002. Tel : (022) 22014269/71/72 Fax : (022) 22059533 E-mail id : corporate.cs@hocl.gov.in grievances@hocl.gov.in	Subsidiary Company HINDUSTAN FLUOROCARBONS LTD. 1402, Babukhan Estate, Bashir Bagh, Hyderabad - 500 001 Tel : (040) 23241051 / 23237125. Fax : (040) 23296455 E-Mail : hiflonpfe@yahoo.co.in	



BOARD OF DIRECTORS

SHRI R.N. MADANGERI	Chairman & Managing Director (from 1/09/2010)
SHRI A.S. DIDOLKAR	Chairman & Managing Director (up to 30/08/2010)
SHRI M.K. MITTAL	Director (Finance)
SHRI J. N. SURYAWANSHI	Director (Marketing) (w.e.f. 30/04/2011)
Dr. V. RAJAGOPALAN, AS&FA	Director (Govt. Nominee)
SHRI S. C. GUPTA, JS	Director (Govt. Nominee)
SHRI MADAN VERMA	Director (up to 7/01/2011)
DR. N. J. GAIKWAD	Director (up to 7/01/2011)
DR. SUKUMAR DEVOTTA	Director (up to 27/05/2010)
DR. B. D. KULKARNI	Director (up to 27/05/2010)
MRS. SUSHEELA. S. KULKARNI	Company Secretary

AUDIT COMMITTEE OF THE BOARD (Up to 07-01-2011)

SHRI MADAN VERMA Director, Chairman A.C. (up to 7/01/2011)	SHRI A. S. DIDOLKAR CMD, Invitee of A.C. (Up to 30/08/2010)
DR. B. D. KULKARNI Director, Member A.C. (Upto 7/01/2011)	DR. SUKUMAR DEVOTTA Director, Member A.C.(upto 27/05/2010)
DR. N. J. GAIKWAD Director, Member A.C. (From 13-7-2010 up to 07-01-2011)	SHRI S. C. GUPTA, JS Govt. Director, Member A.C. (From 17/07/2010 up to 07/01/2011)
SHRI R. N. MADANGERI CMD, Invitee of A.C.	SHRI M. K. MITTAL D(F), Invitee of A.c.

SMT. S. S. KULKARNI
Company Secretary
Secretary to the Audit Committee

Audit Committee of the Board (Re-constituted on 30-5-2011)

Dr. V. RAJAGOPALAN, AS&FA Govt. Director & Chairman A.C.	SHRI M. K. MITTAL DF, Member, A.C.
SHRI J. N. SURYAWANSHI DM, Member A.C.	MRS. SUSHEELA KULKARNI, C.S. Secretary to A.C.

SHARES/BONDS TRANSFER, SHAREHOLDERS' BONDS HOLDERS / INVESTORS' GRIEVANCE COMMITTEE

SHRI R.N. MADANGERI CMD, Chairman (from 1/9/2010)	SHRI M.K. MITTAL D(F), Member
SHRI A. S. DIDOLKAR CMD, Chairman (up to 30/08/2010)	SMT. SUSHEELA .S. KULKARNI CS, Member & Secretary

MANAGEMENT COMMITTEE OF THE BOARD (From 29/09/2010 to 18/03/2011)

SHRI S. C. GUPTA, JS Govt. Director, Chairman	SHRI MADAN VERMA Director, Member
SHRI M. K. MITTAL Director (Finance), Member	SMT. SUSHEELA S. KULKARNI Company Secretary Secretary to the Management Committee

REMUNERATION COMMITTEE (FROM 11/11/2010 TO 07/01/2011)

DR. N. J. GAIKWAD Director, Chairman of the Committee (upto 7/01/2011)	SHRI M. K. MITTAL Director (Finance), Member of the Committee
SMT. SUSHEELA S. KULKARNI Company Secretary Secretary to the Remuneration Committee	

**NOTICE**

Notice is hereby given that the 50th Annual General Meeting of the Members of the Company will be held on Thursday, the 25th August, 2011 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, 2010 to 31st March, 2011 and the Audited Balance Sheet as at 31st March, 2011 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 S.C. Gupta, who retires at this AGM .
3. To appoint a Director or any other Director (as may be appointed by the GOI in its Order) in place of Dr. V. Rajagopalan, 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 : 18/07/2011

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 Thursday, the 18th August, 2011 to Thursday, the 25th August, 2011 (both days inclusive).
4. Members who hold shares in the dematerialised form, are requested to bring their depository account number for identification.
5. 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.
6. The Ministry of Corporate Affairs has taken a "Green Initiative in the Corporate Governance" by allowing paperless compliance by the Companies after considering sections 2, 4, 5 and 81 of the Information Technology Act, 2000 for legal validity of compliances under Companies Act through electronic mode. In view of the MCA Circular dt. 21st April, 2011, the Shareholders, who wish to have the service of documents by the Company, can be made through electronic mode by registering their email ID's with corporate.cs@hocl.gov.in, rasayani.cs@hocl.gov.in and sharepro@shareproservices.com

By Order of the Board of
Hindustan Organic Chemicals Ltd.

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

Place : Rasayani
Date : 18/07/2011

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

CHAIRMAN'S STATEMENT

Dear Shareholders,

My Colleagues on the Board and I extend warm welcome, and express gratitude, to all of you present here at this 50th Annual General Meeting of your Company. The Audited Annual Accounts together with the Directors' Report and Auditors' Report of the Company for the year 2010-11 and the AGM Notice to the Shareholders have been in your hands for some time and with your permission I take them as read.

PERFORMANCE :

I must now share with you in brief the status of our company's performance during the year 2010-11.

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 2010-11 due to excellent quality of its products manufactured at Kochi and Rasayani. During the year under review, your Company could achieve sales valuing Rs. 667.36 Crores (net of excise duty).

The Company had however taken the best possible measures both in cost reduction as well as in other areas. The high labour cost and high incidence of cost on closed plants at Rasayani 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. Despite this, your Company was able to generate a net profit of Rs. 25.72 crores during the year.

It is expected that with the continued cost control steps in progress, the performance and profitability of the Company would further improve.

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

RASAYANI UNIT OPERATIONS TURNAROUND PLANS :

1. HOCL has signed the Gas transmission Agreement with M/s GAIL. With the availability of Natural Gas from GAIL, the Company has changed over the feed stock of Hydrogen from Naphtha to Natural Gas to reduce the cost of production. Further for boiler operation, natural gas is used in place of furnace oil to reduce steam cost.
2. The Company has successfully commissioned the operation of Hydrogen Plant using CNG as feed stock in place of Naphtha and Boiler operation using CNG in place of Furnace oil, in the month of March, 2011.
3. The Company is also in talks with JNPT authorities and PSUs like RCF to explore the possibility of forming JVs for utilization of surplus land available at Rasayani.

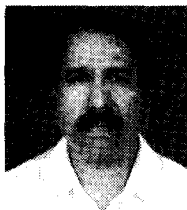
We hope that with the aforesaid operational plans and with the assistance from the Government, the Company would be able to turnaround its Rasayani Unit operations, in the years ahead.

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 Centres at both the Units. Company has also adopted HIV AIDs Policy 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 continues to be peaceful and cordial during the year. There was no strike or lock out affecting production / profitability.

RESEARCH & DEVELOPMENT

R&D Division continues to play a significant role in new developments by implementing an improved regeneration process for aniline catalyst on plant scale. It is actively

involved in research program with Sud-Chemie India Private Limited for re-use of spent catalyst by repelletization of FD catalyst/ Aniline catalyst. This will lead to cost reduction of the product, and more importantly disposal of the waste catalyst through green chemistry route. R&D has also focused its activities in creating Intellectual Property Rights by filing ten patents in India and US under PCT. R&D Dept. is developing vapour face process of Kerosene fuel and also accelerated method for in process monitoring of aromatics in Kerosene for ISRO.

CORPORATE GOVERNANCE :

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

HINDUSTAN FLUOROCARBONS LIMITED (HFL) - SUBSIDIARY :

The details of performance of HFL are given in the Directors' Report. While the Company continues to be under BIFR Net, Company's position has significantly improved to register profit, due to implementation of CDM Project and development of products from TFE.

STATUS OF CLEAN DEVELOPMENT MECHANISM (CDM) PROJECT :

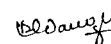
Further the CDM Project has been registered and storing and thermal oxidation of R 23 Gas has been started on regular basis. The stored and thermally oxidized R23 Gas is eligible for CERs. The Company has received first lot of 210142 CERs from UNFCCC.

ACKNOWLEDGEMENTS:

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 Government Of India, the Ministry of Chemicals & Fertilizers, Finance Ministry, Department of Banking, Board Members, Statutory/Govt. Auditors and all the agencies concerned. My gratitude is also to the shareholders, Bond holders and customers who have stood by us in the present phase of our demanding situation.

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

In conclusion, I am optimistic that the Company would attain significant profits in the near future.



(R.N. MADANGERI)
CHAIRMAN & MANAGING DIRECTOR

**DIRECTORS' REPORT**

To the Members of

Hindustan Organic Chemicals Limited

Dear Shareholders

Your Directors are pleased to present the 50th Annual Report and the Audited Annual Accounts of the Company for the financial year ended 31st March, 2011.

The financial performance of the Company for the year ended March 31, 2011 is summarized below:

(Rs. in Lacs)

	Year ended 31/03/2011	Year ended 31/03/2010
Gross Sales.	73803.91	52071.24
Operating Profit/(Loss)	7235.40	(3456.57)
Less: Interest	2088.35	2323.10
Less: Depreciation	2517.74	2652.28
Profit/(Loss) before tax	2629.31	(8431.95)
Less: Provision for taxation	-	-
Less: PriorPeriod adjustments	57.72	(124.16)
Profit/(Loss) after tax & Prior period adjustments/Provisions.	2571.59	(8307.79)

However, in view of accumulated losses as at the end of the Financial Year 2010-11 are carried forward, your Directors do not recommend any dividend on equity shares for the year ended 31st March, 2011.

RESULTS OF OPERATIONS

During the year under review the Company was able to generate the Net profit of Rs. 25.72 crores during the year, while the Net Loss during the previous year was Rs. 83.08 crores.

As regards the unit wise performance, the Net Profit of Kochi Unit was Rs.130.08 crores which was much higher as compared to the previous year's profit of Rs.14.74 crores. The Rasayani Unit recorded a Net Loss of Rs. 104.37 crores as compared with the previous year's loss of Rs. 97.82 crores.

OPERATIONS :

During the year under Report, your Company's Kochi unit, achieved a sales turnover of 84082 MTs valuing Rs.58120.81 lacs as against 72172 MTs valuing Rs. 38032.63 lacs of the previous year.

With the production of 234684 MTs (main products) during the year 2010-11 as against the production of 221249 MTs (main products) in 2009-10, your Company could achieve an overall capacity utilization of 58% during the year. Your Company has recorded the sale of 129021.09 MTs during the year (last year 125512.48 MTs) valuing Rs.64142.59 lacs (last year Rs.45940.24 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 166886 MTs of production (main products) which was higher than previous year production (main products) of 137730 MTs. The capacity utilization for the year 2010-11 was 109%.

Rasayani Unit :

During the year, Rasayani unit of your Company could achieve only 67798 MTs (main products) of production as against 83520 MTs production (main products) of the previous year. The capacity utilization for the year 2010-11 was 27%.

MARKETING :

HOC continued to enjoy support from all its valuable customers during the year 2010-11 due to excellent quality of its products

manufactured at Kochi and Rasayani. It has achieved sales turnover of Rs.667.36 Crores (net of excise duty) as against Rs. 478.63 crores (net of excise duty) of the previous year. The sales volume during year 2010-11 was 1,45,173.65 MTs against 1,43,747.48 MTs for the year 2009-10, registering an increase in sales realization for the year amounting to Rs. 188.73 crores as compared to previous years sales of Rs. 478.63 crores.

STATUS OF OPERATIONS AND FUTURE PLANS

HOC has signed the Gas transmission Agreement with M/s GAIL. With the availability of Natural Gas from GAIL, the Company has changed over the feed stock of Hydrogen from Naphtha to Natural Gas to reduce the cost of production. Further for boiler operation, natural gas is used in place of furnace oil to reduce steam cost.

ENERGY CONSERVATION/TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS AND OUTGO

Information in accordance with the provisions required to be disclosed under Section 217(1)(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 continues to do good job in Research. Over the years, it has adopted to changing times and has been contributing with the current needs of the Company by maximum utilization of its existing resources. It has endeavored to generate revenues by way of Royalty through its catalyst development and various developments in processes. To generate revenues through licensing of intellectual property, it has displayed different process technologies developed by the R&D Dept. It is actively involved in research program with Sud-Chemie India Private Limited for re-use of spent catalyst by repelletization of FD catalyst/ Aniline catalyst.

R&D Dept. is developing vapour face process of Kerosene fuel and also accelerated method for in process monitoring of aromatic in Kerosene for ISRO.

HUMAN RESOURCE DEVELOPMENT AND INDUSTRIAL RELATIONS:

Company has recognised the importance of human resource and as a plan of upgrading skills and knowledge of the employees, emphasis is continued to be given for training by organising inhouse training programmes and deputing employees to attend training programmes. During the year 2010-11, in all 43 training programmes were conducted, 734 mandays were trained through inhouse training programme, 510.5 mandays were trained by sponsorship (outside) training and 509.5 mandays were trained through on job training. Thus, total mandays trained were 1754. Further, ISO & computer awareness programmes were conducted for employees. First Aid awareness programmes from outside faculty were also arranged for our employees.

As part of the implementation of ERP in HOC, Kochi much emphasis was given in imparting training to the employees at Kochi Unit.

In Kochi Unit regular Refresher courses were arranged in Safety & ISO implementations. First Aid Recertification course was also arranged during this year.

CORPORATE SOCIAL RESPONSIBILITY

Company right from its inception is conscious about its social responsibilities. To fulfil this, Company is providing basic civic amenities to the neighbouring villages, rendering assistance to the neighbourhood in different forms the details are given hereunder :

Company has provided land to Gulsunda Grampanchayat for construction of cremation shed at Turade village.

Company is giving scholarship to SC/ST students studying in X and XII std. The Company also extends need based assistance to



deserving SC/ST students in the nearby villages for their graduation and post graduation.

Company is also extending vocational training facilities to the wards of employees, provides the facilities to carry out project work for students of nearby Engineering Colleges, Management Institutions for enhancing their practical knowledge.

Company has been active in doing peripheral development works for the betterment of villages around the factory area.

HOCL, Kochi Unit has extended support to the initiative taken by the City Police, Kochi towards a fool proof Security to the Citizens and safeguarding the critical installations of Kochi.

Kochi Unit has provided 03 Sodium Vapour Lamps to the newly constructed Bus Stand-cum-shopping complex of Chottanikkara Grama Panchayat.

Kochi Unit has sponsored the READ, Rotary Employmentment against Aids and Drugs, a project of Rotary International for Higher Secondary School Students. The project was implemented at Govt. Boys' Higher Secondary School, Tripunithura.

Kochi Unit extended financial support to the family Welfare Programme for the empowerment of Women of Vadavucode Grama Panchayat to supply School Kits for the visually impaired children and Diabetic Awareness Programme of Govt. Ayurveda College, Tripunithura.

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 2010-11 or any part thereof, in excess of the limits specified under the Companies (Particulars of Employees) Rules 1975.

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

VIGILANCE

The Vigilance Department headed by Chief Vigilance Officer, has two main functional Offices, one at Rasayani (Raigad) in Maharashtra and another at Ambalamugal (Kochi) in Kerala. Keeping in view of the Principles of Corporate Governance, the main focus of the Vigilance department has been to help the sincere, dedicated and honest personnel working in the Organisation to discharge their function effectively and efficiently so that the target of optimum turnover and profitability are achieved in a transparent manner.

The Vigilance department takes prompt action in respect of complaints received. There is a comprehensive complaint handling policy and prescribed punitive action is duly suggested, after conducting fair and impartial investigation/enquiry, where ever required. The Annual Property Returns of the Officers are periodically scrutinized and inspection of various transactions/activities are undertaken to detect deviation, if any, and advise corrective measures. Various Vigilance Awareness Programmes, as per guidelines issued by the CVC, are observed and awareness sessions are conducted for the personnel regarding vigilance related matters as well as in respect of CDA Rules, RTI Act, PIDPI (Whistle Blowers Act) etc. The vigilance department has been instrumental in revising the existing manuals and policies i.e. the Purchase Policy, the Works Policy, the Marketing Manual etc. so that the laid down procedures, policies, rules, regulations etc. of the Company and that of the Central Vigilance Commission are duly followed.

The vigilance department maintains close interaction with CVC, CBI and other government agencies. The personnel working in the vigilance department have undergone training in organization like CBI academy at Ghaziabad, Institute of Secretariat Training & Management at New Delhi etc. The vigilance wing has been sincerely and consistently helping all personnel of the Organisation in improving their efficiency and effectiveness and, in turn, achieving the set goals of the Organisation.

HEALTH, ENVIRONMENT, FIRE & SAFETY

Health :

- Physical Check-up, the Special Certificate of Fitness in Form No. 23 and ascertaining Health Status in Form No. 7 of all employees have been carried out by the Certifying Surgeon for the year 2010- 2011.
- The Industrial Health Centre is provided at both the Units and is well maintained to provide services and facilities to employees. This Industrial Health Centre is maintained in good order with services and facilities as per scale laid down.
- No complaints are noticed among the employees working in the various plants.

Environment, Fire & 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 very good. Your Company's both Units could maintain the quality of treated effluent, stack emission and ambient air quality well within the limits stipulated by statutory authorities through out the year.

The Company continued to maintain good safety record without any major accident of Fire. Consistent safety training, safety audit, safety inspection and Hazop studies were performed to keep the safety standard high at both Kochi and Rasayani units.

In order to augment our fire fighting capacity at Kochi unit, mutual aid scheme for emergency help between HOCL, BPCL – KR & FACT (CD) is in existence.

HOCL Rasayani Unit is a signatory to "Responsible Care" movement. We are committed to the concept of self realization 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.

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

HOC Kochi unit received safety awards from National Safety Council (Kerala Chapter) and Dept. of Factories & Boilers, Govt. of Kerala for outstanding performance in industrial safety during the year 2010.

Security System :

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

In view of the increased threat perception in Kochi, the Unit has been advised to take suitable measures for upgrading the security by the concerned authorities. Action is being taken to upgrade the present security system.

IMPLEMENTATION OF OFFICIAL LANGUAGE POLICY

In compliance of section 3 (3) of the Official Language Act, 1963 and Official Language Rules 1976 framed thereunder, Company has implemented various measures effectively given in the annual programme for 2010-11. All documents coming under Section 3(3) like Part I Orders, Part II Orders, Circulars, Administrative and other Reports, Press-Release etc. were issued bilingually. All Hindi Letters were answered in Hindi only. Our Company participated in all the programmes organized by Mumbai Town Official Language



Implementation Committee. Hindi Fortnight was organized at both Rasayani and Kochi Units and in the Corporate Office in Mumbai from 14th September, 2010 to 28th September, 2010. During this period various competitions were organized. Employees actively participated in these competitions. Annual Report of the Company was translated in Hindi and was printed bilingually. Efforts are being made to fulfil the target set in the Annual Programme issued by Department of Official Language, Ministry of Hon. Affairs. Website of the Company is prepared in Hindi also.

At Kochi Unit to comply with the official language Policy of the Government, Workshops on Official language are regularly conducted for the employees who possess working knowledge in Hindi so as to encourage them to use Hindi in their day to day office work. Total 10 workshops were conducted during the Year 2010 in which more than 100 employees were trained.

At Kochi Unit the Official Language Implementation Committee has been constituted for review of the Hindi Implementation at the Unit and the said committee meets regularly.

ISO CERTIFICATION :

HOCL, Rasayani Unit, has been awarded ISO-9001:2008 certificate on 11.01.2011. This certificate has been awarded by M/s Bureau Veritas Certification (India) Pvt. Ltd. and is valid till 9.02.2014.

QMS of Kochi Unit ISO-9001-2008 is recertified and is valid upto June, 2014. ISO-14001-2004 is valid up to November 2011.

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.

DEPOSITORY SYSTEM

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

MANAGEMENT DISCUSSION AND ANALYSIS REPORT

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

CORPORATE GOVERNANCE

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

RESPONSIBILITY STATEMENT

The Directors confirm:

- 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 we have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profit or loss of the Company for that period;
- that we 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 we have prepared the annual accounts on a going concern basis.

HINDUSTAN FLUOROCARBONS LIMITED : (Subsidiary)

During the year, the sales turnover was Rs. 3352.42 lacs as against Rs. 1927.06 lacs in the previous year. During the year under report production of PTFE was 124.58 MTs as against 85.88 MTs in the previous year. Company has achieved 100% capacity utilization of CFM-22 plant and produced 1265 MT as against 940.5 MTs in the previous year. This will significantly improve the revenue from CDM. During the year, 405.49 MT of CFM-22 was sold in the market and balance quantity was used as feed stock to manufacture various products including Fluoro Speciality Chemicals.

STATUS OF CLEAN DEVELOPMENT MECHANISM (CDM) PROJECT AT HFL :

The Company has received first lot of 210142 CERs from UNFCCC. Verification of second lot is in progress and issuance is expected in FY 2011-2012.

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)/1172 dated 31/8/2010 has appointed M/s NBS & Co. Chartered Accountants, Mumbai as Auditors of the Company to audit the accounts of the Rasayani Unit and to audit the consolidated accounts of the Company. Vide CAG under its letter No. CA V/COY/CENTRAL GOVT.HOCL(2)/8 dated 12/7/2010 has appointed M/s Sasi Vijayan & Rajan, Cochin as Branch Auditors to audit the accounts of Cochin Unit for the year ended 31st March, 2011.

The replies of the Management/the Board of Directors on the Auditors Qualification in the Auditors' Report to the members are furnished in Annexure IV.

The report of the Comptroller & Auditor General of India under section 619(4) of the Companies Act, 1956, on the Accounts of the Company for 2010-11 is annexed in this Annual Report.

Pursuant to directions from the Ministry of Corporate Affairs for appointment of Cost Auditors, Board of Directors of the Company appointed M/s V.J.Talati & Co. as the Cost Auditors of Rasayani Unit for 2010-2011 for Sulphuric Acid, Aniline, Formaldehyde, Caustic Soda, Nitro Benzene and M/s Panikar & Company as cost Auditors of Kochi Unit for the year 2010-11 for Phenol, Acetone & Polypropylene products.

DIRECTORS

During the year 2010-11, the tenure of Dr. B.D. Kuikarni, & Dr. Sukumar Devotta, Non-Official Independent Directors expired on 27th May, 2010.

Consequent to the superannuation of Shri A.S. Didolkar, CMD, HOCL on 31-8-2010, as per Govt. Order No. 51/14/2009-CH-III dated 30th August, 2010, and other subsequent Orders, Shri R.N. Madangeri, D(Tech) has assumed the additional charge of the office of Chairman & Managing Director, Hindustan Organic Chemicals Ltd. (HOCL) in addition to his duties and responsibilities as Director (Tech) up to 31st May, 2011. Further in pursuance of Article 76(1) of the Articles of Association of HOCL vide Govt. Order No. 51/14/2009-CH-III dated 9th June, 2011, President has appointed Shri R.N. Madangeri, Director (Technical), HOCL as Chairman-cum-Managing Director, (CMD), HOCL for a period of 5 years from the date of assumption of charge on 9th June, 2011 or till date of his superannuation or till further order which ever is the earliest.

The Tenure of other 2 Independent Directors viz. Mr. Madan Verma and Dr. N.J. Gaikwad (NOID) was expired on 7-1-2011.

Later, during the Current Year 2011-12, Shri J.N. Suryawanshi, CGM(Marketing) HOCL, has been appointed as Director (Marketing) w.e.f. 30/04/2011 vide GOI Order No. 51/05/2009-Ch-III dated 30th April, 2011.



