

56th Annual Report
2016 - 2017



HINDUSTAN ORGANIC CHEMICALS LIMITED

CIN: L99999MH1960GOI011895



HINDUSTAN ORGANIC CHEMICALS LIMITED [CIN L99999MH1960GOI011895]

AUDITORS

Statutory Auditors (FY 2016-17)

M/s P.G.Bhagwat,

Chartered Accountants, Mumbai

Branch Auditors – Kochi Unit

M/s Ayyar & Cherian

Chartered Accountants, Kochi

COST AUDITORS (FY 2016-17)

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

M/s. BBS&Associates.

Kochi

BANKERS

State Bank of India

REGISTRAR AND SHARE TRANSFER AGENTS

M/s. BIGSHARE SERVICES PVT. LTD.

(w.e.f. 01-04-2016 onwards)

Registered Office : **Bigshare Services Pvt Ltd.**

1st Floor, Bharat Tin Works Building,

Opp. Vasant Oasis, Makwana Road, Marol, Andheri East ,

Mumbai 400059 Maharashtra.

Tel: 022 62638200

Fax : 022 62638299

Email: investor@bigshareonline.com

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HINDUSTAN ORGANIC CHEMICALS LTD. [CIN L99999MH1960GOI1011895]

Regd. Office & Rasayani unit :

Rasayani, Dist. Raigad,

Maharashtra, Pin - 410 207.

Tel : (02192) 258500-502

Fax : (02192) 258503

E-mail id : corporate.cs@hoclindia.com;

grievances@hoclindia.com;

Website : hoclindia.com

MANUFACTURING FACILITIES**Rasayani unit**

Dist. Raigad , Panvel Taluka, Maharashtra 410 207

KOCHI UNIT :

Ambalamugal,

Dist. Ernakulam, Pin - 682 302.

Tel : (0484) 2720911 / 2720912 / 13

Fax : (0484) 2720893

E-mail : hindustanorganic@bsnl.in

REGIONAL & MARKETING OFFICES**BARODA :**

3/A, Kirti Tower, Tilak Road,

Baroda - 390 001. Telefax : (0265) 2438 122

DELHI :

Core-6, Scope Complex,

1st Floor, Lodi Road, New Delhi - 110 003.

Tel : (011) 24361610 / 24364690 Fax : (011) 24360698

HYDERABAD :

303, Babukhan Estate,

Bashir Bagh, Hyderabad - 500 001.

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

Fax : (040) 23296455

CHENNAI :

D-1, Nelson Chambers,

115, Nelson Manickam Road, Aminji Karai,

Chennai - 600 029. Tel : (044) 2374 1853

Subsidiary Company**HINDUSTAN FLUOROCARBONS LTD.**

303, Babukhan Estate, Bashirbagh, Hyderabad - 500 001

Tel : (040) 23241051 / 23237125. Fax : (040) 23296455

E-Mail : hiflonptfe@yahoo.co.in


BOARD OF DIRECTORS [as on 19-07-2017]

| | |
|--|---|
| SHRI S.B. BHIDE | Chairman & Managing Director (w.e.f. 05/10/2016) Acting Chairman & Managing Director (From 25/02/2016 to 04/10/2016) Director (Technical), (Up to 04/10/2016) |
| SHRI J. N. SURYAWANSHI | Director (Mktg.), (Up to 03/08/2016) |
| SHRI V.K. THAKRAL , AS&FA | Director (Govt.Nominee) (Upto 16-05-2016) |
| Ms. MEENAKSHI GUPTA, AS&FA | Director (Govt. Nominee) (From 15/11/2016) |
| SHRI SAMIR KUMAR BISWAS, JS | Director (Govt. Nominee) |
| SHRI DINESH KUMAR, Director,DCPC | Director (Govt. Nominee) (From 29/09/2016 to 15/11/2016) |
| SHRI SUNIL KUMAR SHARMA, Director, DCPC | Director (Govt. Nominee) (From 16/05/2016 to 29/09/2016) |
| Ms. PUSHPA TRIVEDI, | Non-Official, Independent Director (from 15/06/2016) |
| Ms. LATA ALKER, | Non-Official, Independent Director (from 21/02/2017) |
| SHRI MUKESH PAREEK | Non-Official Independent Director (from 21/02/2017) |
| SMT. SUSHEELA S. KULKARNI | Company Secretary |

AUDIT COMMITTEE [A.C.] OF THE BOARD (As on 31-03-2017)

| | |
|---|---|
| Ms. MEENAKSHI GUPTA, AS&FA Govt. Nominee Director & Chairman, A.C. (&Up to 29-05-2017) | SHRI SAMIR KUMAR BISWAS, JS Govt. Nominee Director, Member A.C. |
| Ms. PUSHPA TRIVEDI [w.e.f. 15-06-2016] NOID, Member, A.C. | MS. LATA ALKER, [w.e.f. 21-02-2017] NOID, Member, A.C.] |
| SHRI MUKESH PAREEK [w.e.f. 21-02-2017] NOID, Member, A.C. | SMT.SUSHEELA S. KULKARNI, C.S. Secretary to A.C. |

AUDIT COMMITTEE [A.C.] OF THE BOARD (Reconstituted on 29-05-2017)

| | |
|--|---|
| Ms. PUSHPA TRIVEDI, NOID Chairman, A.C. NOID, Member, A.C. | SHRI MUKESH PAREEK Member, A.C. |
| MS. LATA ALKER, NOID Member, A.C. | SMT. SUSHEELA S. KULKARNI, C.S. Secretary to the A.C. |

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

| | |
|--|---|
| SHRI S.B. BHIDE CMD , Chairman. | SHRI J. N. SURYAWANSHI (Upto 03-08-2016) Director (Mktg.), Member |
| SMT. SUSHEELA S. KULKARNI CS, Member & Secretary | |

NOMINATION & REMUNERATION COMMITTEE (Constituted on 29-05-2017)

| | |
|---|---|
| SHRI MUKESH PAREEK, NOID Chairperson, Committee | Ms. PUSHPA TRIVEDI, NOID Member , Committee |
| MS. LATA ALKER, NOID Member, Committee | Mr. S.B.Bhide, CMD Member, Committee |
| SMT.SUSHEELA S. KULKARNI, C.S. Secretary to the Committee | |

**NOTICE**

Notice is hereby given that the 56th Annual General Meeting (AGM) of the Members of the Company will be held on Wednesday, the 27th September, 2017 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:

- To receive, consider and to adopt the (Standalone & Consolidated) Audited Statement of Profit & Loss of the Company for the period from 1st April, 2016 to 31st March, 2017 and the Audited Balance Sheet as at 31st March, 2017 together with the Directors' Report and the Auditors' Report thereon.
- To Re-appoint Shri Samir Kumar Biswas, J.S., as per GOI Order, who retires at this AGM and being eligible offers himself for re- appointment .
- To Re-appoint Ms. Meenakshi Gupta, AS&FA, as per GOI Order, who retires at this AGM and being eligible offers herself for re-appointment.
- To authorise and to ratify the actions of the Board of Directors of the Company to fix the remuneration of the Statutory Auditors and Branch Auditors of the Company as may be appointed by the C&AG, for the FY 2017-18.