In terms of Article 76(4) of the Articles of the Association of the Company, Government Directors, Shri S.C. Gupta, Joint Secretary and Dr. V. Rajagopalan, Additional Secretary and Financial Advisor, will retire at this 50th AGM in 2011. Company is awaiting for their re-appointment or for further orders on new appointment by the Govt. of India.

ACKNOWLEDGMENT

Your Directors gratefully acknowledge the valuable guidance, support and directions given by the Government of India. Your Directors also gratefully acknowledge the support and co-operation extended by the State Governments, by the valued and esteemed customers, shareholders, suppliers, bankers, Statutory / Internal / Cost and Tax Auditors, Bondholders, and Investors.

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

R. N. Madangeri

Chairman & Managing Director

Place: Mumbai

Date : 18th July, 2011

ANNEXURE -I

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

Rs. in Lakhs

Sl. No.	Particulars	
1.	In compliance with the requirement of Section 212(1) of the Companies Act, 1956, the audited accounts of the subsidiary are to be enclosed.	Attached.
2.	Statement of Company's interest in the subsidiary company under Section 212(1(e)) read with Section 212(3) of the Companies Act given below : Extent of holding in the subsidiary	1,10,60,000 Equity Shares of Rs.10/- each fully paid up. 56.43%
3.	Net aggregate amount of the subsidiary's Profit/(Loss) so far as it concerns members of the holding company & is not dealt with in the company's accounts : i) For 2010-2011 ii) For Previous financial year iii) Cumulative Total - (Loss)	126.10 172.83 2639.12
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 2010-2011 ii) For Previous financial year iii) Cumulative Total	 Nil Nil Nil

ANNEXURE II

Energy Conservation Measures taken :

A. Rasayani and Kochi Units :

1. With the availability of the compressed natural gas (CNG) at Rasayani hydrogen producing plant at Rasayani unit have been modified for CNG feed stock replacing expensive naphtha. This has resulted in substantial savings.
2. Similarly, steam boilers at Rasayani unit have also been modified for CNG fuel replacing expensive furnace oil. Substantial savings have been achieved.
3. Cooling water piping network has been modified to reduce losses and improve over all efficiency resulting in a saving of approx. Rs. 10 lakhs.
4. Fractionation train of phenol plant is reconfigured to reduce the processing step to achieve energy saving without altering product quality. Substantial savings in the consumption of LSFO was achieved.
5. Street light lamps have been changed from HPMV to LED. Moderate power savings achieved.

Future Plans (Rasayani & Kochi Units):

1. Old and inefficient steam boiler at Rasayani unit is proposed to be replaced with a new one with higher efficiency. The same will be commissioned by October 2011.
2. RLA study was completed on 2 boilers and based on the report economiser coils are to be replaced to save on the consumption of fuel. (Rasayani Unit)
3. Replacement of raw water pump by vertical turbine pumps based on actual water consumption and save on electrical power consumption. (Kochi Unit)
4. Gas Transmission Agreement for compressed natural gas executed with GAIL. Conversion of both boilers & hot oil heater will be taken up to suit CNG fuel. (Kochi Unit)
5. Old mineral wool insulation of LPG storage sphere will be replaced by proprietary fire proof coating system to reduce heat losses. (Kochi Unit)
6. Old and inefficient reciprocating compressor for instrument air service will be replaced by oil free screw compressor to save electrical power. (Kochi Unit)

Form- A

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

	Current Year 2010-11	Previous Year 2009-10
1. Electricity		
a) Purchased (unit)	6,56,51,400	7,45,15,740
Total amount (Rs.)	29,83,59,979	33,90,53,275
Rate per unit (Rs.)	4.54	4.55
b) Own generation		
i) Through LSHS	19,24,044	22,10,421
i) units per Kg. of LSHS	4.84	4.79
Cost per unit (Rs.)	5.81	5.56
Through steam generation	NIL	NIL
Units per litre of fuel oil Cost per unit (Rs.)	NIL	NIL
	-	-
2. Coal	NIL	NIL
3. Furnace Oil/ LSHS		
Quantity (MT)	21,256	22,273
Total Amount (Rs.)	56,67,82,924	52,37,41,090
Average rate (Rs.)	26,665	23,515



4. Others/ Internal Generation	NIL	NIL
Others- Diesel (Litre)	NIL	4,985
Internal Generation	NIL	NIL

Consumption per unit of Production

Product consumption (kwh/MT)	Standard power consumption (kwh/MT)	2010-11		2009-10	
		Prod. (MT)	Power	Prod. consumption	Power (MT)
Nitrobenzene	56	8123	23	11,033	21
Hydrogen	570	130	727	383	891
Aniline	280	1833	359	5538	307
Sulfuric acid	70	5164	117	16789	121
Formaldehyde	100	32038	81	32784	85
Nitrotoluene	170	1733	88	2034	72
Conc. Nitric Acid	840	8778	1231	8688	1230
Caustic soda	2700	-	-	2981	3145
Propylene	30	30001	36	23610	32
Phenol/Acetone	599	69892	481	59835	483
Hy. Peroxide	2711	10745	640	9814	842
- 50%					

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

- Implementation of repelletized catalyst on plant scale to produce aniline.
- Studies on the scale up of the batch process to produce specific grade kerosene fuel – ISRO Project.
- Studies on vapour phase continuous process on identified commercial catalyst for cyclohexylamine from aniline.
- Intellectual Property Rights – Patents marketability.

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

- Scale up studies on the repelletized catalyst for aniline from 1 kg to 5 kg scale have been established. A patent for the same is being prepared jointly with Sud-Chemie India private Ltd.
- Reproducibility of kerosene fuel quality as per ISRO's requirements was established.
- Studies on vapour phase continuous hydrogenation on identified commercial catalyst for aniline to cyclohexylamine were carried out. The results indicate requirement for improved commercial catalyst.
- The different processes available with R&D have been displayed on HOC's website for Licensing.

3. FUTURE PLANS

- Development of a vapour phase continuous process to produce specific grade kerosene fuel-ISRO Project.
- Further studies on improved commercial catalyst for cyclohexylamine from aniline.
- Exploratory research for a vapour phase continuous process for para-aminophenol from nitrobenzene.
- Creation of intellectual property rights – Patent Marketability.

4. EXPENDITURE ON R&D

(a) Capital	Rs. Nil
(b) Revenue	Rs. 68.39 Lakhs
(c) Total	Rs. 68.39 Lakhs

TECHNOLOGY ABSORPTION, ADAPTATION AND INNOVATION

- Efforts in brief, made towards technology absorption, adaptation and innovation
 - Preparation of repelletized catalyst from spent aniline catalyst on 5 kg scale was established.
 - The reproducibility of the batch process to produce specific grade kerosene fuel for meeting ISRO's requirements was confirmed.
 - Results on vapour phase continuous process for cyclohexylamine from aniline indicate requirements for improved commercial catalyst.
 - The different processes available with R&D have been displayed on HOC's website for Licensing.
- Benefits derived as a result of above efforts, e.g. product improvement, cost reduction, product development, import substitution etc.
 - Preparation of repelletized catalyst from spent aniline catalyst will be an environment friendly route for disposal of waste material through utilization. Further, its commercial application for the production of aniline may decrease the consumption of new catalyst resulting into substantial saving.
 - The batch process for the preparation of specific grade kerosene fuel will help ISRO's fuel development programmes.
 - With improved commercial catalyst, the vapour phase continuous process for cyclohexylamine from aniline has potential for substantial earnings.
 - Through a jointly patented aniline catalyst exported to Japan, Company has earned Rs.13.42 lakhs as Royalty.

Annexure – III – Consolidated report as on 31-03-2011 (SC/ST/WOMEN) Rasayani & Kochi Unit.

Group	Total	SC	ST	Women
A	449	65	22	25
B	389	63	12	37
C	443	54	17	43
D	58	12	4	4
Total.....	1339	194	55	109



Annexure-IV

Reply of the Management on the Auditor's Report to the Members for the Financial Year 2010-11:

SR NO	AUDITOR'S REPORT PARA NO.	AUDIT OBSERVATION	MANAGEMENT REPLY
	Para-f	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.	
1.	Para-f(i).	Note No 4 (b) regarding penal interest of Rs. 519.01 lacs on overdue loan from Government of India.	The Company has provided the liability for interest on loan received from Govt. of India at the stipulated rate. Penal interest is payable by the company for delayed payment of interest/instalment 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, or the demand, no provision has been made in the accounts towards penal interest on unpaid/delayed paid interest or instalments.
2.	Para-f(i)	Note No. 8(c) regarding non provision on account of misappropriation of Company's fund to the tune of Rs 64.81 Lacs, pending final report from CBI and outcome of civil suit.	Adequate disclosure has been made at Note No. 8(c) Schedule 11-Loans & Advances of Notes on Accounts (Part B) which forms part of the Accounts.
3.	Para-f(ii)	Note No. 10 (a) regarding liabilities of wages revision for the period 01.01.1987 to 31.12.2000 Rs 2308.08 lacs at Rasayani Unit.	No provision has been made for the liability towards wage revision of employees for the period 01.01.1987 to 31.12.2000, amounting to Rs 2308.08 Lacs, since arrears are payable only with the prior approval of Administrative Ministry and when the company generates adequate surplus. During the year 2004-05 the company was registered under BIFR. The Operating Agency appointed by BIFR recommended freezing of arrears payment shown as contingent liabilities as on 31st March 2006. During the year 2008-09 the company is discharged from BIFR, due to induction of fresh capital of Rs 270 crore by Govt. of India as a part of restructuring package. The accumulated losses as on 31st March 2011 are Rs 312.78 Crore. Unless these losses are wiped out and adequate surplus is generated by the company, the liability to pay arrears does not arise, accordingly no provision for arrears for the above mentioned periods has been made. Adequate disclosure has been made at Note No. 10 (a) of Notes on Accounts (Part-B) which forms part of the accounts.
		Note No. 10 (b) regarding liabilities of wage revision for the period 01.01.2007 to 31.03.2008 Rs 278.96 lacs to Officers and Rs 246.31 lacs to Staff at Rasayani Unit.	Regarding non-provision of Arrears (Against Pay Revision w.e.f. 01.01.2007) of Rs 278.96 Lacs for officers of Rasayani Unit, Rs 246.31 Lac for staff of Rasayani Unit and Rs 98.60 Lacs for Officers of Kochi Unit, detailed justification has been given in Note No. 10(b) of Notes on Accounts (Part-B), which forms part of the Accounts.
		Note No. 10 regarding liabilities of wage revision for the balance amount of arrears of pay and allowances amounting to Rs 98.60 lacs payable to Officers at Kochi Unit.	
4.	Para-g	In respect of the following items, no provision/charge to profit and loss a/c has been done for claims of JNPT of Rs 2007.59 Lacs as under	
	Para-g-i)	Regarding claims of JNPT of minimum guaranteed throughput charges of Rs.1256.25 lacs.	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 favorable decision and without prejudice, the amount of Rs 1256.25 Lac is shown under contingent liability.
	Para-g-ii)	Regarding short provision of Rs.453.99 lacs on account of lease rentals and escalation on leased land payable to JNPT.	As per lease agreement, providing suitable infrastructure facilities such as approach road, common manifold etc. within specified time was obligation of JNPT. However, JNPT failed to provide the said facilities which in turn resulted in non-commissioning of tank terminal resulting in revenue losses to the company for last several years. The matter is under arbitration. As matter is under arbitration, pending favorable decision and without prejudice, the company is providing for lease rentals with oil rates without considering the escalation @ 10% per annum and not provided for water charges of Rs 0.65 lacs and way leave charges of Rs 287.10 lacs. However total amount of Rs 751.74 lacs which includes short provision of Rs 453.99 lacs towards lease rentals, Rs 0.65lacs towards water charges & Rs 287.10 lacs towards way leave charges is shown under contingent liability.
	Para-g-iii)	and regarding claims of JNPT of water charges of Rs 0.65 lacs.	
	Para-g-iv)	and regarding claims of JNPT of way leave charges of Rs 7.10 lacs.	
	Para-h	Reference is also invited to the following notes on accounts in Part B precise impact of which on the balance sheet and the profit and loss a/c could not be ascertained for the reasons stated therein.	
5.	Para-h-i)	Note No 5(b)(i) regarding amount of Rs 2978.65 lacs incurred on JNPT tank terminal project as expenditure towards construction continues to appear under Capital work in progress, the construction has been suspended for more than three years and the lease has been called off by the lessor JNPT after the expiry of the lease in June 2010. The status of the project is stagnant, incomplete and of no utility since long. No provision is made for the depreciation of the asset value if any pending ascertainment of recoverable amount which is the higher of an asset's net selling price and value in use.	The JNPT Tank Terminal is still in possession of the Company for which JNPT is claiming rental and other charges from the Company. Further the Arbitration process is still in continuation and request of the Company and Govt of India for renewal of lease is under consideration with JNPT. Pending the favourable decision and without prejudice, the Company had decided that no provisioning is required against JNPT assets at this stage. The status of the JNPT Project has been disclosed in Note No.5 (b) (i) of Notes on Accounts (Part-B) which forms part of Accounts.
	Para-h-ii)	Note No 5(f) of Part B- Others, ERP Implementation at Kochi. It is observed that ERP was implemented w.e.f. 16.08.2010. Data upto 31.08.2010 was transferred to SAP. Further entries upto 31st March 2011 were made in SAP. Since in-depth training to staff for the operation of SAP was not extended and that an EDP audit of SAP was not implemented it is recommended that a Migration audit and EDP Audit be conducted for ensuring that adequate internal control and data security are in place.	The Company had already initiated action for conducting Migration Audit and EDP Audit. The Company has also arranged for in depth training for staff for the operation of SAP. Continuous On the Job training as well as Special training workshops are being arranged. The Company will take suitable measures to ensure adequate internal control and data security of new ERP system, based on the report of the EDP Auditors.
	Para-h-iii)	Note No. 17 regarding pending confirmation and reconciliation of balances of sundry debtors, sundry creditors, loans and advances, other current assets and debit/credit balances. Further Bank balances are subject to direct confirmation from the Banks, even though confirmations are received by the Company	Adequate disclosure has been made at Note No. 17- Balance Confirmation of Notes on Accounts (Part B) which forms part of accounts.
		Companies (Auditor's Report) Order 2003, Annexure to Auditor's Report.	
6.	Para-ii-b).	In our opinion the procedure 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, Kochi unit does not have the system of taking dip measurements. Instead, Reliance is placed on the electronic reading reported by the Distribution Control System.	The procedures of physical verification of inventories followed by the company are reasonable and adequate in relation to the size of the company and nature of its business. In respect of physical verification of inventory in storage tanks at Kochi Unit the Reliance is placed only on the electronic reading reported by the Distribution Control System (DCS). The Tank Level Monitoring System (TLMS) which is integral part of DCS is being used at Kochi Unit for ascertaining stock position since inception. This is Japanese Technology and is the most advanced Technology for verification of the stock. The stock can be more accurately verified by this system than by using dip measurement. Also with use of this system the weight of packaged drums/carboys are uniform as the weight is pre-set and filling will be cut-off automatically once the quantity of the product filled reaches the pre-set weight.

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

Sd/-
(R.N. Madangeri)
Chairman & Managing Director

Place : Mumbai
Date : 18/7/2011



Annexure-V MANAGEMENT DISCUSSION AND ANALYSIS REPORT (Annexure V to Directors' Report)

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

The petroleum feed stock prices in India 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, active follow ups is made with the Govt. for continuation of /levy of anti-dumping duties as per WTO Guidelines.

KEY OPPORTUNITIES INCLUDE

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

KEY THREATS INCLUDE

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

SEGMENTWISE PERFORMANCE

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

Product Segment	Year ended 31/3/2011			Year ended 31/3/2010		
	Target MT	Actual MT	Percentage Achieved	Target MT	Actual MT	Percentage Achieved
Chemicals	290049	234684	80.91%	325159	221249	68.04%

PRODUCT WISE PERFORMANCE (Production of Main Products)

Sr. No.	Name of product	F.Y. 2010-11		F.Y.2009-10
		Target	Actual	Actual
1)	Nitrobenzene	22300	8123	11033
2)	Aniline	12000	1833	5538
3)	Formaldehyde	33000	32038	32784
4)	Sulphuric Acid	35200	15184	17463
5)	Phenol	42000	42933	36751
6)	Acetone	26040	26959	23084
7)	H2O2	5250	5372	4907

OUTLOOK AND INITIATIVES FOR THE CURRENT YEAR

Both the units of the company have taken initiatives to improve the efficiency of the operating plants by implementing certain schemes like; Completion of laying of natural gas pipe line up to HOCL battery limit for the supply of gas.

Retrofitting of hydrogen plant and steam boilers to consume natural gas as feed stock/fuel.

Both the above schemes have been implemented successfully and are operational and giving satisfactory performance as expected.

Refurbishment of concentrated nitric acid plant along with capacity enhancement of di-nitrogen tetra oxide section is being taken up and is likely to be completed in the year 2011-12.

De bottlenecking of hydrogen peroxide plant at Kochi unit is also being taken up for implementation.

Implementation of voluntary retirement scheme for the surplus manpower at Rasayani unit is also planned for the year 2011-12.

An economically viable world scale grass root phenol/acetone plant is

also planned for the company. The market research and techno economic feasibility study for the proposed project is underway and the report is likely to be ready in the first quarter of 2011-12.

Other feasible joint ventures with Interested Corporate Bodies are also being explored.

SOME RISKS & CONCERNS

- + The man power cost per ton of finished product remains high.
- + Old depreciated plants, requires high maintenance cost.
- + Huge investments required for revamp/replacement/modernization of the old plants.

INTERNAL CONTROL SYSTEMS & THE ADEQUACY

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

The ERP system recently implemented in Kochi and Corporate Office, along with the Branch Offices of the Marketing Department, ensures more transparency.

Environment Management system (EMS) of Kochi Unit has been certified under ISO-14001:2004 standards through Bureau Veritas Certification.

With the objective of improving the systems and removing bottlenecks, systems review is carried out and policies and procedure manuals are amended. Both Rasayani and Kochi Units have been certified under ISO-9001:2008 standards through Bureau Veritas Certification (India) Pvt. Ltd. (BCI), and is valid till 9/02/2014. QMS of Kochi Unit ISO-9001-2008 is recertified and is valid upto June, 2014. ISO-14001-2004 is valid up to November 2011.

As part of good Corporate Governance the Audit Committee constituted by 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. 667.36 crores against Rs. 478.63 crores for the previous year showing a increase of 39.43%. There was an Operating Profit before interest and depreciation of Rs. 72.35 crores against the Operating loss of Rs 34.57 crores for the previous year. Company incurred an interest expenditure of Rs. 20.88 crores against Rs. 23.23 crores of the previous year.

The outlook for the future appears to be good with the revival of economic growth. The Accumulated losses are likely to go down during the year in view of proposed implementation of several improvement plans for Rasayani and Kochi Units.

INFORMATION TECHNOLOGY

Company has envisaged a plan to meet changing demand and challenges keeping in view the technological changes and the way information & communication technology offering innovative services suiting to every business needs. Management has taken proactive approach towards implementation of new generation information system at corporate level and accordingly ERP roll out is completed during the year 2010-11. For ERP roll out, IT infrastructure has been upgraded. Data Centre & Disaster Recovery Centre is set up at Kochi & Rasayani respectively and connectivity is established amongst manufacturing units and branch offices for effective & proactive services and business benefits.

CAUTIONARY STATEMENT

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

**(Annexure VI to Directors' Report)****REPORT ON CORPORATE GOVERNANCE****(As on 31-03-2011)**

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

(1) Corporate Philosophy/ Main Objective on Code of Governance:

The Company believes that it must so govern its affairs so as to optimize satisfaction amongst all its stakeholders, which includes its esteemed customers, providers of capital, employees, those from whom we buy and through whom we sell, the Communities in which our primary activities takes place and society at large. Corporate Governance is the combination of voluntary practices and compliance with laws and regulations leading to effective control and management of the organization. Good Corporate governance leads to long-term shareholders value and enhances interest of other stakeholders. It brings into focus the judiciary and trusteeship role of the Board of Directors to align and direct the actions of the organization towards creating wealth and shareholders value.

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. Company realizes that it must disseminate information pertaining to its affairs so that all stakeholders may gain a true understanding of its activities and aspirations. The Company aims at attainment of the highest levels of transparency, accountability and equity in its operations thus leading to best standards of Corporate Governance.

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 31-03-2011 the Board of HOCL consisted of Four members with 2 Executive Directors and 2 Non-Executive Directors, who are acknowledged as leading professionals in their respective fields. Other than the Two Whole Time Directors, the other Two members of the Board are Government Nominee Directors.

During the year, the Tenure of Dr. Sukumar Devotta, & Dr. B.D. Kulkarni, Independent Directors has expired on 27/05/2010.

On superannuation of Shri A.S. Didolkar, CMD, HOCL on 31-8-2010, Shri R.N. Madangeri, Director (Tech) has assumed the additional charge of the office of Chairman & Managing Director, Hindustan Organic Chemicals Ltd. (HOCL) in addition to his duties vide Govt. Order No. 51/14/2009-CH-III dtd. 30th August, 2010, Further in pursuance of Article 76(1) of the Articles of Association of HOCL vide Govt. Order No. 51/14/2009-CH-III dated 9th June, 2011, President has appointed Shri R.N. Madangeri, Director (Technical), HOCL as Chairman-cum-Managing Director.(CMD), HOCL for a period of 5 years from the date of assumption of charge on 9th June, 2011 or till date of his superannuation or till further order which ever is the earliest.

Further, the Tenure of Shri Madan Verma & Dr. N.J. Gaikwad, Independent Directors has expired on 7/01/2011. At present there are no Non Official Independent Directors (NOIDs) on the Board of HOCL. Company is awaiting the appointment of 5 Independent Directors by the Government of India (GOI)

The GOI has appointed vide GOI Order No. 51/05/2009-Ch-III dated 30th April, 2011, Shri J.N. Suryawanshi, CGM(Marketing) HOCL as Director Marketing, HOCL from the date of assumption of charge of the post on 30th April, 2011 till the date of superannuation or till further orders whichever event occurs the earliest.

With the above position of the Composition of the Board of Directors, the Company is partially complying with the provisions of Clause 49 of the Listing Agreement with Stock Exchanges, as on 31.03.2011.

The constitution of the Board is given below :

Details of the Board of Directors during the year 2010-11 were as under:- (As on 31-03-2011)

Sr. No.	Name of the Director	Category Of Director (ED, NED, NEID)	No. of Other Director Ships	Member Ship in Other Board Committees	Chairman Ship in Board / Committee
1.	Shri R.N. Madangeri (from 1/9/2010)	(ED) CMD	2	5	5
2.	Shri A.S. Didolkar (up to 31/8/2010)	(ED)	2	-	5
3.	Shri M.K. Mittal	(ED) Dir.(Fin.)	2	6	-
4.	Dr. V. Rajagoplan, AS&FA	NED, Govt. (Nominee) Director	5	1	2
5.	Shri S.C. Gupta, JS	NED, Govt. (Nominee) Director	1	-	1
6.	Dr. Sukumar Devotta (upto 27/5/2010)	NEID	-	1	-
7.	Dr. B.D. Kulkarni (up to 27/5/2010)	NEID	2	1	-
8.	Shri Madan Verma (up to 7/1/2011)	NEID	3	1	1
9.	Dr. N.J. Gaikwad (up to 7/1/2011)	NEID	-	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.

**Changes in the Board of Directors.**

- On superannuation of Shri A.S. Didolkar, CMD, HOCL on 31-8-2010, Shri R.N. Madangeri, Director (Tech) has assumed the additional charge of the office of Chairman & Managing Director, Hindustan Organic Chemicals Ltd. (HOCL) in addition to his duties vide Govt. Order No. 51/14/2009-CH-III dtd. 30th August, 2010, Further in pursuance of Article 76(1) of the Articles of Association of HOCL vide Govt. Order No. 51/14/2009-CH-III dated 9th June, 2011, President has appointed Shri R.N. Madangeri, Director (Technical), HOCL as Chairman-cum-Managing Director, (CMD), HOCL for a period of 5 years from the date of assumption of charge on 9th June, 2011 or till date of his superannuation or till further order which ever is the earliest.
- GOI has appointed Director Shri J.N. Suryawanshi as Director (Marketing) on the Board of HOCL vide GOI Order No. 51/05/2009-Ch-III dated 30th April, 2011.
- The Tenure of Director, Dr. Sukumar Devotta & Dr. B.D. Kulkarni expired on 27/05/2010. Also the Tenure of Director Shri Madan Verma, & Dr. N.J. Gaikwad, NOIDs, expired on 7/1/2011.

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

Shri R.N. Madangeri :- Chairman & Managing Director, HOCL

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

Business / Occupation : Additional Charge as CMD, HOCL w.e.f. 1-09-20010 and as Chairman & Managing Director in HOCL w.e.f. 9/06/2011.

Other Directorships : Chairman of Hindustan Fluorocarbons Ltd. (HFL), Chairman of HOC-Chematur Ltd.

Experience : 35 years of varied experience in production, erection and commissioning of Chemicals Plants, and Material Management. He has attended training programme at Bradford University U.K. in 1989. Mr. Madangeri was Managing Director of HFL a Subsidiary Company of HOCL for a period of 3 ½ years.

Shri J.N. Suryawanshi :- Director (Marketing)

Qualifications : Science Graduate & Post Graduation in Management

Business/Occupation: Director (Marketing) in HOCL w.e.f. 30/04/2011

Experience : 30 years experience in Marketing in HOCL

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 to its Committees.

Board Agenda and Material :

The Board believes that a carefully planned agenda is important for effective Board / Committee 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 / Committee. The Board / Committee Members, in consultation with the Chairman may bring up any relevant matter for the consideration of the Board. The Board of the Company met 7 times during the financial year 2010-11 on the following dates :

7/05/2010, 13/07/2010, 9/08/2010, 29/09/2010,
11/11/2010, 7/02/2011 & 18/03/2011.

The Company places before the Board, the Budgets, Financial Results, annual operating plans, performance of the business and various other informations, 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 Directors at Board Meetings and at Annual General Meetings were as under:

For the year 2010-11.

Name of the Director	No. of Board Meetings attended	Attendance at the last AGM
Shri A.S. Didolkar (up to 31/8/2010)	3	Yes
Shri R.N. Madangeri	7	Yes
Shri M.K. Mittal	7	Yes
Dr. V. Rajagopalan	7	No
Shri S.C. Gupta	6	No
Shri. Madan Verma (up to 7/1/2011)	4	Yes
Dr. Sukumar Devotta (up to 27/5/2010)	1	No
Dr. B.D. Kulkarni (up to 27/5/2010)	1	No
Dr. N.J. Gaikwad (up to 7/1/2011)	5	Yes

e) Information supplied to the Board:

Among others, information supplied to the Board includes :

- Annual operating plans and budgets, capital budget, updates,
- Quarterly / half yearly results of the Company and its operating divisions or business segments, half yearly statement on Assets and Liabilities.
- Minutes of meetings of Audit Committee, Management 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, 2011 are as follows :

DETAILS OF REMUNERATION PAID TO THE DIRECTORS FOR THE YEAR 2010-11

Name of Directors	Amount in Rs.				
	Salary including Perks (Rs.)	Arrears	Retirement benefits	Stipend Fees & OPE	Total Rs.
Shri A.S. Didolkar, Ex. CMD	6,94,894.36	Nil	1,00,740.19	-	7,95,634.55
Shri R.N. Madangeri, CMD	16,79,167.70	Nil	2,03,454.54	-	18,82,622.24
Shri M.K. Mittal DF	189,1319.60	Nil	1,83,491.03	-	205,4810.63
Dr. V. Rajagopal, AS & FA	N.A.	Nil	Nil	Nil	Nil
Shri S.C. Gupta, JS	N.A.	Nil	Nil	Nil	Nil
Shri. Madan Verma	N.A.	Nil	Nil	16,000/-	
Dr. Sukumar Devotta	N.A.	Nil	Nil	4,000/-	
Dr. B.D. Kulkarni	N.A.	Nil	Nil	4,000/-	
Dr. N.J. Gaikwad	N.A.	Nil	Nil	16,000/-	

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



notice or on payment of three months salary in lieu thereof.

* The Company has not given any stock options.

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

4. Board Committees :

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

The Executive Committee which was in existence in the previous years was not re-constituted during the year.

R&D Committee was in existence up to 31/5/2010, due to expiry of tenure of Director Dr. B.D. Kulkarni, Chairman of R&D Committee.

There are Four (4) Board Committees - Viz. Audit Committee of Board, Share/Bonds Transfer /Shareholders' Bond holders'/Investors' Grievance Committee, Management Committee (from 29/09/2010 to 18/03/2011) & Remuneration Committee (from 11/11/2010 to 7/01/2011)

I. Audit Committee of the Board :

The Committee consisting of the following Directors as its members up to 7/1/2011:

(a) Shri Madan Verma, C.A., NOID (Chairman of the Committee) up to 7/1/2011 , (b) Dr. Sukumar Devotta, NOID (up to 27/05/2010) ,(c) Dr. B.D. Kulkarni, NOID (up to 27/5/2010 as its Members and (d) Mrs. S.S. Kulkarni, as Secretary to the Audit Committee.

However, on expiry of tenure of two Directors viz. Dr. Sukumar Devotta and Dr. B.D. Kulkarni on 27.5.2010, the Audit Committee was reconstituted by the Board at its Meeting held on 13/07/2010, comprising of (i) Shri Madan Verma (NOID), Chairman of the Audit Committee (ii) Dr. N.J. Gaikwad (NOID), Member, (iii) Shri S.C. Gupta (Govt. Nominee Director), Member and (iv) Mrs. Susheela S. Kulkarni, Company Secretary, as Secretary to the Committee.

Further, due to expiry of Tenure of other 2 NOIDs viz. Shri Madan Verma and Dr. N.J. Gaikwad, the Audit Committee was in existence only up to 7/1/2011. Thereafter from 8/1/2011 onwards, there was non compliance of Cl. 49 of the Listing Agreement. Subsequently, the Board on 30th May, 2011 has constituted Audit Committee of Board comprising of (1) Dr. V. Rajagopalan, AS&FA, Chairman of the Audit Committee (2) Shri M.K. Mittal, D(F), Member of A.C. (3) Shri J.N. Suryawanshi, D(M), Member of A.C. and (4) Mrs. Susheela S. Kulkarni, Company Secretary as Secretary of the Audit Committee.

The Committee met 4 times during the year on the following dates : 7/05/2010 ; 6/08/2010 ; 27/10/2010; & 7/01/2011

Directors	No. of Audit Committee Meetings Attended
Shri. Madan Verma	4
Shri S.C. Gupta	3
Dr. Sukumar Devotta	1
Dr. B.D.Kulkarni	1
Dr. N.J. Gaikwad	3

(i) **Terms of Reference:** Apart from all the matters provided in Clause 49 of the Listing Agreement and Section 292A 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, Head of Internal Audit attended

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. Shares/Bonds Transfer / Shareholders' Bond holders' / Investors' Grievance Committee

Terms of Reference:

As required under the Companies Act, 1956, the Company has a Shares/Bonds Transfer / Shareholders' Bond holders' / Investors' Grievance Committee comprising of Shri R.N. Madangeri, CMD as Chairman, Director (Finance), Shri M.K. Mittal and Mrs. S. S. Kulkarni, Company Secretary, as its members. The quorum of the committee is Two Directors. Mrs. Susheela S. Kulkarni, Company Secretary is designated as the Compliance Officer and also acts as Secretary to the Committee.

Shares/Bonds Transfer System

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

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

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

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

The Committee met 23 times during the year. The Details are as under:

1/04/10, 19/04/10, 5/05/10, 18/05/10, 31/05/10, 19/06/10, 2/07/10, 16/07/10, 03/08/10, 12/08/10, 15/09/10, 4/10/10, 20/10/10, 2/11/10, 19/11/10, 1/12/10, 15/12/10, 6/01/11, 18/01/11 03/02/11, 21/02/11, 03/03/11 & 30/03/11 .

Summarised information on complaints received and resolved during 1st April 2010 to 31st March, 2011

Sr. No.	Nature of Complaint	Received	Redressed	Pending as on 31/3/2011
DIRECT:				
1.	Non receipt of dividends/ Warrants	-	-	-
2.	Non receipt of share Certificates	-	-	-
3.	Miscellaneous	-	-	-
SEBI :				
4.	Non receipt of dividend warrants	-	-	-
5.	Non receipt of share certificates	02	02	-
6.	Miscellaneous	01	01	-

No. of Pending Share Transfers

As on 31st March, 2011 there are Nil Share transfer cases pending.

III. Management Committee of the Board. (from 29/09/2010 to 18/03/2011)

The Board on 29th September, 2010 has constituted the



Management Committee of the Board comprising of Directors Shri S. C. Gupta- as Chairman of the Management Committee, and Shri Madan Verma (Independent Director) and Shri M.K.Mittal (Director Finance) as its Members, Company Secretary shall be the Secretary to the Management Committee. Management Committee is required to consider and to take immediate decisions falling in its purview and to operate under the supervision and control of the Board. The Management Committee was existed up to 18/3/2011 (due to the expiry of tenure of Independent Director Shri Madan Verma).

The Committee met 5 times on 11/10/2010; 21/10/2010; 15/12/2010; 7/01/2011 & on 18/03/2011 and all the members of the Management Committee were present at those meetings.

IV. Remuneration Committee (from 11/11/2010 to 7/01/2011)

The Board pursuant to the provisions under the Articles of Association of the Company constituted on 11/11/2010 the Remuneration Committee of the Board comprising of Dr. N.J. Gaikwad (NOID) as the Chairman of the Committee and Shri M.K. Mittal D(F) – Member and Mrs. Susheela S. Kulkarni, CS, HOCL as Secretary to the Committee . The said Committee was in existence up to 7/1/2011 in view of expiry of tenure on 7/1/2011 of Chairman of the Committee Dr. N. J. Gaikwad.

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

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

5. Annual General Meetings

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

Particulars	FY 2007-2008	FY 2008-2009	FY 2009-2010
Date and Time	29-09-2008 3.00 p.m.	30-09-2009 3.00 p.m.	27-08-2010 3.00 p.m.
Venue	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	Rasarang Hall Dr.Kasbekar Park At PO :Rasayani, Dist.Raigad Pin - 410 207

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

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

6. Disclosures:

- There was no materially significant related party transaction with its Directors/or the Management or Subsidiary or relatives that may have potential conflict with the interests of Company at large ;
- There was no case of Non-compliance by the Company of Statutory Provisions of the Companies Act, 1956 (except Section 292A Reg: Provisions on Audit Committee) or SEBI Regulations or provisions of Listing Agreement (except Clause 49I on composition of the Board & 49II on Audit Committee) or any other Statutory Authority. Further, these authorities have never passed any strictures or imposed any penalties on the

Company on any matter related to capital markets, during the last three years ;

- It is affirmed that no personnel has been denied access to the audit committee;
- Details of compliance with mandatory requirements and adoption of the non-mandatory requirements of this clause - are provided in this report;
- During the year, Company has forfeited 1,93,000 Nos. of shares, due to non-receipt of pending Allotment money from the shareholders.

7. Means of Communication

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

8. General Shareholders' Information

Compliance Officer

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

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

a) Annual General Meeting :

Date & Time : 25th August,, 2011 at 3.00 p.m.
Venue : At Rasarang Hall, Dr.Kasbekar Park,
Rasayani, Dist.Raigad 410207

b) Tentative Financial Calender :

- 1st Quarterly Un-audited Results on or before 14th August of the year
- 2nd Quarterly Un-audited Results on or before 15th November, of the year
- 3rd Quarterly Un-audited Results on or before 15th Feb. of the following year.
- 4th Quarterly Un-audited Results on or before 15th May, of the following year, or Annual Audited Results on or before 30th May of the following year.

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

From 18/08/2011 to 25/08/ 2011 (both days inclusive)

d) Dividend payment date : Not Applicable

e) Listing on Stock Exchanges :

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

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



- f) Stock Code at BSE : 500449
- g) Registrar & Share Transfer Agents :
M/s Sharepro Services (India) Pvt. Ltd
13 AB, Samhita Warehousing Complex
2nd Floor, Near Sakinaka Telephone e, Exchange,
Andheri - Kuria Road, Sakinaka,
Andheri (E), Mumbai - 400 072
- h) Demat ISIN at NSDL /CDSL : INE048A01011
- i) Market Price Data
- a) High/Low of market price of the equity shares traded on the National Stock Exchange of India Ltd., Mumbai for the year 2010-2011 was as follows:

Month	Monthly Highest	Monthly Lowest
April, 2010	40.30	37.00
May, 2010	37.70	30.55
June, 2010	39.65	32.70
July, 2010	38.90	33.90
August, 2010	43.35	34.35
September, 2010	44.70	37.95
October, 2010	51.00	40.85
November, 2010	63.30	44.80
December, 2010	57.30	39.85
January, 2011	47.90	34.60
February, 2011	36.30	29.40
March, 2011	35.80	30.65

(T) High/Low of market price of the equity shares traded on the Bombay Stock Exchange Ltd., Mumbai for the year 2010-2011 was as follows:

Month	Monthly Highest	Monthly Lowest
April, 2010	40.85	36.00
May, 2010	37.70	30.55
June, 2010	39.90	32.90
July, 2010	39.00	32.60
August, 2010	43.30	34.25
September, 2010	44.60	37.90
October, 2010	51.00	40.90
November, 2010	63.45	44.95
December, 2010	57.30	39.95
January, 2011	47.40	34.55
February, 2011	35.60	29.50
March, 2011	35.80	31.00

j) Distribution of Shareholding

The distribution of holdings as on March 31, 2011 was as follows :

Description	Holder(s)		Holding(s)		
	Folios	%	Shares	%	
Upto	500	54805	88.53	8433443	12.56
501-	1000	3766	6.08	3246677	4.83
1001-	2000	1729	2.79	2781825	4.14
2001-	3000	534	2.08	1399097	
3001-	4000	252	0.41	912205	1.36
4001-	5000	269	0.44	1292297	1.92
5001-	10000	302	0.49	2275980	3.39
10001 and	Above	249	0.40	46831576	69.72

- k) Shareholding Pattern as on 31st March, 2011 was as under:

	Category	No. of Share held	Percentage of shareholding
A	President of India & Nominees	39481500	58.78
B	Non-Resident		
1	Foreign Collaborators	0	0.00
2	Non-Domestic Companies	1100	0.00
3	Overseas Corporate Bodies	0	0.00
4	Foreign Institutional Investors	1800	0.00
5	Individual (Repatriation)	719334	1.07
6	Individual (Non-Repatriation)	94086	0.14
C	Resident		
1	Financial Institutions	1000	0.00
2	Nationalised Banks	300	0.00
3	Mutual Funds	75600	0.11
4	Bodies Corporates	5045592	7.51
5	NSDL Shares in Transit	0	0.00
6	Others	21752788	32.39
	Total	67173100	100.00

l) Dematerialisation of Shares and Liquidity

The shares of the Company are compulsorily traded in dematerialised mode. To facilitate the shareholders to dematerialise the shares, the Company has signed agreements with both the depositories i.e. National Securities Depository Limited and Central Depositories Services (India) Ltd. 96.49% of the share capital of the Company has been dematerialised as on 31st March, 2011 - total Accounts dematerialised is 43495 involving 64816437 shares (which constitutes 96.49% of the share capital)

- m) Outstanding GDRs/ADRs/Warrants or any convertible instruments, conversion date & likely impact in equity - NONE/NIL

n) Plant Locations

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

o) Address for correspondence :-

(a) Regd.office address of the Company : P.O. Rasayani, Dist. Raigad, Maharashtra PIN -410207

(b) R&T Agents address :

M/s Sharepro Services (India) Pvt. Ltd 13 AB, Samhita Warehousing Complex 2nd Floor, behind Sakinaka Telephone Exchange, Andheri - Kuria Road, Sakinaka, Andheri (E), Mumbai - 400 072 Tel : 022-67720314 / 67720300 / 67720400 Fax No. 022-28508927 / 022 - 67720416 Email: sharepro@shareproservices.com	M/s Sharepro Services (India) Pvt. Ltd Investor Relation Centre, 912, Raheja Centre, Free Press Journal Road Nariman Point, Mumbai 400 021. Tel : 022 - 67720700
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9. CFO Certification of the Company :

Shri M.K. Mittal, Director Finance/CFO, certifies that as on 31-3-2011 :

(a) We have reviewed financial statements and the cash



flow statement for the year and that to the best of their knowledge and belief :

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

10. Secretary's Responsibility Statement

The Company Secretary confirms that as of 31/03/2011, the Company has :

- a) Maintained all the Statutory Registers required to be maintained under the Companies Act, 1956 ("the Act") and the Rules made there under.
- b) Filed all forms and returns and furnished necessary particulars in time to the Registrar of Companies (ROC) and/or Authorities as required under the Act.
- c) Issued all notices as required to be given for convening the meeting of the Board of Directors and General Meetings of the shareholders within the time limit prescribed by the Law.
- d) Conducted the meetings of the Board of Directors and Annual General Meeting as per the provisions of the Act.
- e) Complied with all the requirements relating to the minutes of the proceedings of the meeting of the Directors and the shareholders.
- f) Made due disclosures under the requirements of the Act including the requirements in pursuance to the disclosures made by the directors.
- g) Obtained necessary approvals of the directors, shareholders, Central Government and other authorities as per the statutory requirements.
- h) Given loans and made investments in accordance with the requirements of the Act, not exceeded the borrowing powers of the Company.
- i) Registered all the particulars relating to the creation, modification, and satisfaction of the charges with the ROC.
- j) Effected share transfers and dispatched the certificates within the time limit prescribed under the Act and rules made thereunder.
- k) Complied with all the Provisions under Companies Act 1956, (except Section 292A Reg: Provisions on Audit Committee); complied with all the requirements of the Listing Agreement entered into with the Stock

Exchanges.[except Cl. 49 (I) & 49(II)] .

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

11 Compliance Certificate of the Auditors

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

The said Certificate from the Statutory Auditors is in Annexure VII to Directors' Report.

13. Re-appointment of Directors

Two Non-executive Govt. Nominee Directors viz. Dr. V. Rajagopalan, AS & FA and Shri S.C. Gupta, JS are due for retirement by rotation at the ensuing 50th Annual General Meeting of the Company and are eligible for re-appointment as per the directions of the Govt. of India.

ANNEXURE VII

AUDITORS' CERTIFICATE ON CORPORATE GOVERNANCE REPORT

To the Members of

HINDUSTAN ORGANIC CHEMICALS LIMITED

1. We have examined the compliance of conditions of Corporate Governance by Hindustan Organic Chemicals Limited for the year ended 31st March, 2011 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. The Company has not complied with clause 49I of the Listing Agreement relating to the composition of the Board of Directors from 8/1/2011.
4. The company has not complied with the provisions of clause 49II of the Listing Agreement and section 292A of the Companies Act, 1956 relating to the composition of the Audit Committee from 8/1/2011.
5. 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 apart from the above mentioned, the Company has complied with the other conditions of Corporate Governance as stipulated in Clause 49 of the above mentioned Listing Agreement.
6. 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 Registered and Share Transfer Agents of the Company, as on 31st March, 2011 there was no investor grievance remaining unattended / pending for more than 30 days.
7. We further state that such compliance is neither an assurance as to the future viability of the Company nor of the efficiency or effectiveness with which the Management has conducted the affairs of the Company.

For M/s NBS & Co.
Chartered Accountants

Sd/-

Mr. Devdas Bhatt
Partner

Mumbai, Date: 27th July, 2011



AUDITOR'S REPORT

To the Members of
Hindustan Organic Chemicals Limited

We have audited the attached Balance Sheet of Hindustan Organic Chemicals Limited. (HOCL) as at 31st March, 2011, the Profit and Loss Account and also the Cash flow Statement for the year ended on that date annexed thereto, in which is incorporated the Balance Sheet, Profit & Loss Accounts and the Cash Flow Statement of the branch audited by other auditors appointed by the Central Government. In preparing this report, we have considered the report on the accounts of the branch audited by the branch auditors together with the particulars and information relating thereto, furnished to us by the management. These financial statements are the responsibility of the Company's Management. Our responsibility is to express an opinion on these financial statements based on our audit.

We have 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 misstatements. 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 the management as well as evaluating the over all financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As required by the Companies (Auditor's Report) Order 2003, issued by the Central Government of India in terms of Section 227 (4A) of the Companies Act, 1956 we annex hereto a statement on the matters specified in paragraphs 4 and 5 of the said Order.

Further to our comments in the annexure referred above, we report that :-

- a) 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.
- b) In our opinion, the Company has kept proper books of account as required by law so far as appears from our examination of the books and proper returns adequate for the purpose of our audit have been received from the units except stated specially in report elsewhere.
- c) The Balance sheet, Profit & Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of account.
- d) In our opinion and to the best of our information and according to the explanations given to us, the Balance Sheet, Profit & Loss Account and Cash Flow Statement read with the Schedule 22 Part B, notes thereon forming part of the accounts comply with the Accounting Standards referred to in Section 211(3C) of the Companies Act, 1956.
- e) The conditions specified in Section 274(I)(g) of the Companies Act, 1956 in respect of qualifications of directors is not applicable to the company being government company.
- f) 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:
 - i) Note No 4 (b) regarding penal interest of Rs.519.01 lacs on overdue loan from Government of India,
 - ii) Note No.8 (c) regarding non provision on account of misappropriation of Company's fund to the tune of Rs64.81 lacs, pending final report from CBI and outcome of the civil suit.
 - iii) Note No. 10 (a) regarding liabilities of wages revision for the period 1.01.1997 to 31.12.2000 Rs.2308.08 lacs at Rasayani Unit.

Note No.10 (b) regarding liabilities of wages revision for the period 1.01.2007 to 31.3.2008 Rs. 278.96 lacs to Officers and Rs. 246.31 lacs to Staff at Rasayani Unit.

Note No.10 regarding liabilities of wages revision for the balance amount of arrears of pay and allowances amounting to Rs.98.60 lacs payable to Officers at Kochi Unit.