SPECIAL BUSINESS:

- To ratify the actions of the Board of Directors of the Company for appointment and remuneration of M/s. BBS& Associates, Cost Accountants, Kochi as Cost Auditors of Kochi Unit & Rasayani Unit of the Company for the FY 2017-18 and to pass the resolutions.

By Order of the Board of

Hindustan Organic Chemicals Ltd.

Sd/-

Place : Rasayani

(Mrs.Susheela S.Kulkarni)

Date : 19/07/2017

Company Secretary

Registered Office :

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

NOTES :

- A MEMBER ENTITLED TO ATTEND AND VOTE IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE ON HIS / HER BEHALF AND THE PROXY NEED NOT BE A MEMBER OF THE COMPANY.** Pursuant to the provisions of Section 105 of the Companies Act, 2013, a person can act as a proxy on behalf of not more than fifty members and holding in aggregate not more than ten percent of the total Share Capital of the Company carrying voting Rights may appoint a single person as proxy, who shall not act as proxy for any other Member. The instrument of Proxy, in order to be effective, should be deposited at the Registered Office of the Company, duly completed and signed, not later than 48 hours before the commencement of the meeting. A Proxy Form is annexed to this report. Proxies submitted on behalf of limited companies, societies, etc. must be supported by an appropriate resolution / authority, as applicable.
- An explanatory statement pursuant to Section 102 of the Companies Act, 2013 in respect of Item No. 5 is appended to this Notice.
- Members may also note that with effect from 1st April, 2016 Company has appointed new Registrar and Share Transfer Agents (RTA) viz. M/s. Bigshare Services Pvt. Ltd., and with effect from June 27, 2017, their Office has been shifted to new address as : Bigshare Services Pvt Ltd., 1st Floor, Bharat Tin Works Building, Opp. Vasant Oasis, Makwana Road, Marol, Andheri (East), Mumbai 400059 , Maharashtra. Tel: 022 62638200, Fax : 022 62638299 Members can also correspond with the RTA at their email id: investor@bigshareonline.com
- The Register of Members and Share Transfer Books of the Company will remain closed from **Wednesday, the 20th September, 2017 to Wednesday, the 27th September, 2017 (both days inclusive)**. The book closure dates have been fixed in consultation with the Stock Exchanges.

- Members/Proxies should bring their attendance slip, duly filled in, at the meeting.
- Members are requested to intimate immediately any change in their addresses registered with the Company.
- Members, who hold shares in the dematerialised form, are requested to bring their depository account number for identification.
- As per Section 101 and 136 of the Companies Act, 2013 read together with the Rules made thereunder, electronic copies of the Annual Report 2016-2017 and the Notice of the 56th AGM are sent to all members whose email addresses are registered with the Company/Depository Participants(s). For members who have not registered their email addresses, physical copies of the Annual Report 2016-2017 and the Notice of the 56th AGM are sent in physical mode.
- Company is providing e-voting facility to all members to enable them to cast their votes electronically on all resolutions set forth in the Notice. This is pursuant to section 108 of the Companies Act, 2013 and Rule 20 of the Companies (Management and Administration) Rules, 2014.
- All documents referred to in the accompanying Notice and Explanatory statement shall be open for inspection at the Registered Office of the Company during the office hours on all working days up to the date of the Annual General Meeting of the Company.

Voting through electronic means

In compliance with provisions of Section 108 of the Companies Act, 2013 and Rule 20 of the Companies (Management and Administration) Rules, 2014, and any amendments thereto, Secretarial Standard 2 on General Meetings ("SS-2") and Regulation 44 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("Listing Regulations"), the Members are informed that the Company is pleased to provide members facility to exercise their right to vote at the Annual General Meeting (AGM) by electronic means and the business may be transacted through e-Voting Services provided by Central Depository Services Limited (CDSL)

The instructions for members for voting electronically are as under:-

All grievances connected with the facility for voting by electronic means may be addressed to Mr.Rakesh Dalvi, Deputy Manager, (CDSL,) Central Depository Services (India) Limited, 16th Floor, Phiroze Jeejeebhoy Towers, Dalal Street, Fort, Mumbai-400001, or send an email to helpdesk.evoting@cdslindia.com or call 18002005533.

In case of members receiving e-mail / physical copy:

- The voting period begins on Friday, the 22nd September, 2017 at 09.00 a.m. and ends on Tuesday, the 26th September, 2017 5.00 p.m. During this period shareholder's of the Company, holding shares either in physical form or in dematerialized form, as on the cut-off date 20th September, 2017, may cast their vote electronically. The e-voting module shall be disabled by CDSL for voting thereafter.
- Any person, who acquires shares of the Company and becomes member of the Company after 18th August, 2017, i.e. the date considered for dispatch of the notice and holding shares as of the cut-off date i.e. 20th September, 2017, and not updated their PAN may obtain the login ID and sequence number by sending a request at investor@bigshareonline.com Log on to the e-voting website www.evotingindia.com Click on "Shareholders" tab.
Now, select "Hindustan Organic Chemicals Limited" from the drop down menu and click on "SUBMIT"
Now Enter your User ID
 - For CDSL: 16 digits beneficiary ID,
 - For NSDL: 8 Character DP ID followed by 8 Digits Client ID,
 - Members holding shares in Physical Form should enter Folio Number registered with the Company.
 - Next enter the Image Verification as displayed and Click on Login.

If you are holding shares in demat form and had logged on to www.evotingindia.com and voted on an earlier voting of any company, then your existing password is to be used.



(ii) If you are a first time user follow the steps given below:

| | |
|-----------------------|--|
| | For Members holding shares in Demat Form and Physical Form |
| PAN | Enter your 10 digit alpha-numeric *PAN issued by Income Tax Department (Applicable for both demat shareholders as well as physical shareholders) <ul style="list-style-type: none"> Members who have not updated their PAN with the Company/Depository Participant are requested to use the first two letters of their name and the 8 digits of the sequence number in the PAN field. This sequence number is given on the bottom of the attendance slip. |
| Dividend Bank Details | <ul style="list-style-type: none"> Enter the Dividend Bank Details as recorded in your demat account or in the company records for the said demat account or folio.in order to login. If the details are not recorded with the depository or company please enter the member id / folio number in the Dividend Bank details field. |

- (iv) After entering these details appropriately, click on "SUBMIT" tab.
- (v) Members holding shares in physical form will then reach directly the Company selection screen. However, members holding shares in demat form will now reach 'Password Creation' menu wherein they are required to mandatorily enter their login password in the new password field. Kindly note that this password is to be also used by the demat holders for voting for resolutions of any other company on which they are eligible to vote, provided that company opts for e-voting through CDSL platform. It is strongly recommended not to share your password with any other person and take utmost care to keep your password confidential.
- (vi) For Members holding shares in physical form, the details can be used only for e-voting on the resolutions contained in this Notice.
- (vii) Click on the EVSN of "Hindustan Organic Chemicals Limited" on which you choose to vote.
- (viii) On the voting page, you will see "RESOLUTION DESCRIPTION" and against the same the option "YES/NO" for voting. Select the option YES or NO as desired. The option YES implies that you assent to the Resolution and option NO implies that you dissent to the Resolution.
- (ix) Click on the "RESOLUTIONS FILE LINK" if you wish to view the entire Resolution details.
- (x) After selecting the resolution you have decided to vote on, click on "SUBMIT". A confirmation box will be displayed. If you wish to confirm your vote, click on "OK", else to change your vote, click on "CANCEL" and accordingly modify your vote.
- (xi) Once you "CONFIRM" your vote on the resolution, you will not be allowed to modify your vote.
- (xii) You can also take out print of the voting done by you by clicking on "Click here to print" option on the Voting page.
- (xiii) If Demat account holder has forgotten the changed password then Enter the User ID and the image verification code and click on Forgot Password & enter the details as prompted by the system.
- (xiv) Shareholders can also cast their vote using CDSL's mobile app m-Voting available for android based mobiles. The m-Voting app can be downloaded from Google Play Store. Apple and Windows phone users can download the app from the App Store and the Windows Phone Store respectively. Please follow the instructions as prompted by the mobile app

while voting on your mobile.

Non-Individual shareholders (i.e. other than Individuals, HUF, NRI etc.) are required to log on to <https://www.evotingindia.com> and register themselves as Corporates.

They should submit a scanned copy of the Registration Form bearing the stamp and sign of the entity to helpdesk.evoting@cdslindia.com.

After receiving the login details they have to create a user who would be able to link the account(s) which they wish to vote on.

The list of accounts should be mailed to helpdesk.evoting@cdslindia.com and on approval of the accounts they would be able to cast their vote.

They should upload a scanned copy of the Board Resolution and Power of Attorney (POA) which they have issued in favour of the Custodian, if any, in PDF format in the system for the scrutinizer to verify the same.

In case you have any queries or issues regarding e-voting, you may refer the Frequently Asked Questions ("FAQs") and e-voting manual available at www.evotingindia.com under help section or write an email to helpdesk.evoting@cdslindia.com.

The Chairman shall, at the AGM, at the end of discussion on the resolutions on which voting is to be held, allow voting with the assistance of scrutinizer, by use of "Ballot Paper" for all those members who are present at the AGM but have not cast their votes by availing the remote e-voting facility. The Facility for Voting at meeting venue shall be decided by the company through "Ballot Paper"

The members who have cast their vote by remote e-voting prior to the AGM may also attend the AGM but shall not be entitled to cast their vote again.

The " remote e- voting " end time shall be 5:00 p.m. on the date preceding the date of Annual General Meeting.

M/s.S.N.Ananthasubramanian & Co., Company Secretaries have been appointed as the Scrutinizer for providing facility to the members of the Company to scrutinize the voting and remote e-voting process in a fair and transparent manner.

Alternatively Institutional shareholders (i.e. other than individuals, HUF, NRI etc.) are required to send scanned copy (PDF/ JPG Format) of the relevant Board Resolution/ Authority letter etc. together with attested specimen signature of the duly authorized signatory(ies) who are authorized to vote, to the Scrutinizer through e-mail to scrutinizer@snaco.net. and to Company at cs@hoclindia.com;

We may segregate these points under the head "Declaration of Results"

(B) The Scrutinizer shall after the conclusion of voting at the Annual General Meeting, will first count the votes cast at the meeting and thereafter unblock the votes cast through remote e-voting in the presence of at least two witnesses not in the employment of the Company and shall make, not later than three days of the conclusion of the Annual General Meeting, a consolidated scrutinizer's report of the total votes cast in favour or against, if any, to the Chairman or a person authorized by him in writing, who shall countersign the same and declare the result of the voting forthwith.

(C) The Results declared along with the report of the Scrutinizer shall be placed on the website of the Company at www.hocl.gov.in and on the website of CDSL immediately after the declaration of result by the Chairman or a person authorized by him in writing. The results shall also be immediately forwarded to Stock Exchanges where the shares of the Company are listed, details of the voting results as required under Regulation 44(3) of the Listing Regulations.

All grievances connected with the facility for voting by electronic means may be addressed to Mr.Rakesh Dalvi, Deputy Manager, (CDSL,) Central Depository Services (India) Limited, 17th Floor, Phiroze Jeejeebhoy Towers, Dalal Street, Fort, Mumbai-400001, or send an email to helpdesk.evoting@cdslindia.com or call 18002005533.

(D) The map for location of venue of AGM is given below.:

(E) MAP



EXPLANATORY STATEMENT PURSUANT TO SECTION 102 OF COMPANIES ACT, 2013.

ITEM NO. 5 of the Notice

- i. The Business relating to appointment of Cost Auditors and to fix the remuneration of Cost Auditors of the Company in future years, by the Board of Directors as they deem appropriate and to communicate the same to the Central Government pursuant to the Companies Act, 2013 and as per the rules prescribed therein, are in the nature of special businesses requiring explanatory statements pursuant to Section 102 of the Companies Act, 2013 as these items do not come under the Ordinary Businesses of the AGM.
- ii. Further the Board of Directors at their Board Meeting held on 29th May, 2017 have approved and appointed the same cost auditors of the previous years as the cost auditors for the year 2017-18 also and at the same fees as that of previous year (2017-18).
- iii. However, as these actions of the Board of Directors regarding appointments of and payment of remuneration /fees to the cost auditors requires approval and ratification of the shareholders at their general meeting, corresponding item is put up in item No.5 above before the shareholders.
- iv. The Cabinet Committee on Economic Affairs approved for the closing down of the operations of Rasayani unit in its meeting held on 17-05-2017. They have also approved for the sale of 442 acres of land to BPCL which includes the present administrative block. Kochi unit of the company will continue and therefore, the Board has decided in its meeting held on 29/05/2017 to appoint one cost auditor for both Kochi Unit & Rasayani Units of the company for the year 2017-18.
- v. For the year 2017-18, M/s. BBS & Associates, Kochi , cost accountants have agreed to do the cost audit at the same rates, terms & conditions as

that of last year (i.e. 2016-17). The products to be covered for Rasayani Unit will include (1). Nitrobenzene (previous year data only) and (2). Others (Concentrated Nitric Acid (C N A) & Dinitrogen Tetroxide (N₂O₄)). Accordingly the Board of Directors of your company have approved the proposal of appointment of M/s.BBS & Associates, Cost Accountants for audit of Cost accounts of HOCL and issue of Compliance Certificate for the year 2017-18 at a total fee of Rs.72,000/- [Rs.42000 (Kochi) + Rs.20000 (Rasayani)+ Rs.10000 (XBRL Filing)] and Rs.13000/- towards out of pocket expenses plus taxes as applicable for Kochi and Rasayani Units.

- vi. The said proposal as Special Business item is put up in Item No. 5 for approval of the shareholders of the Company and for ratification as per procedure.
- vii. None of the Directors and the Company Secretary (KMPs) is concerned or are interested in the Proposed Resolutions except to the extent of Shares held by them in their individual capacity.

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

**Place : Rasayani
Date : 19/07/2017**

**Registered Office :
P.O. Rasayani, Dist. Raigad
Maharashtra, 410207**

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

CHAIRMAN'S STATEMENT

Dear Shareholders,

My Colleagues on the Board and I extend a warm welcome, and sincere gratitude, to all the Shareholders of our Company and to all of you present here at this 56th Annual General Meeting of your Company. The Audited Annual Accounts together with the Directors' Report along with other Reports given in Annexures and Auditors' Report of the Company for the year 2016-17 and this 56th AGM Notice to the Shareholders all are in your hands for some time and with your permission, I take them as read.



social thought and action to serve society through providing basic civic amenities to the neighboring villages, rendering assistance in different forms. Company has also undertaken tree plantation programme in the surrounding area.