- g) In respect of the following items, no provision/charge to Profit and Loss Account has been done for claims of JNPT of Rs.2007.99 lacs as under:
 - i. regarding claims of JNPT of minimum guaranteed throughput charges of Rs.1256.25 lacs.
 - ii. Regarding short provision of Rs.453.99 lacs on account of lease rentals and escalation on leased land payable to JNPT
 - iii regarding claims of JNPT of water charges of Rs 0.65 lacs and
 - iv regarding claims of JNPT of way leave charges of Rs 297.10 lacs.
- h) Reference is also invited to the following notes on accounts in Part B precise impact of which on the balance sheet and the Profit and Loss Accounts could not be ascertained for the reasons stated therein.
 - i) Note No. 5(b)(i) regarding amount of Rs.2976.65 lacs incurred on JNPT tank terminal project as expenditure towards construction continues to appear under Capital work in progress, the construction has been suspended for more than three years and the lease has been called off by the lessor JNPT after the expiry of the lease in June 2010. The status of the project is stagnant, incomplete and of no utility since long. No provision is made for the depreciation of the asset value if any pending ascertainment of recoverable amount which is the higher of an asset's net selling price and value in use.
 - ii) Note No.5 (d) of Part B - Others, ERP Implementation at Kochi. It is observed that ERP was implemented w.e.f. 16.09.2010. Data upto 31.08.2010 was transferred to SAP. Further entries upto 31st March 2011 were made in SAP. Since in-depth training to staff for the operation of SAP was not extended and that an EDP audit of SAP was not implemented it is recommended that a Migration Audit and EDP Audit be conducted for ensuring that adequate internal control and data security are in place.
 - iii) Note No 17 regarding pending confirmation and reconciliation of balances of sundry debtors, sundry creditors, loans and advances, other current assets and other debit/credit balances. Further Bank balances are subject to direct confirmation from the Banks, even though confirmations are received by the Company.
- i) We further report that had the effect of items mentioned at (f) and (g) above considered, profit for the year would have been decreased by Rs.5523.76 lacs resulting into a loss of Rs. 2952.17 lacs and the accumulated loss as at the year end would be higher by the same amount i.e. Rs. 5523.76 Lacs. Further, the current liabilities/provisions would have been higher by Rs. 5523.76 lacs and the balance of profit and loss account in the asset side of the balance sheet would have been higher by Rs. 5523.76 Lacs.
-)) We also report that the effect of items mentioned at (h) above is not ascertainable.
- k) Subject to our comments in para (i) and (j) above, in our opinion and to the best of our information and according to the explanation given to us, the said accounts read together with the Significant accounting policies and Notes on accounts appearing in the Schedule 22, give the information required by the Companies Act 1956, in the manner so required and



gives the true and fair view in conformity with the Accounting Principles generally accepted in India:

- In the case of Balance Sheet, of the state of affairs of the company as at 31st March 2011
- In the case of Profit & Loss Account, of the Profit for the year ended on that date and
- In the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

For NBS & Co. (FRN 110100W)
Chartered Accountants
Sd/-

Devdas Bhat

M.No. 48094

Date : 30/05/2011

Partner.

Place: DELHI

COMPANIES (AUDITOR'S REPORT) ORDER, 2003.

Annexure referred to in Paragraph 3 of our Report of even date

- (a) The Company has maintained proper records showing full particulars including quantitative details and situation of fixed assets.
- (b) As explained and informed to us, the Management has conducted physical verification of major items of fixed assets during the year and we are informed that no material discrepancies were noticed on such verification.
- (c) No substantial part of the Fixed Asset has been disposed off during the year so as to affect the going concern.
- (a) As per information and explanation given to us the management has carried out physical verification of inventories at reasonable intervals during the year. In our opinion the frequency of such verifications is reasonable.
- (b) In our opinion the procedure 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, Kochi unit does not have the system of taking dip measurements. Instead, reliance is placed on the electronic reading reported by the Distribution Control System.
- (c) The company is maintaining proper records of inventories. It is explained to us that no material discrepancies on such physical verification were noticed.
- (a) Based on information, the company has not granted any loans, secured or unsecured, to companies, firms, or other parties listed in the register maintained under Section 301 of the Companies Act, 1956 and as such clauses (iii)(b), (c) and (d) are not applicable.
- (b) Based on information, the company has not taken any loans, secured or unsecured, from companies, firms, or other parties listed in the register maintained under section 301 of the Companies Act, 1956 and as such clauses (iii)(f) and (g) are not applicable.
- (iv) In our opinion and according to the information and explanation given to us, there is an adequate internal control system for the purchase of inventories and fixed assets and for the sale of goods and services commensurate with the size of the Company and the nature of its business. During the course of our audit, we have not observed any major weakness in internal control system.
- (v) According to the information and explanation given to us there were no transactions that need to be entered into the register maintained under section 301 of the Companies Act, 1956. Sub Clause (b) of clause (v) is hence not applicable.
- (vi) In our opinion and according to the information and explanations given to us, Company has not accepted deposits from the public. Hence the provisions of section 58A and 58AA of the Companies Act, 1956 with regard to acceptance of deposits from public and the rules framed thereunder, to the extent applicable, except Rule 3A of the Companies (Acceptance of deposits) Rules, 1975 regarding investment in liquid assets, are not applicable. 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) In our opinion the company has an internal audit system commensurate with its size and nature of its business.
- (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. Cost Audit has been prescribed by the Government of India for the year 2010-11 for both the units of the Company.
- (a) The company is generally regular in depositing undisputed statutory dues including investor education and protection fund, employees state insurance, income tax, sales tax, wealth tax, service tax, custom duty, excise duty, cess and other statutory dues wherever applicable with appropriate authorities.
- (b) According to the information and explanations given to us no undisputed amount payable in respect of sales tax, income tax, wealth tax, excise duties, custom duties, cess and other statutory dues were in arrears as at 31st March 2011 for a period of more than six months from the date they become payable.

(ix) (c) According to the records of the company, details of outstanding dues of income tax, sales tax, wealth tax, service tax, custom duty, excise duty and cess which are not been deposited on account of any dispute are given below:

Sr. No.	Name of Statute	Nature of Dues	Period to which the dispute relates	Amount of disputes (Rs. in lacs)	Forum where dispute is pending
1. Resayani Unit					
1.	Customs Act	Custom 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	1999-2000	7.62	Commissionerate
3.	Central Excise Act	Shortage of inputs		13.64	Commissionerate
4.	Central Excise Act	Shortage of inputs		18.66	High Court
5.	Central Excise Act	Shortage of inputs		5.84	High Court
6.	Central Excise Act	ARO Case		19.28	Customs, Excise and Service Tax Appellate Tribunal



Sr. No.	Name of Statute	Nature of Dues	Period to which the dispute relates	Amount of disputes (Rs. in lacs)	Forum where dispute is pending
7.	Central Excise Act	Clearance of SSA to fertilizer manufacturing units		112.78	Commissionerate
8.	Central Excise Act	Reversal of CENVAT Credit availed on inputs lost in flood.	2006-2007	18.66	Commissionerate
Total				212.01	
1.	Income Tax Act 1961	Penalty under Section 271(1)(c)	AY 1999-2000	91.08	Commissioner of Income Tax Appeals, Mumbai
2.	Income Tax Act 1961	Penalty under Section 271(1)(c)	AY 2003-04	607.27	Commissioner of Income Tax Appeals, Mumbai
3.	Income Tax Act 1961	Penalty under Section 271(1)(c)	AY 2004-05	63.23	Commissioner of Income Tax Appeals, Mumbai
4.	Income Tax Act 1961	Disallowance of Expenses	AY 2007-08	20.78	Income Tax Appellate Tribunal, Mumbai
5.	Income Tax Act 1961	Disallowance of Expenses	AY 2008-09	1376.95	Commissioner of Income Tax Appeals, Mumbai
Total				2159.31	
2. Kochi Unit					
1.	Employees Family Pension Scheme	Damage for default payment	11/95 to 12/97	18.05	High Court of Kerala.
2.	ESI Corporation	ESI Contribution of employees	1/04/1992 to 31/10/1992	2.17	Employees Insurance Court (Industrial)
3.	Central Excise Act, 1944	Disallowance of CENVAT Credit availed on the ground that duty is paid by debiting DEPFB license	2004-05	11.09	Appeal with Customs, Excise and Service Tax Appellate Tribunal, Bangalore. Remanded to J.C.Ex Ernakulam
4.	Central Excise Act, 1944	Disallowance of CENVAT Credit availed on the ground that duty is paid by debiting DEPFB license	10/04 to 05/05	0.59	Customs, Excise and Service Tax Appellate Tribunal, Bangalore
5.	Finance Act, 1994	Non payment of Service Tax on commercial coaching/ training (1.92+6.01)	4/06 to 3/08	7.93	Commissioner of Central Excise Appeals, Ernakulam
6.	Finance Act, 1994	Non payment of Service Tax on commercial coaching/ training and renting of immovable property to Sterling Gas	04/08 to 03/09	1.86	Asst. Commissioner of Central Excise, Muvattupuzha
7.	Finance Act 1994	Availing of CEVAT credit on outdoor catering services (16.59+32.89)	04/06 to 11/08	49.48	Commissioner of Central Excise Appeals, Erankulam
8.	Finance Act, 1994	Availing of CEVAT credit on outdoor catering services	12/08 to 09/09	24.21	Commissioner of Central Excise Appeals, Erankulam
9.	Finance Act, 1994	Availing of CEVAT credit on service tax on transportation of final products to customers premises	01/05 to 08/06	4.55	Commissioner of Central Excise Appeals, Erankulam
10.	Finance Act, 1994	Availing of CEVAT credit on service tax on transportation of final products to Rasayani Depot	04/03 to 12/06	32.01	Commissioner of Central Excise Appeals, Erankulam
11.	Finance Act 1994	Security services and repair works at HOC township	02/06 to 12/06	0.97	Commissioner of Central Excise Appeals, Erankulam
12.	Central Excise Act, 1944	Duty on sale of waste/ scrap	upto 01/02 and 05/02 to 03/03	9.10	CESTAT, Bangalore appeal filed by the department
13.	Customs Act, 1962	Demand to remit duty for excess quantity of imported Benzene	Nov.08	0.79	Commissioner of Central Excise Appeals, Erankulam
14.	Finance Act, 1994	Availing of CENVAT credit on Hiring of Bus, Car and on Capital Goods	01/09 to 12/09	3.01	Commissioner of Central Excise Appeals, Erankulam
15.	Finance Act, 1994	Service Tax on commercial coaching, renting of immovable property	04/09 to 03/10	1.75	Deputy Commissioner of Central Excise
16.	Finance Act, 1994	Availing of CENVAT credit on outdoor catering, insurance, etc	10/09 to 09/10	14.81	Commissioner of Central Excise Appeals, Erankulam
17.	Finance Act, 1994	Availing of CENVAT credit on Hiring of Bus, Car, etc	01/10 to 11/10	2.05	Deputy Commissioner of Central Excise
18.	Central Excise Act, 1944	Excess amount collected from Rasayani Sales	03/10	0.24	Deputy Commissioner of Central Excise



Sr. No.	Name of Statute	Nature of Dues	Period to which the dispute relates	Amount of disputes (Rs.in lacs)	Forum where dispute is pending
19.	Finance Act, 1994	Utilisation of CENVAT credit for 100% payment when only 90% paid	05/09 to 12/09	1.52	Deputy Commissioner of Central Excise
20.	Income Tax Act, 1961	Demand for short collection/ Non payment of TDS for Assessment Year 2008-09 and 2009-10	AY 2008-09 and 2009-10	3.55	Commissioner of Income Tax Appeals, Erankulam
Total				189.73	

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|---|--|
| <p>(x) During the year, Company has not incurred cash losses. It has incurred cash losses during the immediately preceding financial year. However after giving effect to the qualifications in the auditors report, there will be cash loss during the year.</p> <p>(xi) The Company has not defaulted in repayment of dues to the bond holders during the current year.</p> <p>(xii) According to the information and explanations given to us, adequate documents and records are maintained for loans granted to subsidiary Company on the basis of security given by them.</p> <p>(xiii) The Company is not a chit fund/nidhi/mutual benefit fund/ society as such clauses (xiii)(a) to (d) are not applicable.</p> <p>(xiv) The Company is not a trader or dealer in any shares, securities or debentures of other companies.</p> <p>(xv) According to the information and explanation given to us, the Company has given guarantee of Rs.12.53 crores for loan taken by M/s Hindustan Fluorocarbons Ltd. from State Bank of Hyderabad, the terms and conditions thereof are not prejudicial to the interest of the Company.</p> <p>(xvi) In our opinion and according to the information and explanation given to us, the Company has taken term loans during the year and same were applied for the purpose for which the loans were obtained.</p> <p>(xvii) Based on our examination of the books of account and Balance Sheet of the units, we are of the opinion that funds raised on short term basis have not been used for long term investments.</p> | <p>(xviii) Company has not made any preferential allotment of shares to parties/companies covered in the register maintained u/s 301 of the Companies Act, 1956.</p> <p>(xix) The Company has raised Rs.100 crores by way of issuing bonds during the year, which is guaranteed by GOI by way of registered bond trust deed.</p> <p>(xx) The Company has not raised any money through public issues during the year.</p> <p>(xxi) Based upon the audit procedure performed for the purpose of reporting the true and fair view of the financial statements and as per the information and explanation furnished by the management we report that no fraud is noticed or reported during the year by the Company.</p> |
|---|--|

For NBS & Co.(FRN 110100W)
Chartered Accountants

Sd/-

Devdas Bhat.

Partner

M.No. 48094

Date : 30th May 2011

Place: DELHI

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, 2011.

The preparation of financial statements of Hindustan Organic Chemicals Limited for the year ended 31 March, 2011 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 30th May, 2011.

I on the behalf of the Comptroller and Auditor General of India have conducted a supplementary audit under section 619(3) (b) of the Companies Act, 1956 of the financial statement of Hindustan Organic Chemicals Limited for the year ended 31st March, 2011. This supplementary audit has been carried out independently without access to the working papers of the statutory auditor and is limited primarily to inquiries of the Statutory Auditor and Company personnel and a selective examination of some of the accounting records. On the basis of my audit nothing significant has come to my knowledge which would give rise to any comment upon or supplement to Statutory Auditors' report under section 619 (4) of the Companies Act, 1956.

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

Sd/-

ALKA R. BHARDWAJ

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

Place: Mumbai

Date : 14/07/2011



BALANCE SHEET AS AT 31ST MARCH, 2011		(Rs.in lacs)	
	Schedule No.	As at 31.03.2011	As at 31.03.2010
SOURCES OF FUNDS			
1. Share holders' Funds			
a. Share Capital	1	33726.96	33726.96
b. Reserves and Surplus	2	<u>6577.50</u>	<u>6478.51</u>
		40304.46	40205.47
2. Loan Funds			
a. Secured Loans	3	3059.05	7028.15
b. Unsecured Loans	4	<u>19020.37</u>	<u>18333.84</u>
		<u>22079.42</u>	<u>25361.99</u>
		<u>62383.88</u>	<u>65567.46</u>
APPLICATION OF FUNDS			
1. Fixed Assets			
a. Gross block		71501.38	70579.12
b. Less: Depreciation		<u>53830.64</u>	<u>51378.48</u>
c. Net block	5	<u>17670.74</u>	<u>19200.64</u>
d. Capital Work-in-progress	6	<u>3298.88</u>	<u>3067.37</u>
		20969.62	22268.01
2. Investments	7	1106.00	1106.00
3. Current Assets, Loans and Advances			
a. Inventories	8	11016.75	7626.19
b. Sundry Debtors	9	5141.03	4723.71
c. Cash and Bank Balances	10	3105.99	2894.84
d. Other Current Assets		548.35	622.42
e. Loans and Advances	11	<u>7440.46</u>	<u>7281.54</u>
		<u>27252.58</u>	<u>23148.70</u>
Less: Current Liabilities and Provisions			
a. Liabilities	12	11438.59	9653.59
b. Provisions	13	<u>6783.35</u>	<u>5150.87</u>
		<u>18221.94</u>	<u>14804.46</u>
Net Current Assets		9030.64	8344.24
4. Profit and Loss Account		<u>31277.62</u>	<u>33849.21</u>
		<u>62383.88</u>	<u>65567.46</u>
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	
For NBS & Co.			
Chartered Accountants			
Sd/-	Sd/-	Sd/-	Sd/-
(C.A. Devdas Bhat)	(R.N. Madangeri)	(M.K. Mittal)	(J.N.Suryawanshi)
Partner	Chairman & Managing Director	Director (Finance)	Director (Marketing)
Membership No. 48094			
		Sd/-	
		(Mrs. Susheela S. Kulkarni)	
		Company Secretary	
Place : Delhi	Place : Delhi		
Date : 30/05/2011	Date : 30/05/2011		

**PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2011**

(Rs. in lacs)

	Schedule No.	Year ended 31st March, 2011	Year ended 31st March, 2010
INCOME:			
Sales (Gross)		73803.91	52071.24
Less: Excise duty		7067.88	4207.83
Net Sales		<u>66736.03</u>	<u>47863.41</u>
Other Income	14	1006.79	1741.15
Profit on Sale of Assets		3.45	0.98
Increase/(Decrease) in Stock-in-Trade	15	<u>3041.77</u>	<u>(310.45)</u>
		<u>70788.04</u>	<u>49295.09</u>
EXPENDITURE:			
Materials Consumed	16	39213.21	31392.16
Excise duty		167.97	163.55
Employees' Remuneration and Benefits	17	12002.85	9044.58
Manufacturing, Administrative and Selling Expenses	18	11856.12	12010.85
Interest	19	2088.35	2323.10
Depreciation		2517.74	2652.28
Impairment Loss		56.73	-
Provisions	20	244.46	139.89
Loss on sale/disposal of Assets		11.30	0.63
		<u>68158.73</u>	<u>57727.04</u>
Profit/(Loss) for the year before Tax		2629.31	(8431.95)
Less: Provision for Taxation		-	-
Profit/(Loss) After Tax		2629.31	(8431.95)
Less: Reserve/Provision no longer required, Prior period & extra ordinary items	21	57.72	(124.16)
Profit/(Loss) after Tax & Adjustments		<u>2571.59</u>	<u>(8307.79)</u>
Add: Opening Balance of Profit and Loss Account		(33,849.21)	(26591.42)
Add: Transferred from Bond Redemption reserve no longer required		-	1050.00
Balance carried to Balance Sheet		<u>(31277.62)</u>	<u>(33849.21)</u>
Earnings per Share		3.83	(12.35)
Significant Accounting Policies and Notes on Accounts	22		

As per our report of even date attached
For NBS & Co.
Chartered Accountants

Sd/-
(C.A. Devdas Bhat)
Partner
Membership No. 48094

For and on behalf of the Board of Directors

Sd/- (R.N. Madangeri) Chairman & Managing Director
Sd/- (M.K. Mittal) Director (Finance)
Sd/- (J.N. Suryawanshi) Director (Marketing)
Sd/- (Mrs. Susheela S. Kulkarni) Company Secretary

Place : Delhi
Date : 30/05/2011

Place : Delhi
Date : 30/05/2011



SCHEDULES FORMING PART OF THE BALANCE SHEET

(Rs. in lacs)

	As at 31.03.2011	As at 31.03.2010
SCHEDULE-1: SHARE CAPITAL		
AUTHORISED		
270000000 (270000000) 8% Non-cumulative Redeemable Preference Shares of Rs.10/- each.	27000.00	27000.00
100000000 (100000000) Equity Shares of Rs.10/- each	10000.00	10000.00
	<u>37000.00</u>	<u>37000.00</u>
ISSUED, SUBSCRIBED AND PAID-UP SHARE CAPITAL		
Preference Share Capital		
270000000 (270000000) 8% Non-cumulative Redeemable Preference Shares of Rs.10/- each.	27000.00	27000.00
Equity Share Capital		
67173100 Equity Shares of Rs.10 each fully paid up (Previous year 67366100 Shares of Rs.10/- each). Of the above 300000 Equity Shares of Rs 10 each (Previous year 300000 Shares of Rs.10/- each) are allotted as fully paid up pursuant to a contract, without payment being received in cash.	6717.31	6736.61
Less: Unpaid Allotment Money :		
Directors	-	-
Others	-	9.65
Add: Forfeiture of Shares	<u>9.65</u>	-
	<u>33726.96</u>	<u>33726.96</u>

	As at 31.03.2011	As at 31.03.2010
SCHEDULE-2: RESERVES & SURPLUS		
Capital Reserve		
Nominal value of Freehold land Re. 1/- (Previous Year Re.1/-)	-	-
Capital Grant	211.52	-
	211.52	-
Share Premium Account		
	6478.51	6674.81
Less: Bond Issue Expenses	<u>112.53</u>	<u>196.30</u>
	6365.98	6478.51
Bond Redemption Reserve		
Balance as per last Balance Sheet	-	1050.00
Less: Transfer to Profit & Loss Account	-	<u>1050.00</u>
	-	-
	<u>6577.50</u>	<u>6478.51</u>



SCHEDULES FORMING PART OF THE BALANCE SHEET

(Rs. in lacs)

	Note	As at 31.03.2011	As at 31.03.2010
SCHEDULE-3: SECURED LOANS			
From State Bank of India on Cash Credit Account	1	894.93	5512.29
From Central Bank Of India (Includes Interest accrued)	2	2164.12	1515.86
		<u>3059.05</u>	<u>7028.15</u>

1. Loan from bank on cash credit account is secured by :
 - a. Hypothecation of the Company's entire stock of raw materials, finished goods, stock-in-process, consumable stores and spares and book debts in favour of the bank to the extent of Rs.15500 lacs.
 - b. Equitable mortgage conveying 1st Pari Passu charge over all immovable assets at factory and township situated at Ambalamugal, Dist : Ernakulam and 2nd Pari Passu charge over the immovable properties situated at village Deolali, Posari, Wasambe, Parade, Savale, Turade, Dapivali and Ambivali Talukas of Panvel and Khalapur, District Raigad in the State of Maharashtra and plant and machinery, equipments, fixtures and fittings, movable machinery, spares, articles and things in the State of Maharashtra (excluding current assets).
2. Short Term Loan from Central Bank Of India is secured against pledge of Fixed Deposit.

	Note	As at 31.03.2011	As at 31.03.2010
SCHEDULE - 4: UNSECURED LOANS			
1000 (Nil) Non-convertible 8.80% Taxable Bonds of Rs.1000000/- each redeemable at the end of two years with yearly interest payment. Due on 28.08.2012	1	10000.00	-
Nil(1000) Unsecured 6.40% Taxable Bonds of Rs.1000000/- each redeemable at the end of one year with yearly interest payment. Due on 28.08.2010	1	-	10000.00
From Government of India, includes overdue Rs.3354.40 lacs (Previous Year Rs.2605.30 lacs)		5744.00	5744.00
Add: Interest Accrued and due		<u>2986.84</u>	<u>2240.23</u>
		8730.84	7984.23
Other Loans			
Others payable within one year Rs.35.79 Lacs (Previous year Rs.65.50 lacs)		289.53	349.61
		<u>19020.37</u>	<u>18333.84</u>

1. 1000 Unsecured Bonds of Rs.10,00,000/- each are Guaranteed by Govt.of India for repayment of principal and interest thereupon. 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 two years from 28.08.2010 i.e.date of allotment.