SAFETY, HEALTH AND ENVIRONMENT :

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

PERFORMANCE:

I must now share with you, in brief, the status of our Company's performance during the year 2016-17.

The production and sales figures are contained in the Directors' Report with you with Annual Report and hence not repeated.

Your company could start the year 2016-17 with an optimistic note by restarting the operations of Phenol Plant at Kochi Unit in April 2016 by successfully entering into a tripartite agreement, for the supply of raw material and payments with BPCL and SBI which was valid for a period of 90 days. However the arrangement could not be continued, due to non- settlement of old dues to BPCL and fluctuations in the input prices. Another highlight of achievement during the year was a record production and supply of 685 MT of N2O4 to ISRO. During the year under review, your Company could achieve sales turnover of Rs. 143.38 Crores (net of excise duty).

The Company continued to initiate the best possible measures both in cost reduction as well as in several other areas. During the year, the CNA /N2O4 plant at Rasayani Unit achieved record production of N2O4 but Kochi Unit could operate Phenol plant intermittently due to non-availability of working capital and fluctuations in LPG and Benzene prices. However, we could ensure continuous operation of the Hydrogen Peroxide plant which enabled payment of part salaries to the employees.

During the year, your Company incurred a loss of Rs.255.57 crore mainly due to provisioning for the interest/penalties/fees etc payable on Preference Shares, Government loan and CPF Gratuity etc as per the sanctions and statuses.

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

FUTURE PLAN & REVIVAL / TURN AROUND PLAN:

Rasayani Unit

During the first quarter of 2016-17, the company could start the operation of Nitrobenzene Plant at Rasayani and CNA /N2O4 plant based on the tripartite agreement entered into with BPCL and SBI. However the agreement was only for 90 days and it was not further extended due to non-settlement of old dues. Further in view of the decision to close the operations of non-viable plants at Rasayani and transfer of CNA / N2O4 plant, to ISRO, the Rasayani operations were limited to the CNA / N2O4 plant only .

Kochi Unit

The company could successfully forge a tripartite agreement in the month of April 2016 with BPCL and SBI whereby 70 % of the collections in the Company's Cash Credit account is transferred to BPCL towards cost of raw materials supplies. Since then the plant operations of Kochi units have been restarted and the company could achieve a turnover of Rs.52.47 crore in the first quarter ended June, 2016. The company could mobilize advance payments from major customers to tide over the working capital shortage and ensure intermittent operation of the Phenol / Acetone plant at Kochi depending on the market situation.

Restructuring Plan.

The restructuring plan of the company has been approved by CCEA, whereby the operation of all the plants at Rasayani is being closed and the CNA / N2O4 plant is being transferred to ISRO, along with the manpower of the plant. The two plants (Phenol and Hydrogen plant) will be operational at Kochi.

Further Government has approved sale of 442 acre of land at Rasayani to BPCL for Rs.618.80 crore and the amount to be utilized along with a bridge loan of Rs.365.26 crore to clear the liabilities of the company.

Further, In view of the CCEA approval for the Closure of the Operations of all the plants (except CNA Plant). VRS was introduced to the employees of Rasayani Unit (Feb., 2017) during the year under review.

CORPORATE SOCIAL RESPONSIBILITY

Company since its inception is very much aware about its social responsibility. For over five decades, as a socially responsible and sensitive corporate, your Company continues to remain committed to

SWACHHA BHARAT ABHIYAN :

HOCL is undertaking various activities to contribute on its way towards Swachha Bharat Abhiyan.

ISO CERTIFICATION :

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

राजभाषा नीति का कार्यान्वयन - राजभाषा उत्कृष्टता पुरस्कार

एच ओ सी को २०१५-१६ के लिए चतुर्थ पुरस्कार - राजभाषा उत्कृष्टता पुरस्कार प्राप्त किया है।

INDUSTRIAL RELATIONS :

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

CORPORATE GOVERNANCE :

The Company has complied with the various requirement of Corporate Governance stipulated as under Listing Regulations of the SEBI and as per DPE norms.

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

COMPANY VOLUNTARILY DELISTING ITS EQ.SHARES FROM THE NSE :

Company's equity shares have been voluntarily delisted from M/s. National Stock Exchange India Ltd. (NSE), (w.e.f. 30-01-2017) as a measure of economy and pursuant to SEBI (DES) Regulations, 2009, which was duly approved by NSE.

However Company's Equity Shares shall be continued to be listed at BSE Ltd. (BSE).

HINDUSTAN FLUOROCARBONS LIMITED (HFL) - SUBSIDIARY:

During the year, HFL has made Net loss of Rs. 488.55 lacs from operations as against the net loss of Rs. 1111.39 lacs of the previous year. During the year, the sales turnover (net) was Rs.3383.51 lacs as against Rs. 3527.38 lacs in the previous year. The operational loss during the year has reduced to Rs.10.35 lacs as against Rs. 629.38 lacs during the previous year. During the year under report production of PTFE was 41 Metric Tons as against 107 Metric Tons in the previous year. During the year, 1111 Metric Tons of CFM-22 was sold in the market against 1116.00 Metric Tons in the previous year and balance quantity was used as feed stock to manufacture various products including Fluoro Specialty Chemicals. Accordingly, during the year Metric Tons of Tetra Fluoro Ethylene (TFE) was used to manufacture Telomere. Quality of all company's products continued to be well accepted by our customers. Company has achieved 95 % capacity utilization as against 96% in the previous financial year. The financial performance of the company improved during the year even though the Sales performance was more or less static compared to previous year.

However, Government of India (CCEA) has approved the proposal of strategic disinvestment of HFL by HOCL. Accordingly, various actions with regard to strategic disinvestment of HFL are in the process.

ACKNOWLEDGEMENT:

I place on record my appreciation and gratitude to all the employees and others who had extended their support and co-operation during the year. In particular, I am grateful to various officials of the Government, especially Department of Chemicals and Petrochemicals, Ministry of Chemicals & Fertilizers, Ministry of Finance,

Ministry of Commerce & Industry, Banks particularly our Bankers State Bank of India, Central Bank of India, Board Members, Statutory/Govt. Auditors, Cost Auditors and all the agencies concerned. My gratitude is also to the Shareholders, Bondholders and Customers, who have stood by us in the present phase of transformation of the company.

We on our part would continue our efforts for time bound completion of the restructuring plan to take your Company into the future by meeting the challenges, in our endeavour in the path towards turnaround. We look forward to your continued support in this ongoing process.

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



S.B.Bhide
Chairman and Managing Director

**DIRECTORS' REPORT**

The Board of Directors presents herewith the 56th Annual Report of your Company along with the Auditors statement of Accounts for the financial year 2016-17.

A. FINANCIAL RESULTS

The financial results for the year ended 31.03.2017 with the comparative figures of Company's operations for the previous year is as under:

| Particulars | 2016-17 | 2015-16 |
|---|-------------------|-------------------|
| Revenue from operations | 14338.49 | 10914.77 |
| Other Income | 575.65 | 489.21 |
| Total | 14914.14 | 11403.98 |
| Expenditure | 39724.71 | 27938.54 |
| Profit before Depreciation & Tax | (24810.57) | (16534.56) |
| Less Depreciation | 746.89 | 856.49 |
| Profit/(Loss) before Tax | (25557.46) | (17391.05) |
| Less : Provision of Tax | 0 | 0 |
| Profit/(Loss) after Tax | (25557.46) | (17391.05) |

B. DIVIDEND

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

C. CHANGE IN NATURE OF BUSINESS IF ANY

The company has submitted a revival plan to the Department of Chemicals and Petrochemicals based on the recommendation of NITI Aayog, whereby the operation of the all the plants at Rasayani is being closed and the C NA / N204 plant is being transferred to ISRO, along with the manpower of the plant. The two plants (Phenol and Hydrogen plant) will be operational.

Further Government has approved sale of 442 acre of land at Rasayani to BPCL for Rs.618.80 crore and the amount to be utilized along with a bridge loan of Rs.365.26 crore to clear the liabilities of the company.

Also, consequent to closure of all plants (except CNA/N2O4 plant) at Company's Rasayani Unit, as the Government Cabinet Committee and the Shareholders of the Company have approved vide postal ballot & e-voting, the above proposals including VRS to the employees of Rasayani Unit.

Besides shareholders have also approved vide postal ballot & e-voting, the proposal of Disinvestment of Company's [HOCL] entire shareholding in the equity shares (11060000 Eq.shares of Rs.10/- each, aggregating to 56.43%) in its subsidiary company, viz. Hindustan Fluorocarbons Ltd. and the proposal of disposal of plants (seven plants) and Super Structures disposal at Rasayani Unit and consequent Closure of Rasayani Unit.

D. FINANCIAL HIGHLIGHTS

During the year 2016-17 the Company registered an impressive growth of 31 % under Revenue .The Gross income of the Company stood at Rs.149.14 crore as against Rs.114.04 crore achieved during the previous year. The Loss before Tax for the year 2016-17 was (-) Rs.255.57 crore as against (-) Rs.173.91 crore achieved during the corresponding period of last year.

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

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

20/5/2016, 05/08/2016, 23/09/2016, 28/10/2016, 20/01/2017, 08/02/2017 and 17/3/2017

Other details are furnished in the Corporate Governance Report in Annexure VI to this Report.

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

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

G. Further, as the appointment of adequate numbers (2/3) of independent directors on Company's Board was taken place only during Feb., 2017 resulting in reconstitution of the Board committee/s only in March, 2017 (and thereafter), Board Committees' evaluation during the year did not arise.**H. DETAILS OF DIRECTORS AND/OR KMP'S WHO HAVE BEEN APPOINTED OR RESIGNED DURING THE YEAR**

Government, vide Order No.F.No.P-51/11/95-Ch.III-Org.Estt.(Pt.) dated 16th May, 2016 has appointed Shri Sunil Kumar Sharma, Director, Dept. of Chem.& Petrochemicals in place of Shri V.K.Thakral, AS&FA, as Government Nominee Director on the Board of the Company w.e.f. 16-05-2016 .

Government has appointed Ms. Pushpa Trivedi, Professor, IIT Bombay, Powai Mumbai, as Part time Non Official Independent Director [NOID] on the Board of the Company w.e.f. 15-06-2017 for a period of 3 years or till further orders, whichever is earlier.

Government has appointed Mr. Dinesh Kumar, Director, Official, part time (Govt.Nominee) Director on the Board of the Company w.e.f. 29-09-2016 in place of Shri Sunil Kumar Sharma, Director.

Government, vide Order No.F.No.P-510111/2016-Org.Estt.dated 3rd October, 2016 has appointed (ACMD &DT), Shri S.B.Bhide, as Chairman & Managing Director, HOCL w.e.f. 05-10-2016 for further period of 5 years (or till the date of superannuation whichever is earlier).

Government has appointed Ms. Meenakshi Gupta, Additional Secretary & Financial Advisor, as Official, part time (Govt.Nominee) Director on the Board of the Company w.e.f. 15-11-2016 in place of Shri Dinesh Kumar, Director .

Government has appointed Ms. Lata Alker, as Part time Non Official Independent Director [NOID] on the Board of the Company w.e.f. 21-02-2017 for a period of 3 years or till further orders, whichever is earlier.

Government has appointed Mr. Mukesh Pareek, as Part time Non Official Independent Director [NOID] on the Board of the Company w.e.f. 21-02-2017 for a period of 3 years or till further orders, whichever is earlier.

I. COMPOSITION OF AC AND NON ACCEPTANCE OF ANY RECOMMENDATIONS OF AC (only for public and listed companies)

[The Audit Committee has been reconstituted during the year] – No such cases.

J. DIRECTORS' RESPONSIBILITY STATEMENT

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

- That in the preparation of the annual accounts for the year ended 31st March, 2017, the applicable accounting standards had been followed along with proper explanation relating to material departures.
- That such accounting policies as mentioned in the Notes of Accounts had been applied consistently and made judgments and estimates that are reasonable and prudent, so as to give a true and fair view of the state of affairs of the Company at the financial year ended 31st March, 2017 and the profit or loss of the Company for that period.
- That proper and sufficient care had been taken for the maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities.
- That the annual accounts for the year ended 31st March, 2017 had been prepared on a going concern basis.
- That the Directors had devised proper systems to ensure compliance with the provisions of all applicable laws and that such systems were adequate and operating effectively.
- That, during the year under review, in view of sick unit status of the Company, pending revival, the employees' salary dues and corresponding statutory dues were unpaid were unpaid and outstanding for the last months (March, 2016 to March, 2017 and to that extent various compliances by the KMPs and Directors have not been complied with.

K. INDEPENDENT DIRECTORS DECLARATION– submitted on appointment and as applicable.**L. DISCLOSURE ON REAPPOINTMENT OF INDEPENDENT DIRECTORS** –not applicable.**M. COMPANY'S POLICY ON DIRECTOR'S APPOINTMENT AND REMUNERATION INCLUDING CRITERIA FOR DETERMINING QUALIFICATIONS, POSITIVE ATTRIBUTES, INDEPENDENCE OF DIRECTORS ETC.**

Company being a CPSE and appointment of all the Directors on the Board of the Company are made by the Govt. of India/President of India and under the supervision, control and directors of the DC&PC, the prescribed DPE Guidelines are being followed. The Terms and Conditions of appointment of Independent and other directors as disclosed in the Company's website are given in Annexure to this Report.

N. RATIO OF DIRECTORS REMUNERATION TO MEDIAN EMPLOYEES REMUNERATION AND OTHER PRESCRIBED ELABORATE DISCLOSURES AND DETAILS :

Company being a CPSE which is under the supervision, control and directors of the DC&PC, the prescribed DPE Guidelines are being followed in respect of employee's remunerations and DPE Guidelines as well as CVC Guidelines are being followed, as regards other prescribed perquisites

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

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

However, the cumulative investment on the Subsidiary Company Hindustan Fluorocarbons Ltd., 31.3.2017 stood at Rs.11.06 Crore. In addition, the company has extended Corporate Guarantee to the working Capital loan to the subsidiary company HFL and investments made in HFL and HOC Chematur Ltd., during earlier years under section 186 of the Companies Act



2013, were shown in the financial statements. Guarantees include Guarantee received from Government of India for Rs.100 crore valid for 4 years upto 28.08.2017, Rs.150 crore valid till 30.09.2017 for Bonds of Rs.100 crore and Rs.150 Crore raised by the company during earlier years.