SCHEDULE - 5 FIXED ASSETS										(Rs. in lacs)			
Item Description	GROSS BLOCK					DEPRECIATION					NET BLOCK		
	As at 01.04.2010	Additions	Sales	Adjustments	As at 31.03.2011	Up to 01.04.2010	Sales	Adjustments	Provided during the year	Impairment of Assets	Up to 31.03.2011	As on 31.03.2011	As on 31.03.2010
1. Land & Land Development	669.56	-	-	-	669.56	-	-	-	-	-	-	669.56	669.56
2. Leasehold Land	386.08	-	-	(50.00)	336.92	68.98	(50.00)	8.13	27.11	-	309.81	317.94	317.94
3. Buildings	3570.27	56.72	-	(121.52)	3504.47	1598.06	(103.65)	58.79	1553.20	-	1951.27	1972.20	1972.20
4. Drainage Effluent & Pollution Control System	991.53	-	-	10.04	1001.57	858.46	9.16	13.82	882.07	0.83	119.50	133.07	133.07
5. Water Supply System	260.67	3.00	-	-	263.67	178.12	-	10.91	190.08	1.05	73.59	82.55	82.55
6. Chemical & Utility Plant	55872.23	219.35	98.61	(6,595.10)	49437.87	41434.47	46.20	(5,008.30)	1831.25	5.13	38216.35	14437.75	14437.75
7. R & D Plants	153.99	-	-	(28.85)	125.14	133.15	-	2.64	111.09	0.50	14.05	20.84	20.84
8. Elect.Inst. AC & Elect. Equipments	4168.67	712.24	6.60	56.36	4930.67	3498.24	6.09	32.54	176.76	2.65	3704.10	670.43	670.43
9. Furniture, Fixtures & Equipments	3392.72	56.22	6.54	(358.28)	3084.12	2622.51	5.87	(225.68)	83.58	5.22	2480.36	770.20	770.20
10. Railway Sidings	35.53	-	-	-	35.53	33.77	-	-	33.77	-	1.76	1.76	1.76
11. Vehicles	90.64	13.33	16.09	89.09	178.97	58.07	14.13	24.00	8.05	-	96.98	31.57	31.57
12. Library Books	76.64	0.24	-	-	76.88	72.61	-	-	0.68	-	3.39	4.03	4.03
13. Plants held for disposal	909.75	-	-	6,948.26	7858.01	821.01	-	5,296.54	322.93	41.55	6482.03	1375.98	88.74
Total	70579.12	1060.10	87.84	(50.00)	71501.38	51378.45	72.29	(49.99)	2517.74	56.73	53830.64	17670.74	19200.64
Previous year	70278.08	306.23	9.73	4.54	70579.12	48733.82	7.68	0.05	2652.29	-	51378.48	19200.64	21544.26



SCHEDULES FORMING PART OF THE BALANCE SHEET		(Rs. in lacs)	
	As at 31.03.2011	As at 31.03.2010	
SCHEDULE - 6: CAPITAL WORK-IN-PROGRESS			
1. J.N.P.T. Tank Terminals Project	2976.65	2972.22	
2. Combined Heat & Power Project	46.35	46.35	
3. Refurbishment of CNA Plant	211.52	38.69	
4. ERP Project Kochi	-	10.11	
5. Other Assets Kochi Unit	64.36	-	
	<u>3298.88</u>	<u>3067.37</u>	
	As at 31.03.2011	As at 31.03.2010	
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	1106.00	1106.00	
	1106.00	1106.00	
Long Term Investment - Unquoted			
30000(Previous year 30000)Equity Shares of Rs.10 each fully paid in HOC-Chematur Ltd.,a Subsidiary Company	3.00	3.00	
Less: Provision for diminution of investment	3.00	3.00	
	<u>1106.00</u>	<u>1106.00</u>	
	As at 31.03.2011	As at 31.03.2010	
SCHEDULE - 8 : INVENTORIES (AS TAKEN, VALUED AND CERTIFIED BY THE MANAGEMENT)			
Stores and Spares	2819.11	2188.76	
Less: Provision for obsolescence	442.53	431.05	
	2376.58	1757.71	
Raw Materials	1901.10	1282.75	
Materials-in-transit	30.11	918.54	
	1931.21	2201.29	
Stock-in-Process	794.52	732.08	
Finished Products			
i) For Captive Consumption	2159.74	858.36	
ii) Main Products for sale	3729.74	2051.61	
iii) By-Products	24.96	25.14	
	5914.44	2935.11	
	<u>11016.75</u>	<u>7626.19</u>	
	As at 31.03.2011	As at 31.03.2010	
SCHEDULE - 9 : SUNDRY DEBTORS			
Debts outstanding for a period exceeding six months	2976.10	2987.64	
Other Debts	5000.67	4620.53	
	7976.77	7608.17	
Less: Provision for Doubtful Debts	2835.74	2884.46	
	<u>5141.03</u>	<u>4723.71</u>	

**SCHEDULES FORMING PART OF THE BALANCE SHEET**

(Rs. in lacs)

	As at 31.03.2011	As at 31.03.2010
NOTE:		
Secured-considered good, in respect of which Company holds Bank Guarantees/Letters of Credit	2546.96	2140.62
Unsecured considered good	2594.07	2583.09
Unsecured considered Doubtful	2835.74	2884.46
	<u>7976.77</u>	<u>7608.17</u>
Less: Provision for Doubtful Debts	2835.74	2884.46
	<u>5141.03</u>	<u>4723.71</u>

	As at 31.03.2011	As at 31.03.2010
SCHEDULE - 10 : CASH AND BANK BALANCES		
Cash in hand	1.75	1.82
Cheques in hand	240.28	130.09
With Scheduled Banks		
In Current Account	166.82	109.21
In Saving Bank Account (Towards Rental Payments)	114.78	102.56
In Term Deposit Account [Out of this Rs.25.55 Crs. (Previous year Rs.23.30 Crs.) is lien marked against loan of Rs.21.64 Crs. (Previous year Rs.15.16 Crs.) and Bank Guarantee Rs.Nil (Previous year Rs.8.14 Crs.) obtained from Central Bank Of India.]	2582.36	2551.16
	<u>3105.99</u>	<u>2894.84</u>

	As at 31.03.2011	As at 31.03.2010
SCHEDULE - 11 : LOANS AND ADVANCES		
Advances to Subsidiary Company M/s.Hindustan Fluorocarbons Ltd., (Secured to the extent of Rs.3500.49 lacs and considered good)		
Advances	3630.49	3500.49
Interest accrued but not received	388.66	252.68
	4019.15	3753.17
Advance to Subsidiary Co. HOC_Chematur Ltd. (Unsecured-considered doubtful)		
Advances	1065.89	1065.62
Less: Provision for doubtful advance	1065.89	1065.62
	-	-
Loans to Public Sector Undertaking (Unsecured-considered doubtful)		
Loans	171.08	171.08
Less: Provision for doubtful of recovery	171.08	171.08
	-	-



SCHEDULES FORMING PART OF THE BALANCE SHEET		(Rs. in lacs)	
	As at 31.03.2011	As at 31.03.2010	
Advances recoverable in cash or in kind or for value to be received :			
Staff Loans			
Secured-considered good	85.60	125.21	
Other Loans			
Unsecured-considered good	2414.51	2741.92	
Unsecured-considered doubtful	32.42	32.42	
Less: Provision for doubtful advances	<u>32.42</u>	<u>32.42</u>	
	-	-	
Balances with Customs, Excise, Post Office, Telephones, Electricity etc.			
(Unsecured-considered good)	921.20	661.24	
Unsecured-considered doubtful	1.80	1.80	
Less: Provision for doubtful deposits	<u>1.80</u>	<u>1.80</u>	
	-	-	
	<u>7440.46</u>	<u>7281.54</u>	
Dues from (excluding advances for purchase and expenses for the company)			
Directors	5.16	-	
Officers	23.25	25.57	
Maximum amount due at any time during the year			
Directors	5.78	-	
Officers	27.72	33.12	
	As at 31.03.2011	As at 31.03.2010	
SCHEDULE - 12 : CURRENT LIABILITIES			
Sundry Creditors			
- Dues to Micro & Small Scale Industrial Unit	18.07	34.82	
- Dues to Others	4355.18	3456.59	
- Dues to Employees	1287.59	985.90	
Amount due to Customers	1182.27	1351.99	
Deposits from Contractors and Others	1044.21	928.20	
Interest accrued but not due	749.58	610.62	
Other Liabilities	2801.69	2285.67	
	<u>11438.59</u>	<u>9653.59</u>	
	As at 31.03.2011	As at 31.03.2010	
SCHEDULE - 13 : PROVISIONS			
For leave encashment	3305.50	2989.43	
For Fixed Assets	20.92	23.91	
For Accumulated Gratuity	2577.22	1684.83	
For Statutory Claims	18.05	18.04	
For Employees Remuneration - Pay Revision	539.42	229.42	
For Fringe Benefit Tax	97.01	97.01	
For Waiver of Delayed Payment Charges	-	108.23	
For Interest to others	225.23	-	
	<u>6783.35</u>	<u>5150.87</u>	



SCHEDULE FORMING PART OF THE PROFIT AND LOSS ACCOUNT		(Rs.in lacs)	
	Year ended 31st March, 2011	Year ended 31st March, 2010	
SCHEDULE-14 :OTHER INCOME			
INTEREST:			
On Call and Term Deposits(Gross) tax deducted at source Rs.Nil (Previous Rs.46.71 lac)	228.02	336.59	
On Advances and Deposits with MIDC, MSEB and others (Tax deducted at source Rs.0.09 lacs) (Previous year Rs.0.05 lac)	20.58	16.15	
On loan to the Subsidiary Co.,M/s.HFL (Tax deducted at source Rs.Nil (Previous year Rs.Nil)	135.99	121.05	
	384.59	473.79	
OTHERS:			
Estate Rent (Tax deducted at source Rs.Nil) (Previous year Rs.1.28 lacs)	100.23	88.02	
Transport, Water,Electricity,etc.	119.27	76.90	
Delayed payment charges(Tax deducted at source Rs.Nil)(Previous year Rs.Nil)	75.44	212.05	
Exchange Rate Difference Gain	0.49	0.53	
Miscellaneous Income (Tax deducted at source Rs.1.52 lacs) (Previous year Rs.1.49 lac)	326.77	889.86	
	622.20	1267.36	
	1006.79	1741.15	
	Year ended 31st March, 2011	Year ended 31st March, 2010	
SCHEDULE-15 :INCREASE/(DECREASE)IN STOCK IN TRADE AND IN PROCESS			
OPENING STOCK			
Stock-in-Process	732.08	702.58	
Stock for Captive Consumption	858.36	1518.06	
Finished Products (including Rs.25.15 lacs By-Products) (Previous year Rs.14.54 lacs)	2076.75	1757.00	
	3667.19	3977.64	
CLOSING STOCK			
Stock-in-Process	794.52	732.08	
Stock for Captive Consumption	2159.74	858.36	
Finished Products (including Rs.24.96 lacs By-Products) (Previous year Rs.25.15 lacs)	3754.70	2076.75	
	6708.96	3667.19	
(Decrease) / Increase	3041.77	(310.45)	
	Year ended 31st March, 2011	Year ended 31st March, 2010	
SCHEDULE-16 : MATERIALS CONSUMED			
A. RAW MATERIALS			
Sulphur	5255	426.68	6849 306.56
Benzene	47487	21978.69	40763 17665.66
Methanol	13728	1977.14	14253 1875.42
Nitric acid	853	129.37	1465 197.40
Toluene	1299	576.11	1647 675.44
Naphtha	528	193.24	2027 658.15
Ammonia	2696	453.49	2690 410.16
Acetic Acid		-	-
Liquified Petroleum Gas	25135	11025.91	19884 7241.74
Hydrogen (M3)	3928789	771.39	3451990 618.43
Other Raw Materials		423.21	376.67
	37955.23	30025.63	
B. Stores and Spare Parts (Including catalyst consumed)	1257.98	1366.53	
	39213.21	31392.16	



SCHEDULE FORMING PART OF THE PROFIT AND LOSS ACCOUNT		(Rs. in lacs)
	Year ended 31st March, 2011	Year ended 31st March, 2010
SCHEDULE - 17 EMPLOYEES' REMUNERATION AND BENEFITS		
Salary, Wages, Bonus, Incentives and Allowances includes Rs.Nil (Previous year Rs.183.07 lacs) being amortisation of VRS expenses.	7938.35	5546.92
Company's contribution to Provident Fund	812.22	537.23
Family Pension Fund and other Funds		
Gratuity payments including premium for Group Gratuity-cum-Life Insurance Scheme	1111.16	1017.48
Provision for Wage Revision	542.24	229.42
Provision for leave encashment	640.13	767.14
Employees Welfare Expenses		
Medical Amenities	244.78	268.57
Educational Amenities	91.98	99.25
Canteen and Nutrition Amenities	452.72	418.40
Other Welfare Expenses	127.03	134.82
Directors' Remuneration		
Salary and Allowances (including Leave Travel Allowance, Leave Encashment and Medical Expenses)	37.56	22.97
Company's contribution to Provident Fund	3.78	2.26
Gratuity payment including Premium for Group Gratuity-cum-Life Insurance Scheme	0.90	0.12
	<u>42.24</u>	<u>25.35</u>
	<u>12002.85</u>	<u>9044.58</u>
	Year ended 31st March, 2011	Year ended 31st March, 2010
SCHEDULE - 18 : MANUFACTURING , ADMINISTRATION AND SELLING EXPENSES		
Power	2854.75	3266.71
Fuel	5787.07	5379.01
Water	305.39	329.11
Repairs and Maintenance to :		
Buildings	114.14	248.07
Plant and Machinery	228.44	474.63
Other Assets	259.59	191.98
	<u>602.17</u>	<u>914.68</u>
Research and Development	0.22	0.63
Consultancy Charges	57.68	48.20
Rent	81.03	83.60
Rates and Taxes	136.76	97.47
Insurance	75.11	64.00
Payment to Auditors		
As Auditors	3.31	4.26
In Other Capacity		
- Other Matter	2.72	1.97
- Out of pocket expenses	0.55	0.40
Tax Audit Fees	0.90	0.90
	<u>7.48</u>	<u>7.53</u>
Other Expenses including Directors' Travelling Rs.18.00 lacs (Previous year Rs.15.32 lacs)	1182.33	1205.43
Rebate & Discount on Sales	737.59	607.09
Sales promotion and Publicity	28.54	7.39
	<u>11856.12</u>	<u>12010.85</u>



SCHEDULE FORMING PART OF THE PROFIT AND LOSS ACCOUNT		(Rs. in lacs)
	Year ended 31st March, 2011	Year ended 31st March, 2010
SCHEDULE - 19 : INTEREST		
On Fixed Loans	1573.94	1461.12
On Other Loans	514.41	861.98
	<u>2088.35</u>	<u>2323.10</u>
	Year ended 31st March, 2011	Year ended 31st March, 2010
SCHEDULE - 20 : PROVISIONS		
For Doubtful debts	0.42	18.35
For Doubtful of Advance/Receivables	-	0.31
For Waiver of DPC-One time settlement	-	108.23
For Doubtful recovery of advance to HOC Chematur	0.27	0.06
For Diff.in Fixed Assets on Physical Verification	-	12.94
For Stock Obsolescence	18.54	-
For Interest to others	225.23	-
	<u>244.46</u>	<u>139.89</u>
	Year ended 31st March, 2011	Year ended 31st March, 2010
SCHEDULE - 21 : RESERVE/PROVISION NO LONGER REQUIRED/PRIOR PERIOD AND EXTRA ORDINARY ITEMS		
1. PRIOR YEAR ADJUSTMENTS:		
INCOME		
Miscellaneous income	-	(1.91)
Sundry Debtors	-	0.53
Reversal of Debit Notes for DPC	47.85	-
Sales	-	0.75
Transit house recovery	(2.21)	-
EXPENDITURE		
Raw Material	0.30	0.66
Excise duty	-	2.28
Salaries arrears,incentives & other benefits	(0.63)	0.49
General Expenses	(0.54)	0.25
Repairs and Maintenance	5.17	(0.90)
Depreciation	-	0.05
Insurance Claim	-	19.44
Service Tax	-	(1.53)
Material Consumption	0.43	18.58
Bond Interest	-	0.21
Other Interest	52.01	-
	<u>102.38</u>	<u>38.90</u>
2. EXCESS PROVISION / RESERVE WRITTEN BACK		
Bad Debt provision written back	(34.62)	(5.94)
Stores & Spares	(7.05)	(26.04)
Discounts	-	(9.65)
Employees' Remuneration	-	(121.43)
M&R - CPP Engine Repair	(2.99)	-
	<u>(44.66)</u>	<u>(163.06)</u>
	<u>57.72</u>	<u>(124.16)</u>


**SCHEDULE 22
NOTES ON ACCOUNT**
PART A: SIGNIFICANT ACCOUNTING POLICIES
1. BASIS OF PREPARATION OF FINANCIAL STATEMENTS
Accounting Convention :

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

2. FIXED ASSETS

- Fixed Assets are stated at historical cost less depreciation.
- The constructed/fabricated capital assets are capitalized as and when the same are installed in the plants.
- Machinery spares which are procured for use in connection with particular machinery/equipment and stand by equipments which are identified to a particular item of fixed asset and having irregular use are capitalized and written off over the remaining useful life of the machinery/equipment.
- In respect of Plant & Machinery, significant expenditure on Repairs, Renewals and Replacement having a separate identity and is capable of being used after the existing assets are disposed off or which are certified by the concerned Technical Department to have resulted in technical improvement, increased capacity or increased useful life of the assets, is capitalised. The estimated residual value of the replaced parts, determined on technical assessment is charged to 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/capitalized.

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 :

- Acquired before 2.4.1987 depreciation is continued to be provided on "Straight Line Method" at the rates approved by the Board on technical assessment of useful life of assets or the rates prescribed under the then provisions of Income Tax Act, 1961 whichever is higher.
 - Acquired from 2.4.1987 onwards and in existence as on 1.4.1993, depreciation is provided on straight-line method at old rates prescribed in the then Schedule XIV of the Companies Act, 1956.
 - Acquired after 1.4.1993 depreciation is provided on straight-line method as per the rates given in the revised Schedule XIV to the Companies Act, 1956. Or on the basis of estimated life of the assets, whichever is higher.
- 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

- Inventories are valued at lower of cost and net realizable value except in case of;
 - Raw materials which are valued at cost, since finished goods which are produced using the same are expected to be sold at above cost.
 - Stores and spares, which are valued at cost, determined as per weighted average cost method.
 - By-products which are valued at estimated net realizable value, and
 - Intermediate products which are valued at cost of production or net realizable value whichever is lower where cost is determined as per

average cost of production.

- For the purpose of valuation of stock-in-process and stock of finished goods pending inspection, the same is converted into equivalent units of finished products held for captive consumption depending upon stage of completion.
- The cost of Catalyst is amortised over their estimated useful lives. Balance unamortised portion has been shown under the head "Stores and Spares".

6. SUNDRY DEBTORS

Provision for Doubtful debts/Loans/Advances: Full provision is made in the books, in respect of Sundry Debtors outstanding for more than 3 years (except in respect of receivables from Government departments/Companies) except where the Company has filed a civil suit for recovery of dues and the suit is yet to be decided, other than wherever found necessary in the circumstances of the case.

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

7. REVENUE RECOGNITION

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

8. 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.

9. BOND ISSUE EXPENSES

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

10. RETIREMENT BENEFITS

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

11. BONUS

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

12. INVESTMENTS

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

13. PRIOR PERIOD/PREPAID EXPENSES

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

14. CONTINGENT LIABILITIES

Claims against the Company not acknowledged as debts relating to normal business transactions and show cause notices and demands raised by tax authorities disputed by the Company are treated as Contingent Liabilities and disclosure is made in accordance with AS-29.

**PART B:
NOTES ON ACCOUNT**
1. SCHEDULE 1 - SHARE CAPITAL

- During the year the Company has forfeited 1,93,000 shares of Rs. 10/- each (Rs.5/- paid up) for non payment of allotment and call monies with the approval of the Board of Directors and the amount paid towards application money in respect of these forfeited shares has been transferred to Shares Forfeiture Account.
- The Government of India had released Rs.270 crores (for financial restructuring Rs.250 crores and Caustic Soda Plant recommissioning Rs.20 crores) against allotment of 8% Non-Cumulative Redeemable Preference Shares, thereby broadening the capital base as per the revival scheme. The 8% Preference Shares were allotted to Govt. of India by the



Board on 28th January, 2008, redeemable @ 20% commencing from 4th year with last redemption in the 8th year. The first instalment of (20%) i.e. Rs. 54 crores is due for redemption in financial year 2011-12. The Company has requested to the Government of India to extend redemption starting in financial year 2014-15 @ 25% each year.

- c) During the year, the Unpaid Allotment Money Account and the Security Premium Account has been reconciled. As a result, it was found that an amount of Rs.0.405 lac received earlier from the shareholders was credited to Unpaid Allotment Money Account, although Rs.0.28 lac belonged to the Security Premium Account and Rs.0.125 lac for the Miscellaneous Deposit Account. This has been set right during the year by debiting Rs.0.405 lac to Unpaid Allotment Money with corresponding credit of Rs.0.28 lacs to the Security Premium Account and Rs.0.125 lacs to the Miscellaneous Deposit Account. The amount of Rs.0.125 lacs credited to Miscellaneous Deposit Account is subject to final reconciliation.

2. SCHEDULE 2 - RESERVES & SURPLUS

Capital Reserve: An amount of Rs.698.45 lacs (Previous year Rs.279.38 lacs) has been received from ISRO (Government of India) towards Capital Grant for refurbishment of CNA Plant. Out of this, an amount of Rs. 211.52 lacs has been spent upto 31st March, 2011 and accordingly same has been shown as Capital Reserve and balance amount of Rs.486.93 lacs has been shown as deposit under the head - Current Liabilities (Deposit from contractors & others) pending utilisation.

3. SCHEDULE 3 - SECURED LOANS

- a) Interest on bonds, which are live at the year end, is provided at the coupon rate.
- b) As per the existing practice followed by the Company, the cheques in hand as on 31st March, 2011 amounting to Rs.240.28 lacs (Previous year Rs.130.09 lacs) are included under Cash and Bank Balance as well as in Bank on Cash Credit Account (under the head Secured Loans).

4. SCHEDULE 4 - UNSECURED LOANS

- a) Other Loans (Schedule - 4) comprises of the following:

	31.3.2011 (Rs. in lacs)	31.3.2010 (Rs. in lacs)
LIC Housing Finance Ltd. (Refinance)	Nil	278.67
HDFC (Corporate Housing loans) *	25.88	32.98
Canara Bank (Housing loans) **	263.65	37.96
Total Unsecured Loan :	289.53	349.61

* The above loans are secured by an equitable charge against the loan and interest. Outstanding in the employees' accounts representing the above loan.

** The above loans are secured by way of mortgage assignment of rights available to the Company on the properties of the employees against the loan and interest outstanding in the employees' accounts representing the above loan.

- b) The Company has not made provision for penal interest payable amounting to Rs.519.01 lacs (Previous year Rs.348.37 lacs) on overdue Government Loan upto 31st March, 2011 since the same is leviable at the discretion of Government of India. The Company has not received any demand from the Government of India for the same.

5. 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 Rs.1/- is included in "Land and Land Development" by creating "Capital Reserve". Land at Parvel 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 business/residential purpose of the Company.
- b) i) Capital Work-in-Progress and Expenditure during Construction includes Rs.2976.65 lacs (previous year Rs.2972.22 lacs) towards cost of JNPT Tank Terminal project wherein Management had decided to suspend further construction. Even though the lease period has expired in June, 2010, the Company has written to JNPT authorities for extension of the lease period and is hopeful of getting extension. Hence the assets are carried at cost in view of the decision of the management.
- ii) An amount of Rs.211.52 lacs (Previous year Rs.38.69 lacs) has been spent on Refurbishment of CNA Plant and shown under Capital Work-in-Progress.
- iii) Company has incurred an expenditure of Rs. 46.35 lacs (previous year Rs. 46.35 lacs) towards feasibility study for Combined Heat and Power Project and Captive Co-gen Power Plant to be erected at Rasayani which is shown as capital work-in-progress. The said expenditure will be capitalized after the erection and commissioning of the proposed Gas based power plant.
- c) i) AN-I, FD-I, NB-I, HYD-I, DNB, BDP, MCB, NCB, COGEN Boiler, ACETYL, COMP, AIR, PUSH, DM WATER, MPP Plants having WDV at Rs. 1376.00 lacs (previous year Rs. 88.76 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 / outside expert.

- ii) The Company has appointed consultant/valuers for assessing the impairment of Fixed Assets as per the provisions of AS-28 (impairment of Fixed Assets) for Rasayani Unit. As per the report of the consultant there is impairment of Fixed Assets and an amount of Rs.121.97 lacs was assessed by consultants by comparing the fair market value as on date with the WDV as on 31st March, 2010. Hence the impairment was recomputed considering the WDV as on 31st March, 2011 and the revised impairment loss worked out to Rs. 56.73 lacs which has been provided in the accounts.
- iii) After a detailed feasibility study conducted by outside expert during 2007-08, actions were taken to restart the Caustic Soda plant in the month of September, 2008 (Gross Block Rs.11378.62 lacs). However, the Caustic Soda plant operation has been stopped temporarily from October, 2009 due to uneconomical operation. The above asset is carried at cost in view of the decision of the management.

d) ERP IMPLEMENTATION (Kochi):

The unit implemented ERP system integrating all departments using SAP during the year. The implementation partner was Tata Consultancy Services (TCS). The Consultant of the Project was WIPRO. All the modules except HCM went Go Live on 16-9-2010. The support period of TCS was available up to 31-12-2010 for the modules except HCM. Since additional support was required for several modules, for incorporating the modifications, development of reports, annual closing of accounts and annual shut down for the first time on ERP, the support period was extended for 31 man months with effect from 21-1-2011 at an additional cost of Rs.41 lacs excluding taxes. The HCM module went Go Live on 31-1-2011. The support period for HCM module was for a period of three months.