P. PARTICULARS OF CONTRACTS OR ARRANGEMENTS MADE WITH RELATED PARTIES

- None

1. Details of Contracts or arrangement or transactions not at arm's length basis: - N.A.

- Name(s) of related party and nature of relationship
- Nature of Contracts/arrangements/transactions
- Duration of contracts/arrangements/transactions
- Salient terms of the contracts or arrangements or transactions including the value if any
- Justification for entering into such contracts or arrangements or transactions date (s) of approval by the Board
- Amount paid as advances, if any
- Date on which a special resolution was passed in general meeting as required under first proviso to section 188

2. Details of material contracts or arrangements or transactions at arm's length basis: None

- Name(s) of related party and nature of relationship
- Nature of contracts/arrangements/transactions
- Duration of contracts/arrangements/transactions
- Salient terms of the contracts or arrangements or transactions including the value, if any:
- Date(s) of approval by the Board if any:
- Amount paid as advance, if any:

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

There were qualifications, reservations or adverse remarks made by the Auditors in their Audit report. The replies to the observations of the auditors are forming part of the Directors' Report.

The Secretarial Auditors of the company have submitted their Secretarial Audit Report for the year 2015-16 and management replies to the audit observations thereof are annexed to the Directors' Report and forming part of 56th Annual Report of the Company. Further the secretarial auditors are yet to commence the Secretarial Audit for the FY 2016-17.

The observations of the auditors and notes to accounts are self – explanatory, and are forming part of the Directors' Report.

R. AMOUNTS IF ANY WHICH IT PROPOSES TO CARRY TO RESERVES

None – In view of the accumulated losses and loss incurred during the year.

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

The closure of all the non-viable plants at Rasayani Unit and transfer to the CNA/ N204 plant (along with its relevant manpower) to ISRO as per the approval of the Government of India. Consequent VRS to the employees (except CNA Plant manpower) of Rasayani Unit etc. all are material changes and commitments having effect on the financial position of the company.

S.i. COMPANY VOLUNTARY DELISTING ITS EQ.SHARES FROM THE NSE :

Company's equity shares have been voluntarily delisted from M/s. National Stock Exchange India Ltd. (NSE), (w.e.f. 30-01-2017) as a measure of economy and pursuant to SEBI (DES) Regulations, 2009, which was duly approved by the NSE.

However Company's Equity Shares shall be continued to be listed at BSE Ltd. (BSE).

T. The details in respect of adequacy of internal financial controls with reference to the Financial statements :

Company ensures existence of adequate internal controls through documented policy and procedures laid down in the manuals to be followed by the executives at various levels. Internal controls are supported by periodical internal audits and management reviews. The management is keen on these issues and initiated various measures such as upgrading the IT infrastructure, evaluating and implementing ERP software, web based application and establishing connectivity amongst manufacturing units and branch offices for effective and proactive services and businesses.

Board periodically reviews the internal controls, audit programme, financial results and recommendation of the replies of the management to Government Audit and internal audit etc.

U. CONSERVATION ENERGY, TECHNOLOGY ABSORPTION, FOREIGN EXCHANGE EARNINGS AND OUTGO

A) Conservation of energy : Nil

- the steps taken or impact on conservation of energy : Nil
- the steps taken by the company for utilising alternate sources of energy and : Nil
- the capital investment on energy conservation equipments : Nil

B. Technology Absorption : Nil

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

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

Key Threats include :

- o Competition from Imports and fluctuation in the input prices
- o High input costs
- o High utility costs
- o High overheads
- o Continued availability of anti-dumping support for the main products Phenol and Acetone.
- o Acute working capital shortage affecting continuous operations
- o High interest cost and employee remuneration.

Some risks and concerns :

- o High manpower cost per ton of finished product.
- o Depreciated plants, requiring high maintenance cost.
- o Dumping in main products Phenol / Acetone.
- o Volatility in main input Benzene.
- o Closure of non-viable plants.

W. SUBSIDIARIES, JOINT VENTURES AND ASSOCIATE COMPANIES WHICH HAVE BECOME OR CEASED TO BE:

HOC Chematur Ltd., a Joint Venture subsidiary abandoned due to non-achievement of the financial closure for the proposed MDI Project and pending for Exit under early Exit Scheme of MCA.

X. DETAILS OF CSR POLICY AND ITS IMPLEMENTATION DURING THE YEAR

Company has recognized its social obligations and extends the following:

- o As a part of social obligation the company is extending need based assistance to deserving students along with SC/ST students for their School / Graduate education.
- o Vocational training facilities to the wards of employees of the company in the nearby Engineering / Management colleges for enhancing skill / knowledge.
- o Engaging professional students of ICAI / ICSI who have completed intermediate level as trainees for imparting practical knowledge of company working by paying stipend.

Y. DISCLOSURES PRESCRIBED IN TERMS OF SECTION 67 (only for public and listed companies)- N.A.

Z. DEPOSITS : Nil

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

The details of significant and material orders passed by the regulators or courts or tribunals impacting the going concern status and company's operations in future



EXTRACTS OF ANNUAL RETURN

Form No. MGT -9

As on the financial year ended 31.03.2017

I. REGISTRATION AND OTHER DETAILS

| | | |
|------|---|--|
| i) | CIN | L 99999MH1960GOI011895 |
| ii) | Registration Date | 12/12/1960 |
| iii) | Name of the Company | HINDUSTAN ORGANIC CHEMICALS LTD., |
| iv) | Category/Sub-Category of the Company | PSU |
| v) | Address of the Registered Office and contact Details | P.O.: Rasayani, Dist. Raigad. PIN 410 207 |
| vi) | Whether Listed Company | Yes |
| vii) | Name, Address and contact details of Registrar and Share Transfer Agent, if any | M/s. Bigshare Pvt. Ltd., 1 st Floor, Bharat Tin Works Building, Opp. Vasant Oasis, Makwana Road, Marol, Andheri East, Mumbai 400059. Maharashtra. Tel: 022 62638200 ; Fax : 022 62638299 Email: investor@bigshareonline.com |

II. PRINCIPAL BUSINESS ACTIVITIES OF THE COMPANY:

| Sl. No. | Name and description of main products/services | NIC Code of the product/service | % of total turnover of the company |
|---------|--|---------------------------------|------------------------------------|
| 1 | Phenol | 29071110 | 36 |
| 2 | Acetone | 29141100 | 18 |
| 3 | Dinitrogen Tetroxide | 28112990 | 20 |
| 4 | Hydrogen Peroxide | 28470000 | 19 |

III. PARTICULARS OF HOLDING, SUBSIDIARY AND ASSOCIATE COMPANIES

| S. No | Name and address of the company | CIN/GIN | Holding/ subsidiary/ Associate | % of shares held | Applicable section |
|-------|---------------------------------|-----------------------|--------------------------------|------------------|--------------------|
| 1 | Hindustan Fluorocarbons Ltd | L25206AP1983LC004037 | Subsidiary | 56.43 | |
| 2 | HOC Chematur Ltd | U24100MH1997PLC112652 | JV / subsidiary | 60 | |

IV. SHAREHOLDING PATTERN :

i. Category- wise Share Holding

| Category of shareholders | No. of Shares held at the beginning of the year | | | | No. of Shares held at the end of the year | | | | % Change during the year |
|---|---|----------|-----------------|-------------------|---|----------|-----------------|-------------------|--------------------------|
| | Demat | Physical | Total | % of Total Shares | Demat | Physical | Total | % of Total Shares | |
| A. Promoters | | | | | | | | | |
| (1) Indian | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0.00 |
| g) Individual/HUF | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0.00 |
| h) Central Govt | 39481500 | 0 | 39481500 | 58.78 | 39481500 | 0 | 39481500 | 58.78 | 0.00 |
| i) State Govt (s) | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0.00 |
| j) Bodies Corp. | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0.00 |
| k) Banks / FI | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0.00 |
| l) any other | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0.00 |
| Sub-total (A) (1):- | 39481500 | 0 | 39481500 | 58.78 | 39481500 | 0 | 39481500 | 58.78 | 0.00 |
| 2) Foreign | | | | | | | | | |
| a) NRIs - Individuals | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0.00 |
| b) Other - Individuals | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0.00 |
| c) Bodies Corp. | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0.00 |
| d) Banks / FI | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0.00 |
| e) Any other | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0.00 |
| Sub-total (A) (2):- | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0.00 |
| Total shareholding of Promoter (A) = (A)(1)+(A)(2) | 39481500 | 0 | 39481500 | 58.78 | 39481500 | 0 | 39481500 | 58.78 | 0.00 |
| B. Public Shareholding | | | | | | | | | |
| 1. Institutions | | | | | | | | | |
| a) Mutual Funds | | | | | | | | | |
| b) Banks / FI | 100 | 11400 | 11500 | 0.02 | 100 | 11400 | 11500 | 0.02 | 0.00 |

| Category of shareholders | No. of Shares held at the beginning of the year | | | | No. of Shares held at the end of the year | | | | % Change during the year |
|--|---|----------------|-----------------|-------------------|---|----------------|-----------------|-------------------|--------------------------|
| | Demat | Physical | Total | % of Total Shares | Demat | Physical | Total | % of Total Shares | |
| c) Central Govt | | | | | | | | | |
| d) State Govt(s) | | | | | | | | | |
| e) Venture Capital Funds | | | | | | | | | |
| f) Insurance Companies | | | | | | | | | |
| g) FIs | | | | | | | | | |
| h) Foreign Venture Capital Funds | | | | | | | | | |
| i) Others (specify) | | | | | | | | | |
| Sub-total (B)(1):- | 100 | 11400 | 11500 | 0.02 | 100 | 11400 | 11500 | 0.02 | 0.00 |
| 2. Non-Institutions | | | | | | | | | |
| a) Bodies Corp. | | | | | | | | | |
| i) Indian | 2987713 | 39402 | 3027115 | 4.51 | 3102523 | 39402 | 3141925 | 4.68 | 0.17 |
| ii) Overseas | | | | | | | | | |
| b) Individuals | | | | | | | | | |
| i) Individual shareholders holding nominal share capital upto Rs. 1 lakh | 16047653 | 1758683 | 17806336 | 26.51 | 15826126 | 1742283 | 17568409 | 26.15 | (0.35) |
| ii) Individual shareholders holding nominal share capital in excess of Rs 1 lakh | 5334644 | 14800 | 5349444 | 7.96 | 5495537 | 14800 | 5510337 | 8.20 | 0.24 |
| TRUSTS | 159669 | 0 | 159669 | 0.24 | 149720 | 0 | 149720 | 0.22 | (0.1) |
| CLEARING MEMBER | 514901 | 0 | 514901 | 0.77 | 584359 | 0 | 584359 | 0.87 | 0.10 |
| NON RESIDENT INDIANS (NRI) | 1200 | 345200 | 346400 | 0.52 | 200 | 343200 | 343400 | 0.51 | (0.00) |
| NON RESIDENT INDIANS (REPAT) | 400725 | 0 | 400725 | 0.60 | 315501 | 0 | 315501 | 0.47 | (0.13) |
| NON RESIDENT INDIANS (NON REPAT) | 72910 | 0 | 72910 | 0.11 | 63549 | 0 | 63549 | 0.09 | (0.01) |
| OVERSEAS BODIES CORPORATES | 0 | 1100 | 1100 | 0.00 | 0 | 1100 | 1100 | 0.00 | 0.00 |
| QUALIFIED FOREIGN INVESTOR | 1500 | 0 | 1500 | 0.00 | 1800 | 0 | 1800 | 0.00 | 0.00 |
| Sub-total (B)(2):- | 25520915 | 2159185 | 27680100 | 4.21 | 25539315 | 2140785 | 27680100 | 41.21 | |
| Total Public Shareholding (B)=(B)(1)+(B)(2) | | | | | | | | | |
| C. Shares held by Custodian for GDRs & ADRs | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Grand Total (A+B+C) | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |

ii) Shareholding of Promoters: No change

| Sr. No. | Shareholder's Name | Shareholding at the beginning of the year 31.03.2016 | | | Shareholding at the end of the Year 31.03.2017 | | | % change in share holding during the year |
|---------|--------------------|--|----------------------------------|--|--|----------------------------------|--|---|
| | | No. of Shares | % of total Shares of the company | % of Shares Pledged / encumbered to total shares | No. of Shares | % of total Shares of the company | % of Shares Pledged / encumbered to total shares | |
| 1 | PRESIDENT OF INDIA | 39481500 | 58.78 | 0 | 39481500 | 58.78 | 0 | 58.78 |
| | | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| | Total | 39481500 | 58.78 | 0 | 39481500 | 58.78 | 0 | 58.78 |



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

| Sr. No. | Shareholding at the beginning of the year | Shareholding at the beginning of the year | | Cumulative Shareholding during the year | |
|---------|--|---|----------------------------------|---|----------------------------------|
| | | No of shares | % of total shares of the Company | No of shares | % of total shares of the Company |
| | At the beginning of the year | 39481500 | 58.78 | 39481500 | 58.78 |
| | Date wise Increase / Decrease in Promoters Share holding during the year specifying the reasons for increase / decrease (e.g. allotment / transfer / bonus/ sweat equity etc): | 0 | 0 | 0 | 0 |
| | At the End of the year | 39481500 | 58.78 | 39481500 | 58.78 |