The unit has capitalised the ERP system covering Consultancy charges, hardware cost, software cost, development cost, cost of license, networking costs etc. on 31-03-2011 based on the completed milestones. The cost includes the cost of hardware and networking of the Disaster Recovery Centre set up at Rasayani Unit amounting to Rs. 172.44 lacs. The Cost of work awarded to TCS was Rs.854.95 lacs and out of this, an amount of Rs.670.80 lacs has been paid up to 31.3.2011 towards the supplies effected and services rendered. As per the contract with TCS, the final 20% has to be paid only after the warranty period or on submission of the Performance Bank Guarantee (PBG) after the completion of the project. The unit has also paid consultancy charges to WIPRO till 31-3-2011 amounting to Rs.24.16 lacs (previous year Rs.11.23 lacs). The Project was capitalised on 31st March 2011.

6. 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. HFL has been reporting profit in the last 3 years. The Subsidiary Company HFL has also been sanctioned CERs by UNFCCC under the CDM Project which has generated substantial revenue for the Company. In view of the improved financial position of HFL, its shares are traded much above the nominal value. In view of this, the investment in HFL is stated at cost.
- 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 holds 60% of the Paid-up Equity Capital of HOC Chematur Ltd., hence HOC Chematur is a subsidiary Company of HOCL. HOC-Chematur Ltd., had initiated the process of implementing the project, however, abandoned subsequently due to inadequate support from financial institutions. In view of such uncertainties involved in implementing the project, the Company had fully provided for the losses against the investment. There is no change in the status of M/s HOC-Chematur Ltd., and the provision against the investment is continued.

7. SCHEDULE 8 - INVENTORIES

- a) Excise duty and Educational Cess provided on goods manufactured but not removed Rs.486.95 lacs (Previous year Rs.315.06 lacs).
- b) Inventories include items not moved for last more than five years Rs.527.74 lacs (previous year Rs.498.76 lacs) and obsolete inventory of Rs.30.66 lacs (previous year Rs.30.66 lacs). An adhoc provision of Rs.442.53 lacs (previous year Rs.431.05 lacs) has been made in the Accounts for obsolescence.
- e) KOCHI UNIT :
- i) The closing stock of Stock-in-Process included under the head Inventories during the previous year includes the stock of Lean Propylene valuing Rs.17.21 lacs. But the value of Lean Propylene was included under the head Finished Products for Captive consumption also as was done during earlier years. The Production department has now certified that the stock of Lean Propylene is included under the head Stock-in-Process and there is no separate stock of Lean Propylene which has to be included under the head Finished Products for Captive consumption. Hence the value of Lean Propylene amounting to Rs.17.21 lacs included under the opening stock of finished goods for captive consumption is written off during the year.
- ii) The Stock-in-Process consisting of LPG and Benzene lying in the pipeline in Propylene and Cumens plants which were shown under Stock-in-Process for Captive consumption during earlier years has now been



included under the head Raw materials as part of SAP implementation.

- iii) The stock of main products shown under the head Stock-in-Process during earlier years is now included under the head Stock-in-Process – Cumene equivalent in Phenol plant.

8. SCHEDULE 11 – LOANS AND ADVANCES

- a) During the year 2007-08, for revival of HFL the Modified Draft Rehabilitation Scheme (MDRS) was approved by BIFR and accepted by HOCL & HFL for implementation. As a part of implementation of MDRS, HOCL had waived interest (Rs. 2260.26 lacs) accumulated on loan given to HFL and converted unsecured loan given to HFL amounting to Rs.2609.72 lacs (previous year Rs. 2609.72 lacs) as Zero Coupon Loan (ZCL), which is secured by creating first charge on HFL immovable property (land valued to the extent of Rs.40 Crores) in favour of HOCL. In addition, the Company has provided loan amounting to Rs.1020.77 lacs (previous year Rs. 890.77 lacs) to meet the working capital need of HFL, out of which the loan of Rs.890.77 lacs is secured under the above mortgage of land.
- b) Expenses amounting to Rs.1065.89 lacs (previous year Rs.1065.62 lacs) including amount paid to M/s Chematur Engg. A.B. Rs.664.71 lacs had been allocated as advances to joint venture M/s HOC- Chematur Ltd. In view of uncertainties involved in recovery/completion of the project, a provision for doubtful advance of equivalent amount was made during the earlier years. Since there is no improvement in the status of the joint venture project the provision for doubtful advances is maintained.
- c) During the year 2001-2002, a case of misappropriation of Company's funds to the tune of Rs.64.81 lacs (net and to the extent identified) by an official of the Company, involving fraudulent / fake payments / withdrawals under various heads of accounts including sales tax, debtors etc. had been detected. 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.
- d) Deposits/Advances include Rs.96.57 lacs (previous year Rs.97.60 lacs) which are more than three years old. No provision has been made against these Deposits/Advances as the same are found to be good and fully recoverable.

9. SCHEDULE 12 – CURRENT LIABILITIES

A. SUNDRY CREDITORS.

Amount due to Micro enterprises and small enterprises:

	2010-11	(Rs. in Lacs) 2009-10
a) i) Principal amount remaining unpaid as at the end of each accounting year	18.07	34.62
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

B. JNPT ESCALATION CHARGES

As per Lease Agreement with JNPT, the Lease Rentals provide for escalation @ 10% on Leased Land payable to JNPT. The Company has provided for Lease Rentals with old rates without considering the escalation @ 10% per annum as the matter is under arbitration. The amount accumulated till date comes to Rs.431.01 lacs (previous year Rs.426.01 Lacs), which has been disclosed as contingent liability.

10. PROVISION FOR ARREARS OF WAGES RASAYANI UNIT:

- 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. This amount has been

shown under Contingent Liability.

b) Wage Settlement / Salary Revision w.e.f.1/1/2007:

Rasayani Unit:

(i) OFFICERS:

As per the recommendations of the 2nd Pay Revision Committee, the revision of pay and allowances of Board level and below Board level executives had become due from 01.01.2007. The pay revision of the officers has been approved and the pay scales have been revised with effect from 1st January, 2007 for a period of 10 years. The actual payment of the revised salary has been made w.e.f. 1st August, 2009 and the Prior Period arrears from 1st January, 2007 are being paid in two financial years i.e. the financial year 2010-2011 and 2011-12, subject to condition that the Company generate adequate cash resources through improved productivity and profitability in line with the directions of Government of India and decision of Board. The arrears due from the period 1st April, 2008 to 31st July, 2009 has already paid/provided during the year. However, no provision has been made for arrears payable in the year 2011-12, for the period from 1st January, 2007 to 31st March, 2008 amounting to Rs.278.96 lacs which is subject to the Company generating adequate cash resources which has been, however shown under contingent liability.

(ii) STAFF:

For staff, though revision of pay scales is due with effect from 1st January, 2007, the same has not been implemented. However, provision has been made based on MOU signed with the unions, pending implementation of the revised pay scale for the period 1st April, 2008 to 31st March, 2011, on the same basis as that of officers. However, no provision has been made for the arrears payable for the period from 1st January, 2007 to 31st March, 2008 amounting to Rs.246.31 lacs in line with the principle followed in the case of officers and the MOU signed with the workers/unions stipulate that the arrears will be payable at par with officers which has been, however shown under contingent liability.

KOCHI UNIT:

- i) The revision of Pay and Allowances with effect from 1-1-2007 of Board Level and below Board level executives was sanctioned by the Competent authority during the year 2009-10. The Board in its 327th meeting held on 9-9-2010 decided to release the arrear for the period 1-1-2007 to 31-7-2009 in eight quarterly installments subject to the Company generating cash surpluses in every quarter. Accordingly the arrear towards the four quarterly installments was paid/provided during the year. The unit has not provided the liability for the balance amount of arrears of Pay and allowances amounting to Rs.96.60 lacs (Previous year Rs.227.96 lacs) which is in line with the pay revision orders of the competent authority of HOC. The unit has introduced the Cafeteria approach for perks and allowances with a ceiling of 37% of the Basic Pay with effect from 1-8-2009 and also granted four increments with effect from 1.1.2007 as per decisions of the Board.
- ii) The wage settlement with effect from 1-1-2007 was signed with trade unions representing workers on 25-3-2011. The arrears of wage revision was paid along with the salary for the month of March, 2011. The unpaid amount of certain allowances such as overtime allowances (part), shift allowance, nutrition allowance etc and the unpaid amount of wages & allowances of retired workmen has been provided for in the accounts.

11. EMPLOYEES BENEFIT PLAN:

a) Provision for Leave Encashment

Company has made provision of Rs. 640.14 lacs (Previous Year Rs. 767.14 lacs) for leave encashment as per revised AS-15 issued by Institute of Chartered Accountants of India based on Actuarial Valuation.

b) Provident Fund/Pension Fund

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

c) Gratuity

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

The ceiling of gratuity has been enhanced to Rs.10 lacs with effect from 1-1-2007 for executives and from 24-5-2010 for workmen. The gratuity paid prior to 1.7.2010 in excess of Rs.3.50 lacs by the Company, not reimbursable by LIC and the gratuity arrear payable to retired employees has been debited to Profit and loss Account under Employees Remuneration and Benefits.

- (i) Reconciliation of opening and closing balances of the present value of the defined benefit obligation based on the present limit of Rs. 10 lacs (Previous year Rs. 3.50 lacs) :



Particulars	(Rs. In Lacs)	
	2010-11	2009-10
Present value of obligation as at the beginning of the year	2796.75	2158.87
Interest Cost	223.74	172.71
Current Service Cost	125.91	34.18
Benefits paid	(276.21)	(96.57)
Actuarial gain/(loss) on obligations	(755.60)	(6.64)
Present value of obligations at the end of year	3625.79	2262.54

(ii) Reconciliation of opening and closing balances of fair value of the plan assets:

Particulars	(Rs. In Lacs)	
	2010-11	2009-10
Fair value of plan assets at beginning of year	1111.93	983.81
Expected return on plan assets	95.29	91.35
Contributions	117.56	(133.34)
Benefits Paid	(276.21)	(96.57)
Actuarial gain/(loss) on plan assets	NIL	NIL
Fair value of plan assets at the end of year	1048.57	1111.93

(iii) Reconciliation of present value of obligations and fair value of plan assets:

Particulars	(Rs. In Lacs)	
	2010-11	2009-10
Fair value of Plan Asset at the end of the year	3625.79	1111.93
Present value of obligations at the end of year	1048.57	2262.54
(Liability)/Asset recognized in the Balance Sheet	2577.22	1150.61

(iv) Expenses recognized during the year:

Particulars	(Rs. In Lacs)	
	2010-11	2009-10
Current Service Cost	125.91	34.18
Interest cost	223.74	172.71
Expected return on plan assets	(95.29)	(91.35)
Actuarial (gain)/loss	(755.60)	(6.64)

Enhanced gratuity differential amount paid to left employees by the Company which is not paid by LIC of India	102.10	Nil
Expenses Recognised in Profit & Loss Account	1112.06	108.89

(v) Assumptions used to determine the defined benefit obligations:

Particulars	2010-11		2009-10	
	Mortality Table (LIC) (1994-96 Ultimate)			
Discount rate (p.a.)	8%		8%	
Expected rate of increase in salary (p.a.)	1%		1%	
Withdrawal rate	1% to 3%		depending on age	

The Company has revised the limit of gratuity from 3.50 lacs to Rs. 10 lacs with effect from 01.01.2007. In view of this, the previous year calculations are not comparable.

12. In Kochi Unit, the excess provision of Rs. 2.99 lacs (Previous Year Nil) towards the repair charges provided during earlier years of the Captive Power Plant, which was damaged due to an accident in year 2005-06 has been written back to Profit & Loss Account.

13. EARNING PER SHARE

Earnings per share has been calculated as follows:	2010-11		2009-10	
	Net Profit/Loss after Tax & Adjustment	2571.59 lacs	(8307.79) lacs	
Weighted average number of equity shares	67173100	67366100		
Nominal Value of Weighted average number of equity shares	Rs.10/-	Rs.10/-		
Diluted & Basic Earning per share	Rs. 3.83	Rs.(12.35)		

14. SEGMENT REPORTING.

Since the Company is manufacturing only Chemicals, there are no

20. QUANTITATIVE INFORMATION

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

Sl. No.	Particulars	Licenced Capacity		Production* MT	Opening Stock		Closing Stock**		Sales	
		TPA@	TPA@		MT	Value (Rupees in lakhs)	MT	Value (Rupees in lakhs)	MT	Value (Rupees in lakhs)
1.	Nitroproducts	37380	55430	9855	1027.10	489.34	1962.95	1207.52	6439.12	3086.65
	Previous year	37380	55430	13067	491.52	183.88	1027.10	489.34	5024.70	2294.70
2.	Hydrogen	1200	1600	130	0.05	0.12	0.00	0.00	1.16	2.83
	Previous year	1200	1600	383	0.09	0.22	0.05	0.12	28.77	70.71

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

Sl.No	Name	Remuneration (Rs. Lacs)
1.	A. S. Didolkar, Chairman & Managing Director (up to 31st August 2010)	7.96
2.	R. N. Madangeri, Director Technical and Chairman & Managing Director, Additional charge w.e.f. 1st September 2010	17.35
3.	M.K. Mittal, Director (Finance)	16.87

16. ACCOUNTING FOR TAXES ON INCOME AS PER AS-22

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 these assets against future taxable income due to uncertainty of its realization on account of accumulated losses. 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

1 a)	Contingent Liabilities	2010-11		2009-10	
		(Rs.in lacs)	(Rs.in lacs)	(Rs.in lacs)	(Rs.in lacs)
	Claims against the Company not Acknowledged as debts :		Nil		Nil
i)	Differential tax on account of concessional forms in respect of concessional sales	808.51		521.27	
ii)	Income Tax Claims	761.58		Nil	
iii)	Sales Tax Claim	5.70		Nil	
iv)	Excise Claims	212.01		212.01	
v)	Customs claim	10.80		10.80	
vi)	JNPT claim	2007.99		1631.95	
vii)	Rental claim Harchandrai House	2457.75		Nil	
viii)	Wage revision employees	2931.95		3787.68	
ix)	Other Claims	701.37		1887.59	
b)	Letters of Credit opened, cheques and bills of exchange discounted with the bankers and remaining outstanding	98.19		189.75	
c)	Counter guarantees given against bank guarantees	3382.37		2586.31	
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.	1253.00		1253.00	
e)	Security bond given to commercial taxes Dept. Govt. of Kerala	2496.30		883.30	
2	Estimated amount of contracts remaining to be executed on capital account and not provided for (Net of advances)	338.61		877.65	

19. The Company has taken bank guarantee for Rs.Nil (Previous year Rs.814.00 lacs) against the term deposit receipt of Rs.2574.96 lacs (previous year Rs.2538 lacs) from Central Bank of India, Marine Lines, Mumbai, apart from loan amount of Rs.2164.12 lacs (Previous year Rs.1516 lacs) including interest thereon.



3.	Aniline	12000	25100	1833	348.62	275.16	354.72	308.03	1826.50	1353.80
	Previous year	12000	25100	5538	51.27	26.02	348.62	275.16	5231.56	3090.85
4.	Acetanilide	4000	3000	0	0.00	0.00	0.00	0.00	0.00	0.00
	Previous year	4000	3000	0	0.00	0.00	0.00	0.00	0.00	0.00
5.	Acids	73800	63000	23942	788.67	50.20	497.81	66.47	14326.38	953.82
	Previous year	73800	63000	26151	1235.11	49.45	768.67	50.20	12588.63	720.40
6.	Formaldehyde	15000	33000	32038	1532.08	141.62	1740.26	188.21	31670.93	2820.74
	Previous year	15000	33000	32784	750.46	68.41	1532.08	141.62	32002.67	2576.03
7.	Chlorobenzene	4400	15650	0	3.39	0.32	0.00	0.00	0.00	0.00
	Previous year	4400	15650	0	3.39	0.31	3.39	0.32	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	5595	0.00	0.00	0.00	0.00	5435.37	511.25
10.	Phenol	40000	40000	42933	1289.00	847.83	2190.00	1946.78	42032.00	39734.06
	Previous year	40000	40000	36751	2209.00	1165.99	1289.00	847.83	37671.00	24026.35
11.	Acetone	24640	24640	26959	1140.00	557.89	680.00	332.13	27419.00	13611.58
	Previous year	24640	24640	23084	713.00	344.04	1140.00	557.89	22657.00	10832.11
12.	Hydro Peroxide	5225	5225	5372	54.00	22.21	120.00	69.34	5306.00	2579.11
	Previous year	5225	5225	4907	10.00	4.29	54.00	22.21	4863.00	1817.51
13.	Propylene	29000	29000	30001	43.00	17.21	0.00	0.00	0.00	0.00
	Previous year	7000	29000	23610	86.00	34.87	43.00	17.21	0.00	0.00
14.	Cumene	0.00	54000	61621	1010.00	506.37	2818.00	1769.33	0.00	0.00
	Previous year	0.00	54000	49378	2891.00	1373.97	1010.00	506.37	0.00	0.00
15.	Other Chemicals	1800	10750	0	7.16	1.68	7.16	1.68	0.00	0.00
	Previous year	1800	10750	0	18.15	1.97	7.16	1.68	9.77	0.34
	Total Main Products	321645	402725	234684	7223.07	2909.95	10370.90	5889.49	129021.09	64142.59
	Previous year	299645	402725	221249	8458.98	3253.42	7223.07	2909.95	125512.48	45940.24
	By Products	0.00	0.00	16324	271.95	25.14	412.99	24.96	16152.56	2593.44
	Previous year	0	0	17395	255.80	21.64	271.95	25.14	18235.00	1923.16
	GRAND TOTAL :	321645	402725	251007	7495.02	2935.09	10783.89	5914.45	145173.65	66736.03
	Previous year	299645	402725	238644	8714.78	3275.06	7495.02	2935.09	143747.48	47863.40

Includes 30044 MT (23653 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 59813 Mt (51259 Mt) for Captive Consumption.

21.	Value of imports (on CIF basis)	(Rs. In Lacs)		2010-2011	2009-2010	2010-2011	2009-2010
	Component & Spare Parts	266.31	115.44			0.00	0.00
	Raw Materials & Trading Goods	0.00	2688.37				
	Capital Goods	0.00	0.00				
22.	Consumption of indigenous/imported Materials	2010-2011		2009-2010			
		Value	Consumption	Value	Consumption		
		%		%			
A)	Raw Materials						
	Imported	918.85	2.42	1944.16	6.48		
	Indigenous	37036.38	97.58	28081.47	93.52		
		<u>37955.23</u>	<u>100.00</u>	<u>30025.63</u>	<u>100.00</u>		
B)	Component & Spare Parts						
	Imported	306.49	24.36	186.66	13.66		
	Indigenous	951.49	75.64	1179.87	86.34		
		<u>1257.98</u>	<u>100.00</u>	<u>1366.53</u>	<u>100.00</u>		
	Grand Total (A+B)	<u>39213.21</u>		<u>31392.16</u>			
23.	Expenditure incurred in foreign currency	2010-2011		2009-2010			
	a) Foreign Travelling	0.00	0.00	0.00	0.00		
	b) Know-how Engineering and Consultancy	0.00	0.00	0.00	0.00		
	c) Site supervision	0.00	0.00	0.00	0.00		
	d) Others	0.00	0.00	4.13			
24.	The Company has not paid any dividends in foreign currencies during the year to Non-Resident Shareholders.						
25.	Earnings in foreign currency						
	FOB value of goods exported					36.43	12.69
26.	Previous year's figures have been regrouped and readjusted wherever necessary and practicable.						
27.	Previous year's figures are shown in bracket.						
	As per our report of even For and on behalf of Board of Directors of HOC Ltd. date attached						
	(For NBS & CO.)						
	Chartered Accountants						
		Sd/-	Sd/-	Sd/-	Sd/-		
		(C.A.Devdas Bhat)	(R.N.Madangeri)	(M.K.Mittal)			
		Partner	Chairman & Managing Director	Director (Finance)			
		(Membership No.48094)					
			Sd/-	Sd/-			
			(J.N.Suryawanshi)	(Mrs. S. S. Kulkarni)			
			Director (Marketing)	Company Secretary			
		Place: Delhi	Place: Delhi				
		Date: 30 th May 2011	Date: 30 th May 2011				



27. 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. State Code
 Balance Sheet
 Date Month Year

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

Public Issue Rights Issue
 Bonus Issue Private Placement

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

Total Liabilities Total Assets

Sources of Funds

Paid-up Capital Reserves & Surplus

Preference Shares

Secured Loans 305905 Unsecured Loans 1902037

Application of Funds

Net Fixed Assets Investments

Net current Assets Misc. Expenditure 0

Accumulated Losses 3127762 Deferred Tax Asset 0

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

Turnover Total Expenditure

Profit/Loss Before Tax Profit/Loss After Tax

V. Earning per Share in Rs. Dividend Rate %

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

Item Code No (ITC Code) :

Product description : PHENOL

Item Code No (ITC Code) :

Product description : ACETONE

Item Code No (ITC Code) :

Product description : ANILINE

As per our report of even date attached
(For NBS & CO.)

Chartered Accountants

For and on behalf of the Board of Directors

Sd/-
(C.A.Devdas Bhat)
Partner
(Membership No.48094)

Sd/-
(R.N.Madangeri)
Chairman & Managing Director

Sd/-
(M.K.Mittal)
Director (Finance)

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

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

Place: Delhi
Date: 30th May 2011

Place: Delhi
Date: 30th May 2011

CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH 2011

(Rs. In Lacs)

	2010-11	2009-10
CASH FLOW FROM OPERATING ACTIVITIES:		
Net profit before tax and extraordinary items	2,829.31	(843.95)
Adjustments for:		
Depreciation	2517.74	2652.28
Impairment Loss	56.73	0.00
Loss on sale of Assets / discarded assets w/oft	11.30	0.63
Profit on sale of Assets / discarded assets w/oft	(3.45)	(0.98)
Interest paid	2088.35	2323.10
Provisions	56.47	443.20
Interest received from subsidiary	(135.99)	(121.05)
Interest Received (SCHEDULE-14)	(248.80)	(352.74)
Dividend Received	0.00	0.00
Misc. Exp. paid (BOND ISSUE EXP.)	(112.53)	(196.30)
	4230.02	4748.14
Operating Profit Before Extra Ordinary Items	6869.33	(3683.81)
Add: Extra Ordinary Items	(57.71)	302.74
OPERATING PROFIT BEFORE WORKING CAPITAL CHANGES	6801.62	(3381.07)
Adjustments for:		
Trade & Other Receivables	(368.80)	(764.30)
Inventory	(3402.04)	(904.80)
Current liability & provisions	3555.44	2169.17
Loans & Advances	(158.82)	741.02
	(374.12)	1241.09
CASH GENERATED FROM OPERATING ACTIVITIES	6427.50	(2139.98)
Direct Taxes (Net)	0.00	0.00
	0.00	0.00
NET CASH FROM OPERATING ACTIVITIES (A)	6427.50	(2139.98)
CASH FLOW FROM INVESTING ACTIVITIES:		
Capital expenditure	(1288.38)	(242.54)
Sale of Fixed Assets	4.25	2.40
Purchase of Investment	0.00	0.00
Sale of Investment	0.00	0.00
Interest Received	458.96	554.79
Dividend Received	0.00	0.00
	(805.47)	314.65
NET CASH USED IN INVESTING ACTIVITIES (B)	(805.47)	314.65
CASH FLOW FROM FINANCING ACTIVITIES:		
Share application Money Received	0.00	0.15
Long Term Borrowings(Net)	475.65	2011.99
Bank Borrowings (Net)	(4617.36)	391.73
Interest paid	(1480.70)	(2325.05)
Grant from ISRO	211.53	0.00
	(5410.88)	78.82
NET CASH FROM FINANCING ACTIVITIES (C)	(5410.88)	78.82
NET INCREASE IN CASH & CASH EQUIVALENTS (A+B+C)	211.15	(1746.51)
CASH & CASH EQUIVALENTS AS AT 01.04.10 (OP. BAL.)	2,894.84	4641.35
CASH & CASH EQUIVALENTS AS AT 31.03.11 (CL. BAL.)	3105.99	2894.84

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

By order of the Board of Directors of HOC Ltd.

Sd/- (R.N. Madangeri) Chairman & Managing Director
 Sd/- (M.K. Mittal) Director (Finance)
 Sd/- (J.N.Suryawanshi) Director (Marketing)

Place : Delhi
 Date: 30th May, 2011
 Sd/- (Mrs. S.S. Kulkarni) Company Secretary

AUDITORS' 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, 2011, which has been identified by us on 30th May 2011. The statement is the responsibility of the management, our responsibility is to express an opinion based on our examination. The Statement of cash flow has been prepared by the Company in accordance with the requirements of clause 32 of the listing agreement with various Stock Exchange where the shares of the Company are listed. The statement has been based on and in agreement with the corresponding Balance Sheet and Profit and Loss account of the Company covered by our report to the members of the Company.

For NBS & Co.
 Chartered Accountants
 Sd/-
 CA Devdas Bhat
 Partner
 Membership No. 48094

Place: Delhi
 Date: 30th May, 2011



BALANCE SHEET AS AT 31st MARCH 2011

	SCH	As at 31-03-2011		As at 31-03-2010	
		Rs. in lacs	Rs. in lacs	Rs. in lacs	Rs. in lacs
SOURCES OF FUNDS					
1 Share Holders Funds					
a. Share Capital	1	1961.46		1961.46	
b. Reserves and Surplus	2	0.00	1961.46	0.00	1961.46
2 Loan Funds					
a. Secured Loans	3	4760.02		4803.30	
b. Unsecured Loans	4	144.93	4904.95	0.00	4803.30
TOTAL			6866.41		6764.76
APPLICATION OF FUNDS					
1 Fixed Assets					
a. Gross block	5	6672.64		5380.51	
Less: Depreciation		5062.49		4968.33	
Net block		1610.15		412.18	
b. Capital Work in Progress		0.00	1810.15	0.00	412.18
Investments			0.00		0.00
3 Current Assets, Loans & Advances					
a. Inventories	6	2061.07		1844.63	
b. Sundry Debtors	7	284.17		196.22	
c. Cash & Bank Balances	8	6.04		8.17	
d. Other Current Assets		0.00		0.00	
e. Loans and Advances	9	273.40		248.53	
		2644.68		2297.55	
Less: Current Liabilities & Provisions	10				
a. Liabilities		1794.78		914.62	
b. Provisions		430.68		226.88	
		2225.46		1141.51	
Net Current Assets			419.22		1156.04
4 Misc. Expenditure					
(To the Extent not Written off or Adjusted)					
Refurbishment expenditure		122.97		184.47	
VRS Expenditure		37.26	160.23	111.79	296.26
5 Profit and Loss Account			4676.81		4900.28
TOTAL			6866.41		6764.76
Significant Accounting Policies and Notes on Accounts	20				

As per our report of even date

For and on behalf of the Board of Directors of HFC Ltd.

For SIVA KRISHNA &
NARAYAN
Chartered Accountants

Sd/-
(R.V.N Sastry)
Partner
M. No. 206635

Sd/-
(R.N. Madangeri)
Chairman

Sd/-
(M.K. Mittal)
Director

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

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

Sd/-
(K. Rajani)
Company Secretary

Place : Mumbai
Date : 21-05-2011

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31st MARCH 2011

	SCH	As at 31-03-2011		As at 31-03-2010	
		Rs. in lacs	Rs. in lacs	Rs. in lacs	Rs. in lacs
INCOME					
Sales (Gross)	11	3352.42		1927.06	
Less Excise Duty		313.04		146.45	
Net Sales			3039.38		1780.61
Other Income	12	554.78		129.89	
Profit on Sale of Assets		0.00		0.00	
Accretion/(Decretion) in stocks	13	180.01	734.79	749.93	879.82
TOTAL			3774.17		2660.43
EXPENDITURE					
Materials Consumed	14	1542.15		941.94	
Excise Duty		0.00		0.00	
Employees Remuneration and Benefits	15	808.56		525.37	
Manufacturing, Admn. and Selling Exp.	16	764.84		526.76	
Interest and Financial charges	17	282.66		270.09	
Depreciation	5	94.16	3492.37	27.46	2291.62
Provisions			0.00		0.00
Loss on Impairment of Assets			0.00		0.00
Loss on Discarded / Deleted Assets			0.00		0.00
Refurbishment expenses written off			61.48		61.49
Total			3553.86		2353.10
Profit/(Loss) for the year before taxes			220.31		307.32
Less: Provision for taxation			0.00		0.00
Less: Provision for Fringe Benefit Tax			0.00		0.00
Less: Fringe Benefit Tax for previous year			0.00		0.00
Profit/(Loss) after taxes			220.31		307.32
Less: Reserves/Provisions no longer reqd.			0.00		0.00
Prior Period & extra ordinary items	19		(3.16)		1.06
Profit / (Loss) after tax and adjustments			223.47		306.26
Add: Opening balance of Profit & Loss a/c			(4900.28)		(5206.55)
Add : Transferred from General Reserve			0.00		0.00
Add : Transferred from Bond Redemption			0.00		0.00
Reserve no longer required.					
Balance carried to Balance Sheet			(4676.81)		(4900.29)
Earnings per share			1.14		1.56
Notes to the Accounts	20				

As per our report of even date

For and on behalf of the Board of Directors of HFC Ltd.

For SIVA KRISHNA &
NARAYAN
Chartered Accountants

Sd/-
(R.V.N Sastry)
Partner
M. No. 206635

Sd/-
(R.N. Madangeri)
Chairman

Sd/-
(M.K. Mittal)
Director

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

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

Sd/-
(K. Rajani)
Company Secretary

Place : Mumbai
Date : 21-05-2011



	As at 31.03.2011 Rs. in lacs	As at 31.03.2010 Rs. in lacs
SCHEDULE - 1 SHARE CAPITAL		
Authorised		
2,10,00,000 Equity shares of Rs.10/- each (Previous year 2,10,00,000 Shares of Rs.10/- each)	2100.00	2100.00
Issued		
1,96,30,000 Equity shares of Rs.10/- each (Previous year 1,96,30,000 Shares of Rs.10/- each)	1963.00	1963.00
Subscribed		
1,95,99,100 of Rs.10/- each fully paid (Previous year 1,95,99,100 Shares of Rs.10/- each)	1959.91	1959.91
Shares forfeited (amount originally paid) (Number of Shares 30900)	1.55	1.55
	1961.46	1961.46
Note: Of the above 1,10,65,200 Equity shares are held by M/s Hindustan Organic Chemicals Ltd. The Holding Company.		
SCHEDULE - 2 RESERVES AND SURPLUS		
Investment Allowance Reserve	0.00	0.00
Less: Transferred to Profit & Loss Account	0.00	0.00
	0.00	0.00

FIXED ASSET AND CAPITAL WORK IN PROGRESS
SCHEDULE - 5 FIXED ASSETS

PARTICULARS	GROSS BLOCK (AT COST)			DEPRECIATION				NET BLOCK		Rs. in lacs	
	AS AT 1-04-2010	ADDITIONS	DELETIONS	AS AT 31-03-2011	UPTO 31-03-2010	FOR THE YEAR	ADJUST- MENTS	UPTO 31-03-2011	AS AT 31-03-2011	AS AT 31-03-2010	
A	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	58.13	2.86	0.00	60.79	18.70	21.35	
Non-Factory Buildings	68.49	0.00	0.00	68.49	24.97	1.12	0.00	26.09	42.40	43.52	
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	4,704.30	26.07	0.00	4,730.37	4,490.63	20.40	0.00	4,511.03	219.35	213.67	
Electrical Installations & equipments	303.16	0.00	0.00	303.16	300.33	0.14	0.00	300.48	2.69	2.83	
Furniture & Fixtures & others equipments	64.18	1.92	0.00	66.10	62.15	0.78	0.00	62.93	3.17	2.03	
Computers	18.35	14.15	0.00	32.50	18.35	0.07	0.00	18.42	14.07	0.00	
CDM Plant	63.03	1,250.00	0.00	1,313.03	2.67	68.99	0.00	71.67	1,241.37	60.36	
TOTAL	5,380.51	1,282.14	0.00	6,672.64	4,968.33	94.16	0.00	5,062.49	1,610.15	412.18	
Capital WIP \$	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	
B	GRAND TOTAL (A+B)										
Previous Year Figures	5,515.76	1,351.12	57.41	5,565.47	5,153.83	27.46	0.00	5,181.29	412.18	361.93	
\$ Represents cost of Equipment held in stores at factory.											

	As at 31.03.2011 Rs. in lacs	As at 31.03.2010 Rs. in lacs
SCHEDULE - 3 SECURED LOANS		
From State Bank of Hyderabad :		
Cash Credit	406.52	420.64
Clean Credit	101.02	100.97
Short Term Corp.Loan	131.74	271.48
Term Loan (5 Years)	246.52	257.04
From Other Financial Institutions:		
Term Loan's		
Hindustan Organic Chemicals Ltd.,(Holding Company)	3874.22	3753.17
	4760.02	4803.30
1. Loan from State Bank of Hyderabad on cash credit account, term loans are secured by: Hypothecation of the company's entire stock of raw materials, finished goods, stock in process, consumables, stores and spares and book debts, plant and machinery and part of the land to the extent of 64 acres in favour of the bank to the extent of Rs12.53 crores.		
2. Loan from HOCL is secured by part of the land to the extent 82 acres.		
SCHEDULE - 4 UNSECURED LOANS		
Hindustan Organic Chemical Ltd.	144.93	0.00
	144.93	0.00

	As at 31-03-2011 Rs. in lacs		As at 31-03-2010 Rs. in lacs	
SCHEDULE - 6 INVENTORIES (As Taken, Valued And Certified By The Management)				
1 Stores and Spares	149.44	144.35		
Packing Material	2.00	5.18		
Fuel	5.14	156.58	160.38	
2 Raw Materials		89.06	30.60	
3 Materials in Transit		15.30	13.42	
4 Stock -in-Process		65.86	1581.61	
5 Closing CERs Stock		1697.07	0.00	
6 Finished Products		57.16	58.62	
		2081.07	1844.63	
SCHEDULE - 7 SUNDRY DEBTORS (Unsecured)				
Exceeding Six months				
- Considered good	284.17		132.39	
- Considered doubtful	309.64	593.81	309.64	442.03
Others-considered good		0.00		83.83
		593.81		505.86
Less: Provision for doubtful debts		309.64		309.64
		284.17		196.22
SCHEDULE - 8 CASH AND BANK BALANCES				
1 Cash on hand		0.02		0.06
2 Margin Money Deposits		5.72		7.72
3 At SBH, Hyderabad - Current Account	0.13		0.00	
4 At SBH, Mumbai	0.00		0.11	
5 At SBH, Ahmedabad	0.10		0.10	
6 At SBH, New Delhi	0.00		0.10	
7 At SBH, Ismailkhan pet	0.07	0.30	0.07	0.39
		6.04		8.17
SCHEDULE - 9 LOANS AND ADVANCES (Unsecured)				
1 Advances recoverable in cash or in kind or for value to be received				
- Coin adjustment		0.01		0.01
- Advance to Employees		0.14		82.17
- Telephone Deposits		0.57		0.57
- Festival Advance		0.00		0.00
- Spl. Adv. to Employees		134.17		10.12
- Accrued Income		2.72		3.30

	As at 31-03-2011 Rs. in lacs		As at 31-03-2010 Rs. in lacs	
- Advance to Suppliers	49.87			35.23
Less: Considered doubtful advance	0.91	48.96	0.91	34.33
2 Excise duty on -PTFE	0.00		0.00	
Excise duty on - Others	0.02		10.35	
Excise duty on - Capital	0.01		0.00	
		0.03		10.35
3 Income Tax refundable		10.78		6.56
4 Prepaid Expenses		10.30		4.71
5 E S I Deposit		8.00		8.00
6 Deposits		43.28		80.83
7 VAT Credit Receivable		3.23		7.09
8 Service Tax receivable		11.24		0.51
9 Directors		0.00		0.00
		273.40		248.53
SCHEDULE - 10 CURRENT LIABILITIES & PROVISIONS				
A CURRENT LIABILITIES				
1 Sundry Creditors				
Dues to Micro and SSI units	2.23			0.00
Capital Goods	874.73			12.49
Other Creditors	537.15			374.27
		1414.11		386.76
For expenses				
Electricity Charges	98.10			136.46
Electricity Charges of 1987-88	27.84			27.84
Nala Tax	2.66			2.66
O S L Other payments	13.68			29.39
Job Work expenses	0.06			0.19
Repairs & Maintenance and Others	1.91			2.60
Property Tax	13.61			13.61
Water Charges	4.17			4.40
Children Education	3.60			0.00
Reimbursement				
Interest subsidy on house building loan	0.50			0.00
Hospitalisation	3.96			0.00



	As at 31-03-2011		As at 31-03-2010		As at 31-03-2011		As at 31-03-2010	
	Rs. In lacs	Rs. In lacs	Rs. In lacs	Rs. In lacs	Rs. in lacs	Rs. in lacs	Rs. in lacs	Rs. in lacs
SCHEDULE -10 CURRENT LIABILITIES & PROVISIONS (contd.)					SCHEDULE -13 ACCRETION/ (DECRETION) IN STOCKS (contd.)			
Bonus	1.96		0.00		Less: Opening Stock			
Professional charges	3.21		5.07		Stock-in-process	1581.61	863.12	
Canteen Expenses	1.27		4.36		Finished products	58.62	23.50	886.62.
Company contribution for ESI	8.26		8.20			1640.23		753.61
Co.Contribution PF	52.77		31.21			179.86		
		236.67		265.99	Add: Increase/(Decrease) in Excise duty on Finished products		0.13	-3.69
AUDITORS						180.01		749.93
Internal	0.15		0.50		SCHEDULE -14 MATERIAL CONSUMED			
Statutory	0.80		0.84		CONSUMPTION OF			
Cost Audit	0.84		0.84		Raw material	1472.61	897.92	
P F Trust	0.37		0.14		Stores Over Head	3.84	4.20	902.12
Tax consultants (IT & ST& Fixed assets)	0.46		0.30		Stores & Spares			
		2.42		2.62	Stores & Spares	51.65	33.40	
B. CURRENT LIABILITIES & PROVISIONS					Consumables	0.28	0.00	
2 Other Liabilities					Stores over head S.S	0.37	0.32	
TDS payable - contractors	1.96		2.23		Consumption of Packing Material	13.21	6.10	39.82
Salary Payable	0.69		57.35			65.50		941.94
EPF Payable	11.33		35.29			1542.14		
EPF Loan recovery payable	9.65		4.84		SCHEDULE-15 EMPLOYEES REMUNERATION & BENEFITS			
TDS payable on Salaries	2.03		0.32		Salaries, Wages, Bonus, Gratuity, incentives & other allowances includes Rs.7452364.00 (previous year 7452360.46) being amortization of VRS expenses	494.76	400.11	
LIC Premium payable	0.00		5.24		Company Contribution to Provident Fund	24.53	16.30	
Stale cheques	0.00		0.00		Family Pension Fund & other funds	10.52	11.45	
VAT Payable	17.12		0.00		Gratuity payments including premium for Group Gratuity cum Life Assurance Scheme	0.00	0.00	
CST Payable	45.74		33.77		Provision of Leave Encashment	163.26	34.22	
Professional Tax	0.06		0.93		Company Contribution to ESI	72.08	25.44	
SBH Loan Recovery	0.00		0.49		Employees welfare expenses	0.99	0.61	
Union Recovery	0.00		0.20		- Medical amenities	18.87	6.79	
CCS Deposit & Loan	0.00		2.71		- Educational amenities	2.53	2.83	
SC-ST Association Fee	0.00		0.09		- Canteen amenities	15.12	16.15	
O B C Association Fee	0.00		0.04		- Other welfare expenses	4.80	4.57	
		88.58		143.49	Director's Remuneration	0.00	0.00	
3 Service Tax Payable	2.22		0.00		Salary and allowances (incl. Leave Travel Allowance, Leave Encashment and Medical Exp.	10.26	6.42	
4 Advances from Customers	26.13		97.60		Company's contribution to Provident Fund	0.00	0.00	
5 Officers Salary arrears	2.68		2.78			0.85	0.48	525.37
6 Deposits from Contractors & others	8.19		9.05		SCHEDULE -16 MANUFACTURING, ADMN, & SELLING EXPENSES			
7 Excise Duty	13.67		5.47		1 Power	318.03	233.82	
8 Freight on Sales	0.10		0.88		2 Fuel	18474	125.50	
		1794.78		914.65	3 Water Charges	53.66	43.85	
6 PROVISIONS					4 Rent	4.79	3.24	
1 Earned leave	147.98		86.10		5 Rates & Taxes	5.20	4.22	
2 LTA & other provisions	4.05		12.80		6 Repairs and Maintenance			
3 Gratuity	278.65		127.99		To Building	0.00	0.00	
		430.68		226.89	To Machinery	2.20	0.14	
SCHEDULE -11 SALES					To Other Assets	8.39	10.59	5.21
1 Sale of PTFE	1004.21		459.31		7 Insurance		7.95	20.47
Less:Excise Duty	84.79		30.08		8 Travelling Expenses	3.42	4.11	
Less:Sales Tax	22.18		8.78		9 Tours and travels	0.58	1.29	5.40
Less:Trade Discount	74.04		67.18		10 Conveyance	4.87	7.07	
		823.19		353.27	11 Transport	44.23	49.04	45.61
2 Sale of ADCS	18.37		21.24		12 Auditors Remuneration			
Less:Excise Duty	1.37		1.57		- Statutory Audit Fee	0.60	1.30	
Less:Sales Tax	0.69		0.67		- Tax Audit Fee	0.25	0.25	
Less:Trade Discount	0.00		0.00		- Other Fees	0.24	1.09	1.79
		16.31		19.01	13 Professional charges		80.20	6.23
3 Sale of CFM	1092.36		723.09		14 Printing & Stationery		1.99	3.23
Less:Excise Duty	93.84		55.04		15 Postage & Telephone			
Less:Sales Tax	20.73		14.19		Postage	0.75	3.98	
Less:Trade Discount	67.56		0.00		Telephones	4.91	5.66	8.40
		910.22		653.86	16 Security Service Charges		13.38	7.22
4 Sale of TFE	1358.43		800.67		17 Job work expenditure		8.88	3.93
Less:Excise Duty	123.49		59.76		18 Other Misc. Expenses			
Less:Sales Tax	27.46		15.70		Misc. Expenses	1.20	0.17	
Less:Trade Discount	0.00		0.00		Books & Periodicals	0.00	0.01	
		1207.48		725.21	Board Meeting Expenses	2.29	2.91	
5 Sale of Hydrochloric Acid	106.24		32.92		Training & seminar	0.04	0.00	
Less:Excise Duty	9.54		3.39		Freight	1.39	1.02	
Less:Sales Tax	4.09		0.27		Membership & Subscription	0.16	0.16	
Less:Trade Discount	10.44		0.00		Office Electricity	0.93	0.90	
		82.17		29.26	19 PF Admin. / Inspection charges	0.59	6.60	5.68
		3039.38		1780.61	20 Advertisement & Publicity		4.24	0.59
SCHEDULE -12 OTHER INCOME					21 Research Development		1.40	0.00
1 Interest received from others (Gross TDS Deducted Rs.0.30 lacs previous year Rs.1.32 lacs)		3.40		4.55	22 Entertainment Expenses		1.21	0.99
2 Sale of Scrap		3.33		0.00	23 Office Maintenance		2.19	1.29
3 Sale of CERs		463.00		0.00			764.84	526.76
4 Miscellaneous Income		85.05		125.33				
		554.78		129.89				
SCHEDULE -13 ACCRETION/(DECRETION) IN STOCKS								
1 Closing stock								
Stock-in-process	65.85		0.00					
CERs stock	1697.07		1581.61					
Finished products	57.18		58.62					
		1820.11		1640.23				



	As at 31-03-2011		As at 31-03-2010	
	Rs. in lacs	Rs. in lacs	Rs. in lacs	Rs. in lacs
SCHEDULE -17 INTEREST AND FINANCING CHARGES				
Interest on Fixed Loans				
Interest - SBH	70.93		73.99	
Interest on Working Capital	51.81		45.48	
Interest on secured loan-HOC	135.99		128.97	
Interest on Others	20.01		12.96	
Bank Charges	3.92		8.68	
	<u>282.66</u>		<u>270.09</u>	
SCHEDULE -18 LOSS ON DELETED / DISCARDED ASSETS				
Fax Machines & Cell Phone	0.00		0.00	
	<u>0.00</u>		<u>0.00</u>	
SCHEDULE -19 PRIOR PERIOD EXPENSES				
Rates & Taxes	0.00		0.05	
Transport	0.45		0.00	
VAT	13.54		0.00	
Office Maintenance	0.48		0.00	
Sharepro Service	0.00		1.01	
AP Pollution	0.20		0.00	
Water cess	0.10		0.00	
Professional tax	0.15		0.00	
Security Services	0.44		0.00	
Stores Overhead	4.71		0.00	
Total		20.08		1.06
PRIOR PERIOD INCOME				
Sundry Debtors & Creditors	23.24		0.00	
		<u>23.24</u>		<u>0.00</u>
		<u>(3.16)</u>		<u>1.06</u>

SCHEDULE 20

NOTES ON ACCOUNTS:

PART A: SIGNIFICANT ACCOUNTING POLICIES:

1. BASIS OF PREPARATION OF FINANCIAL STATEMENTS:

The Accounts have been prepared on accrual basis unless stated otherwise under historical cost Convention and in accordance with the accounting standards issued by ICAI and provisions of Companies Act. The deviations from the above are stated in the notes.

2. FIXED ASSETS:

2.1 Fixed assets (including capital work-in-progress) are accounted at cost, net of modvat credit.
2.2 Machinery spares procured for maintenance of machinery are taken as Stock of spares and are valued as closing stock at cost.

2.3 In respect of Plant and machinery, the routine expenditure for repairs of the plant and machinery are charged to P & L Account. Only significant items of separate identity capable of enhancing Life and capacity of the machinery are capitalized at cost inclusive of installation cost.

2.4 Constructed and fabricated capital assets are capitalized as and when the plant is put into commercial production.

2.5 Expenditure during construction period including interest on loans borrowed is included in the Capital cost.

2.6 Machinery spares relating to a particular machinery are capitalized to fixed asset and those of general in nature are taking to closing stock.

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%.

4. VOLUNTARY RETIREMENT SCHEME (VRS)

4.1 The Company has introduced Voluntary Retirement Scheme in accordance with BIFR Modified Draft Rehabilitation Scheme. The Company followed the policy guidelines issued by BIFR by amortizing the VRS payment over a period of 3 years.

5. REFURBISHMENT EXPENDITURE

The company has followed the policy of amortizing refurbishment expenditure met on Plant and Machinery over a period of five years from the year of expenditure. This is in accordance with the BIFR Modified Draft Rehabilitation Scheme.

REVENUE RECOGNITION

6.1) Sales are recognized when all significant risks and rewards of ownership have been transferred to the buyer. Gross value of sale is recognized and the Excise Duty is later on shown as deduction. In case of development projects / research income, revenue is recognised on achieving in set of milestone or target.
6.2) Export incentives under various schemes are recognized as Income on certainty of realization.
6.3) Sale of realizable scrap is accounted on receipt basis.
6.4) Insurance claims are accounted on accrual basis on admission of claims.

7. INVENTORIES

7.1 The closing stock of raw materials, stores and spares are valued at cost by adopting weighted average method after giving due credit for VAT or net realizable value which ever is less. Stock-in-process (intermediate products) and finished goods are valued at cost or net realizable value whichever is lower after giving due credit for VAT. However, the CERs confirmed by UNFCCC are valued as finished goods at market price of CERs in the International Stock Exchange of CERs at the year end date after considering some margin.

7.2 Excise duty payable on finished goods manufactured but not removed is included in the Valuation of such stocks.

7.3 By-products are valued at NIL value.

8. RETIREMENT BENEFITS

8.1 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.

8.2 Leave encashment, gratuity and other retirement benefits are accounted on accrual basis and provided in books of accounts on the basis of actuarial valuation.

8.3 Contributions to Provident Fund are charged to P & L A/c on accrual basis.

8.4 Bonus is provided as per Payment of Bonus Act 1965.

9. FOREIGN CURRENCY TRANSACTIONS:

9.1 Foreign currency transactions are accounted for at the exchange rates prevailing on the date of transaction.

9.2 Fixed assets are translated at the exchange rates on the date of transaction. The exchange difference in each financial year, up to the period of settlement is taken to profit and loss account.

9.3 The monetary items in foreign currencies are translated at the closing exchange rate on the date of balance sheet and gains/losses thereon adjusted in the profit and loss account

10. SUNDRY DEBTORS:

10.1 Provision for doubtful debts/loans/advances : Full provision for the doubtful debts is made in the books in respect of debtors outstanding for more than 3 years except Govt. Debts. In respect of cases under Civil suits/tribunals for recovery of dues which are yet to be decided, Provisions are made to the extent considered necessary by the Management.

11. CONTINGENT LIABILITIES

11.1 Claims against the company not acknowledged as debts relating to normal business transactions and show cause notices/demands raised by authorities disputed by the company are treated as Contingent Liabilities and necessary disclosures are made as per AS-4. Wage revision amount due to employees quantified on estimated basis is treated on contingent liability.

12. PRIOR PERIOD/PRE-PAID EXPENSES

12.1 Prior period and prepaid expenses are recognized taking the cut off date as 31st March of the financial year.

PART B:

NOTES ON ACCOUNTS:

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 146.13 acres to the company. Subsequently the title in respect of the land had been transferred in favour of the company.

2. SECURED LOANS:

2.1 Cash Credit, ILC/FLC/BG, Short Term Corporate Loan and Long Term Loan facilities from State Bank of Hyderabad is secured by hypothecation of raw materials, stock-in-process, finished goods, consumable stores ,book debts, Buildings, Plant and Machinery and Company's Land (Ac.62.00 cents out of the total land of Ac 146.13 cents at Rudraram Village).

2.2 Cash Credit, ILC/FLC/BG, Short Term Corporate Loan and Long Term Loan facilities from State Bank of Hyderabad are guaranteed by the holding company, viz. Hindustan Organic Chemicals Ltd.

2.3. An amount of Rs.3874.22 lacs (Previous year Rs. 3753.17 lacs) is due to Hindustan Organic Chemicals Limited (HOCL) including Rs.121.06 lacs (Previous year Rs. 128.97 lacs) provided during the year as interest on HOCL loan for which 1st charge was created on Company's land (Ac. 62.00 cents of land out of the total land of Ac 146.13 cents at Rudraram Village).

2.4 The company has provided an amount of Rs.135.99 lacs towards interest on HOCL Loan. However no interest was provided for loan amount of Rs.2609.72 lacs pursuant to BIFR modified Draft Rehabilitation Scheme.

2.5 During the year and amount of Rs. 130.00 lacs was received from HOCL (HOLDING Co.) as unsecured Loan and interest to the extent of Rs. 14.93 accrued on the loan.

3. FIXED ASSETS:

3.1. 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. Subsequently the title in respect of the land had been transferred in favour of the company in the year 1999-2000.

3.2. During the year the company has recognized an addition of Rs.1250.00 lacs in the Head Plant and Machinery pursuant to BOT contract dated 14.8.2007 entered with M/S SRF LTD. As per the terms of the contract the CDM Project is to be implemented with terms and conditions.

The terms and conditions in brief are as under:
a. SRF Ltd. shall procure and install the CDA Plant for a contract price of Rs. 125.00 lacs. The plant is used for incinerating R-23 gas to claim for CERs from UNFCCC.
b. The Plant shall be handed over to the company after the Mechanical run and commissioning of the system.
c. During the year 2010-11 the mechanical completion and commissioning of the plant was completed in April 2010 (7th April, 2010) and handed over to the company.

Pursuant to the above the Company had capitalised Rs. 1250.00 lacs as Plant and Machinery addition during the year. Along with the above addition the company had capitalised the below amounts as addition to the fixed assets:

Plant and Machinery Rs. 260.70 lacs
Furniture and Fixtures Rs. 1.91 lacs
Computers along with software Rs. 14.14 lacs

Machinery spares are accounted in closing stock as they are of general usage.
3.3 No impairment of assets is done during the current financial year as per AS-28.

4. INVENTORIES:

4.1 During the year the company reported the closing inventory of Rs. 2081.07 lacs. Out of the total the stock-in-process amounts to Rs.65.85 lacs has detailed under and CER's stock was valued at Rs. 1697.07 lacs. The company had included the following in closing stock-in-process: (Rs. in lacs

CFM - 22 Product 20.32
TFE 3.92
POLY-SUSPENSION 33.94
POLY-EMULSION 7.68
TOTAL 65.86

With regard to CERs (Carbon Emission Reductions) , they are the Credits issued by UNFCCC (United Nations Framework Convention on Climatic Changes) to the company for successful reduction / incineration of R-23 gas. R-23 gas falls in the list of gases having potential of global warming and is eligible category of Carbon Credits as per the KOTOYO Protocol. Hence the company is eligible for claiming Carbon Credits after the incineration of the R-23 gas. In the previous year, the company incinerated R-23 gas with technology help with BOT Contractor SRF Ltd. (vide Built-operate-transfer agreement dated (14-08-2007) and filed the data the data to UNFCCC for getting Carbon Credits (CERs).

During the current financial year 2010-11, UNFCCC confirmed 420793 CERs to the company in its site (www.unfccc.int) after deducting 2% i.e., 8588 CERs as adaptation fund deduction. Of the above CERs received, the company had forgone 210652 CERs as installments payment to SRF Ltd., for the Plant and Machinery as per the BOT agreement of Plant & Machinery entered 14th, August, 2007. After the above outflow of CERs, the company is left with 210142 CERs treated as closing stock. The value of the CERs is taken at Rs.169706945/- adopting the value of 1 CER in the International Exchange as on 31-03-2011 at 13.07 Euros and taking the Euro value at Rs.63.05 in terms of INR and valued at 98% of the total value (considering 2% margin for valuation)

4.2 Excise duty on closing finishing goods in respect of goods manufactured by the company amounting to



- Rs.5.34 lacs (previous year Rs.5.47 lacs) is included in the valuation of such stocks.
- 4.3. 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 lacs (Previous year Rs.0.00 lacs).
5. **SUNDRY DEBTORS:**
- 5.1 Debtors for the year amount to Rs.284.17 lacs net of provision for doubtful debts provided for Rs.309.64 lacs.
6. **LOANS AND ADVANCES:**
- 6.1 Telephone deposits amounting to Rs.0.57 lacs pertains to more than 3 years period. No provision is made against this as it is recoverable in nature.
7. **CURRENT LIABILITIES :**
- 7.1 Sundry Creditors includes Rs.2.23 lacs payable to Micro and small enterprises as against nil amount in the previous year. No interest is payable on the above amount.
- 7.2 Creditors for capital goods include an amount of Rs.862.25 lacs is payable to M/S SRF Ltd towards supply and erection of Plant and Machinery relating to CDM Project. The total outstanding amount as per contract for plant and machinery supply and mechanical completion is Rs.1250.00 lacs. As per the terms of BOT Contract dated 14-8-2007, the payment is to be made in form of CERs. The Contract equated Rs. 1250.00 lacs to 6,59,530 CERs in 5 instalments of 131900 each. However, the total instalments are reduced to 4.13 and the company transferred 210652 CERs as 1.32 instalments and valued them Rs. 392.26 lacs. The balance Rs. 850.74 lacs is payable in balance 2.81 instalments as per revised contracts terms equating to 448948 CERs.
- 7.3 Amounts payable to PF, Property Tax, Nala Tax, AP Commercial Tax pertain to more than one year payables.
- 7.4 Wage Revision (1997) settlement arrears pertaining to employees are not provided in the books of accounts since the arrears are payable only when the company generates adequate surplus of funds. However, it is considered as Contingent liability in the Financial Statements on an estimated amount basis.
8. **EMPLOYEES' BENEFIT PLANS:**
- 8.1 Both employer and employees make monthly contributions of 10% each to a separately managed exempted EPF Trust.
- 8.2 Employees Gratuity Fund Scheme is managed a separate Trust maintained with LIC of India through annuity scheme. The present value of the obligation is determined by actuarial valuation using projected credit method which recognizes the period of service proportionate to unit of employee benefits.
- PARTICULARS OF RECONCILIATION:**
- | | |
|---|----------------|
| 1. Present value of obligation at beginning of the year | Rs.143.03 lacs |
| 2. Interest cost | Rs.13.07 lacs |
| 3. Benefits paid | Rs.(6.75) lacs |
| 4. Current service cost | Rs.0.28 lacs |
| 5. Closing Balance(Lund) | Rs.149.63 lacs |
- During the year the company made current year provision of Rs.150.67 lacs in the books of accounts thereby the total provision accumulated to Rs.278.65 lacs at the end of the year.
- 8.3. **PROVISION FOR LEASE ENCASHMENT:**
An amount of Rs.147.99 lacs is provided as provision for the period ended 31.3.2011 (previous year Rs. 86.10 lacs). This provision is made as per revised AS-15 issued by ICAI
9. **OTHER INCOME:**
- 9.1 Income for the company consist of sales (taken at gross) and later net of excise duty and other income. In accounting sales the company had deducted an amount of Rs. 89059.00 as trade discount on sale of CFM which is passed by way of journal entry and not in the invoices raised.
- 9.2 The other income of the company includes sales of CERs, job work of Vikram Sarabhai Space Centre (VSSC) and others. The company accounted for sale of CERs during the year. During the current financial year 210652 CERs received by the company are transferred to M/S SRF Ltd against payment of instalment for CDM Plant and 9587.62 CERs are deducted while issuing by UNFCCC against adaptation fund. The transferred CERs are considered as income as the risk and reward was transferred and reported under the head other income as 'CERs sale' valued at Rs. 399.26 lacs. The CERs given to SRS Limited are valued as per the BOT Agreement, dated 14-08-2007 wherein, the company equated Rs. 12,50,00,000 total cost of Plant & Machinery and Installation / commissioning cost of the CDM Plant and Machinery) to Rs. 6,59,530 CERs in the contract. The CERs given to UNFCCC are valued at the market price in stock Exchange of CERs on the date of such deduction by UNFCCC.
- 9.3 The company entered into a MOU with Vikram Sarabhai Space Centre (VSSC) in Financial year 2009-10 for research and development of certain chemical compounds. As per the MOU it is a tripartite MOU with each party having its own mile stones and responsibilities. The company income amount to Rs. 40.00 lacs in the MOU. The company raised invoice of Rs. 20.00 lacs from VSSC in financial year 2009-10 and received the same in the current financial year 2010-11 and the second invoices was raised for Rs. 15.00 lacs in the financial year 2010-11. The company treated the amount received in financial year 2009-10 amounting to Rs. 20.00 lacs as prior paid income and Rs. 15.00 lacs received in the year 2010-11 as 'miscellaneous income'. The company accounted the amount received from VSSC as income as the milestones were achieved and also as the agreement with VSSC does not contain clauses of any refund of money to VSSC.
10. **VRS EXPENDITURE**
- 10.1 An amount of Rs.223.57 lacs had incurred towards VRS payments for 31 employees in accordance with BIFR's Modified Draft Rehabilitation Scheme(MDRS) in Jan 2009. This amount is amortized and taken to P & L Account over a period of 3 years. (Rs.37.26 lacs in 2008-09, Rs. 74.52 lacs in 2009-2010, Rs.74.52 Lacs in 2010-11 included in Schedule-15) the balance of Rs. 37.27 Lacs will be amortised in the next financial year 2011-12. This is in accordance with BIFR's Modified Draft Rehabilitation Scheme (MDRS). As per AS-15 issued by ICAI, VRS expenditure is to be written off over the pay back period only and cannot be amortised. However the company is following the BIFR Scheme.
11. **REFURBISHMENT EXPENDITURE:**
- 11.1 An amount of Rs.285.14 lacs has been incurred towards Refurbishment Expenditure on Plant and Machinery. This amount is amortised over a period of 5 years. Till the financial year 2010-11 Rs.180.01 lacs was taken to P & L Account and balance will be charged to P & L Account for the next two years in accordance with BIFR's Modified Draft Rehabilitation Scheme (MDRS). As per AS-6 issued by ICAI, any expenditure incurred for improvement in performance of the Plant & Machinery, should be capitalized and depreciated accordingly as per Schedule -XIV applicable to the Company. However the Company is following the guide lines contained in the BIFR's MDRS in this matter deviating from AS-6 issued by ICAI.

12. CONTINGENT LIABILITIES NOT PROVIDED FOR:

	2010-11 Rs.in lacs	2009-10 Rs.in lacs
A Claims against the Company not acknowledged as debts.	12.01	12.01
B FLC/ILC Obtained as on 31-03-2010	0.00	0.00
C E S I	13.46	13.46

D Wage Revision(1997) settlement -Salary arrears for Officers on estimated basis	700.00	600.00
E Wage Revision(1997) settlement -Salary arrears for Non-officers	1100.00	1100.00
TOTAL	1825.47	1725.47
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

13. Unpaid overdue amounts due on 31st March, 2011 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.

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

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

	2010-11 Rs.in lacs	2009-10 Rs.in lacs
Profit / Loss available to equity shareholders	223.47	306.26
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.1.14	Rs.1.56

16. ACCOUNTING FOR TAXES:

16.1 The company has not provided deferred tax asset/liability due to huge accumulated losses in the balance sheet and is uncertain of realizing deferred tax asset against future taxable income.

17. **Statutory Auditor's remuneration for Statutory Audit is Rs.0.60 lacs and Limited review fee of Rs.0.24 lacs.**

18. Quantitative details regarding consumption of Raw Materials :

	2010-11		2009-10	
	Qty MT.	Value Rs. in lacs	Qty MT.	Value Rs. in lacs
a. AHF	706.380	540.04	526.69	431.83
b. Chloroform	2010.49	743.14	1487.305	373.62
c. RM-258	490.50	87.19	0.00	0.00
d. Others		171.78		136.49
TOTAL		1542.15		941.94

18. Consumption of Raw Materials:

	2010-11		2009-10	
	Rs.in lacs	% of Total consumption	Rs.in lacs	% of Total consumption
a. IMPORTED	0.00	0.00	0.00	0.00
b. Indigenous	1542.15	100.00	941.94	100.00
Total	1542.15	100.00	941.94	100.00

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

	2010-11		2009-10	
	Qty MT.	VALUE Rs.In Lacs	Qty MT.	Value Rs.in lacs
A. PTFE				
Licensed capacity	500TPA*	--	500TPA*	--
Installed capacity	500TPA*		500TPA*	
Opening stock	14.17	58.62	4.142	21.71
Production	124.583		65.88	
Captive Consumption	0.00		-	
Sales	130.212	823.19	75.95	353.27
Closing Stock	8.541	57.18	14.17	58.62
B.CFM-22				
Licensed capacity	1265 TPA*		1265 TPA*	
Installed capacity	1265 TPA*		1265 TPA*	
Opening stock	56.548	71.98	64.66	83.55
Production	1265.00		940.50	
Captive Consumption	900.01		637.11	
Sales	405.49	910.22	311.50	653.86
Closing Stock	18.05	20.32	56.548	71.98

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

	2010-11 Rs.in lacs	2009-10 Rs.in lacs
20. a) CIF value of Imports of Raw materials and Stores and Spares.	0.00	29.48
b) FOB Values of Exports	0.00	0.00

21. Managerial remuneration included in employee's remuneration and benefits

	2010-11 Rs.in lacs	2009-2010 Rs.in lacs
Managing Director		
Salary	6.52	4.83
Accommodation Rental	1.75	1.57
Medical reimbursement	0.04	0.04
Company Contribution to PF	0.85	0.46
Leave Travel Allowance	0.00	0.00
Total	11.16	6.92
Less: Conveyance recovery	(0.05)	(0.02)
TOTAL	11.11	6.90
Managing Director's Remuneration for the period from 01-04-2010 to 31 03-2011		



- 22. RELATED PARTIES DISCLOSURE:**
The company is a subsidiary of HOCL (HINDUSTAN ORGANIC CHEMICALS LIMITED) Interest payable to HOCL Rs.135.99 Secured Loan from HOCL (including interest Rs. 4019.15 lacs)
KEY MANAGEMENT PERSONNEL: SHRI T S GAIKWAD, Managing Director
- 23. SEGMENT REPORTING:**
The company is in full-fledged manufacturing activity of Chemicals. There are no separate Primary and Secondary reportable segments. All the manufacturing activity is considered as Single segment.
- 24. PRIOR PERIOD ITEMS:**
During the year the company had net off Rs.20.08 lacs prior period expense with Rs.23.24 lacs of prior period income and reported a net prior period income of Rs.3.16 Lacs. The prior period income is the unpaid liabilities/unclaimed liabilities for more than 3 years.
- 25. LITIGATIONS AT VARIOUS AUTHORITIES:**

Sl No.	Authorities	Nature of Litigations	Quantum	Remarks
1.	Hon'ble High Court of A.P	Recovery from Debtors	Rs.132.00 lacs	The company had a favorable judgment from the single bench. The deponent had approached full bench of High Court.
2.	Dy. Commissioner of Appeals, VAT	Penalty u/s 53(3) of A.P.Vat Act, 2005 F.Y. 2010-11.	Rs.19.00 lacs	The case is yet to come for first hearing. Not provided in the books of accounts.

26. 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 SIVA KRISHAN & NARAYAN
Chartered Accountants

Sd/- For and on behalf of the Board of Director of HFC Ltd.,
(R V N SASTRY) (R N MADANGERI) (M K MITTAL) (T S GAIKWAD)
Partner/Chairman Director Managing Director
M No.206635
Place : MUMBAI Sd/- Sd/-
Date : 21.05.2011 (E SURYA RAO) (K. RAJANI)
Dy. General Manager (Finance) Company Secretary

27. 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 2011
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 909187 Total Assets 909187
Sources of Funds
Paid-up Capital 196146 Reserves & Surplus NIL
Secured Loans 490495 Unsecured Loans NIL
Application of Funds
Net Fixed Assets 161015 Investments NIL
Net current Assets 041922 Misc. Expenditure 16023
Accumulated Losses 467881

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

Turnover 335242 Total Expenditure 355386
Profit Before Tax 22031 Profit After Tax 22031
V. Earning per Share in Rs. 1.14 Dividend Rate % NIL

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

Item Code No (ITC Code) : 039046000
Product description : FLUOROPOLYMERS (PTFE etc.)

For SIVA KRISHAN & NARAYAN
Chartered Accountants

Sd/- For and on behalf of the Board of Director of HFC Ltd.,
(R V N SASTRY) (R N MADANGERI) (M K MITTAL) (T S GAIKWAD)
Partner/Chairman Director Managing Director
M No.206635
Place : MUMBAI Sd/- Sd/-
Date : 21.05.2011 (E SURYA RAO) (K. RAJANI)
Dy. General Manager (Finance) Company Secretary

CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH 2011

(Rs. In Lacs)

	2010-2011	2009-2010
CASH FLOW FROM OPERATING ACTIVITIES:		
Net Profit before taxation and Extraordinary items	220.31	307.32
Adjustments for :		
Depreciation	94.16	27.46
Loss on deleted / discarded assets	0.00	0.00
VRS Payment written off during the year	74.52	74.52
Refurbishment expenditure written off	61.49	61.49
Operating Profit before working capital changes	450.48	470.79
Adjustments for		
Increase / (Decrease) in Inventories	(236.43)	(759.89)
Increase / (Decrease) in Sundry Debtors	(87.95)	(187.26)
Increase/(Decrease) in Other current Assets	0.00	0.00
Increase/(Decrease) in Loans and Advances	(24.87)	(64.89)
Increase / (Decrease) in Working Capital borrowings	(14.12)	120.18
Increase/(Decrease) in Current Liabilities&prov.	1083.96	297.42
Cash generated from operations	1171.07	(123.65)
Direct taxes paid	0.00	0.00
Cash flow before extraordinary items	0.00	0.00
Prior Period(Income)/Expense	3.16	1.06
Net Cash flow from Operating activities	1174.23	(122.59)
CASH FLOW FROM INVESTING ACTIVITIES :		
Purchase of fixed assets	(1292.14)	(77.70)
Amount incurred for VRS PAYMENT	0.00	0.00
Amount incurred for Refurbishment Expenditure	0.00	(17.82)
VRS & Refurbishment Exp	117.90	(95.52)
CASH FLOW FROM FINANCING ACTIVITIES		
Increase Secured Loans	(29.16)	194.56
Increase in Unsecured Loans	144.93	0.00
Cash and Equivalents as Op.Balance	8.17	33.84
Cash and Equivalents as Cl.Balance	6.04	8.17

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

Sd/- Sd/- Sd/-
(K Rajani) (T S GaiKWAD) (E Surya Rao)
Company Secretary Managing Director (Dy. General Manager - Finance)

Place : Mumbai
Date : 21.05.2011

AUDITORS' REPORT

We have examined the attached cash flow statement of M/s Hindustan Fluorocarbons Limited for the year ended on 31st March 2011. The statement has been prepared by the company in accordance with the requirement of clause 32 of the listing agreement with concerned stock exchange and is based on and in agreement with the corresponding Profit and Loss Accounts and Balance Sheet of the company covered by our report Dt. 21-5-2011 to the members of the company.

for SIVA KRISHNA & NARAYAN

sd/-
(R V N SASTRY)
Chartered Accountants
Partner
M.No. 206635

Place : Mumbai
Date : 21-5-2011



HINDUSTAN ORGANIC CHEMICALS LIMITED

Regd. Office: Rasayani, Dist. Raigad, Maharashtra, Pin - 410 207.

ATTENDANCE SLIP

50th Annual General Meeting, Thursday, the 25th August, 2011.

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 FIFTIETH ANNUAL GENERAL MEETING of the Company to be held at RASRANG HALL, Dr. Kasbekar Park, Rasayani, Dist. Raigad – 410 207 at 3.00 p.m. on Thursday, the 25th August, 2011.

Members'/Proxy's Name

Members'/Proxy's Signature

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



HINDUSTAN ORGANIC CHEMICALS LIMITED

Regd. Office: Rasayani, Dist. Raigad, Maharashtra, Pin - 410 207.

FORM OF PROXY

50th Annual General Meeting, Thursday, the 25th August, 2011.

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 FIFTIETH ANNUAL GENERAL MEETING of the Company to be held at RASRANG HALL, Dr. Kasbekar Park, Rasayani, Dist. Raigad – 410 207 at 3.00 p.m. on Thursday, the 25th August, 2011.

Signed _____ day of _____ 2011.

Please affix
Re.1/-
Revenue
Stamp

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



SHAREPRO SERVICES (INDIA) PVT.LTD.

Registered Office:

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

Tel: 6772 0300 / 351 / 352, 6772 0400 / 211872,

Fax: 2859 1568,

E-mail: sharepro@shareproservices.com.