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

| Sl No | NAME | Shareholding | | Date | Increase/ Decrease in Shareholding | Reason | Cumulative Shareholding during the year | |
|-------|--|---|-------------------------------|------------|------------------------------------|--------|---|-------------------------------|
| | | No. of Shares At the Beginning 31.03.2017 | % total Shares of the Company | | | | No of Shares | % total Shares of the Company |
| 1 | Indian Syntans In Investments | 510000 | 0.76 | 31.03.2016 | 0 | Nil | 510000 | 0.76 |
| | | 510000 | 0.76 | 31.03.2017 | 0 | Nil | 510000 | 0.76 |
| | | 300000 | 0.45 | 31.03.2016 | 0 | Nil | 300000 | 0.45 |
| 2 | Suvarna Kumari Agrawal | 300000 | 0.45 | 31.03.2017 | 0 | Nil | 300000 | 0.45 |
| | | 0 | 0 | 31.03.2016 | 0 | 0 | 0 | 0 |
| | | 43258 | 0.06 | 20.01.2017 | 43258 | Buy | 43258 | 0.06 |
| 3 | VIRAL AMAL PARIKH | 0 | 0 | 03.02.2017 | 186742 | Buy | 230000 | 0.34 |
| | | 230000 | 0 | 31.03.2017 | 0 | 0 | 230000 | 0.34 |
| | | 161928 | 0.24 | 31.03.2016 | 0 | 0 | 161928 | 0.24 |
| 4 | RAMESH S DAMANI | 161928 | 0.24 | 31.03.2017 | 0 | 0 | 16928 | 0.24 |
| | | 0 | 0 | 31.03.2016 | 0 | 0 | 16928 | 0.24 |
| | | 150000 | 0.22 | 31.03.2016 | 0 | 0 | 150000 | 0.22 |
| 5 | R. B. K. SHARE BROKING LTD. | 0 | 0 | 27.01.2017 | 5153 | Sell | 144847 | 0.22 |
| | | 0 | 0 | 03.02.2017 | 153 | Buy | 145000 | 0.22 |
| | | | | 10.02.2017 | 5000 | Buy | 150000 | 0.22 |
| 6 | ANIL KANTIPRASAD PODDAR | | | 17.02.2017 | 6627 | Sell | 143373 | 0.22 |
| | | | | 24.02.2017 | 6627 | Buy | 150000 | 0.22 |
| | | | | 03.03.2017 | 4324 | Sell | 145676 | 0.22 |
| 7 | SHAREKHAN FINANCIAL SERVICES PVT LTD | | | 10.03.2017 | 4324 | Buy | 150000 | 0.22 |
| | | 150000 | 0.22 | 31.03.2017 | 0 | 0 | 150000 | 0.22 |
| | | 112847 | 0.17 | 31.03.2016 | 0 | 0 | 112847 | 0.17 |
| 8 | DENIS PAUL FERNANDES | 112847 | 0.17 | 31.03.2017 | 0 | 0 | 112847 | 0.17 |
| | | 0 | 0 | 31.03.2016 | 0 | 0 | 0 | 0 |
| | | 112847 | 0 | 03.02.2017 | 112847 | Buy | 112847 | 0.17 |
| 9 | Bishwanath Prasad Agrawal | 104000 | 0.15 | 31.03.2017 | 0 | 0 | 104000 | 0.15 |
| | | 100000 | 0.15 | 31.03.2016 | 0 | 0 | 100000 | 0.15 |
| | | 100000 | 0.15 | 31.03.2017 | 0 | 0 | 100000 | 0.15 |
| 10 | SIMPLEX PROPERTIES AND TRADING PRIVATE LIMITED | 0 | 0 | 31.03.2016 | 0 | 0 | 0 | 0 |
| | | | | 10.02.2017 | 100000 | Buy | 100000 | 0.15 |
| | | 100000 | 0.15 | 31.03.2017 | 0 | 0 | 100000 | 0.15 |

v) Shareholding of Directors and Key Managerial Personnel:

| Sl. No. | Shareholding at the beginning of the year | Shareholding at the beginning of the year | | Cumulative Shareholding during the year | |
|---------|---|---|----------------------------------|---|----------------------------------|
| | | No. of shares | % of total shares of the company | No. of shares | % of total shares of the company |
| | For Each of the Directors and KMP | | | | |
| | At the beginning of the year: 1)Mrs. S.S.Kulkarni, CS | 200 | - | 200 | |
| | Date wise Increase / Decrease in Share holding during the year specifying the reasons for increase / decrease (e.g. allotment/ transfer / bonus/ sweat equity etc): | - | | - | |
| | At the End of the year (or on the date of separation, if separated during the year): 1)Mrs. S.S.Kulkarni, CS | 200 | | 200 | |

V. INDEBTEDNESS :

Indebtedness of the Company including interest outstanding/accrued but not due for payment :-

(Rupees In Lakhs)

| | Secured Loans excluding deposits | Unsecured Loans | Deposits | Total Indebtedness |
|--|----------------------------------|-----------------|-------------|--------------------|
| Indebtedness at the beginning of the financial year | | | | |
| i) Principal Amount | 7537.08 | 33646.00 | 0.00 | 41183.08 |
| ii) Interest due but not paid | 0.00 | 7379.15 | 0.00 | 7379.15 |
| iii) Interest accrued but not due | 0.00 | 1904.06 | 0.00 | 1904.06 |
| Total (i+ii+iii) | 7537.08 | 42929.21 | 0.00 | 50466.29 |
| Change in Indebtedness during the financial year | | | 0.00 | |
| Addition | 2482.35 | 2461.00 | 0.00 | 4943.35 |
| Reduction | 0.00 | 0.00 | 0.00 | 0.00 |
| Indebtedness at the end of the financial year | | | | |
| i) Principal Amount | 10019.43 | 36107.00 | 0.00 | 46126.43 |
| ii) Interest due but not paid | 0.00 | 8587.20 | 0.00 | 8587.20 |
| iii) Interest accrued but not due | 0.00 | 2404.12 | 0.00 | 2404.12 |
| Total (i+ii+iii) | 10019.43 | 47098.32 | 0.00 | 57117.75 |

VI. REMUNERATION OF DIRECTORS AND KEY MANAGERIAL PERSONNEL:

A. Remuneration to Whole time Director, Managing Director and/or Manager: (Rupees In Lakhs)

| Sl No. | Particulars of Remuneration | Name of Whole-time Director/ Director | | Total Amount |
|--------|--|---------------------------------------|-----------------|--------------|
| | | S.B.Bhide | J.N.Suryawanshi | |
| 1. | Gross Salary # | 19.94 | 24.57 | 44.51 |
| | a) Salary as per provisions contained in section 17(1) of Income Tax Act, 1961 | | | |
| | b) Value of perquisites u/s 17(2) of Income Tax Act, 1961 | - | - | - |
| | c) Profits in lieu of salary u/s 17(3) of Income Tax Act, 1961 | - | - | - |
| 2. | Stock Option | - | - | - |
| 3. | Sweat Equity | - | - | - |
| 4. | Commission --As % of profit - Others, specify | - | - | - |
| 5. | Others : retirement benefits | 3.24 | 1.19 | 4.43 |
| | Total(A) | 23.18 | 25.76 | 48.94 |
| | Ceiling as per the Act | - | - | - |

Salaries due but not paid in full.

B. Remuneration to other Directors:

(Rupees In Lakhs)

| Sl. No. | Particulars of Remuneration | Name of the Directors | | | Total |
|---------|---|-----------------------|-------------------|---------------|-------|
| | | Ms. Pushpa Trivedi | Mr. Mukesh Parikh | Ms.Lata Alker | |
| | [Sitting fees paid to NOIDs for attending the Meetings of the Board/ Committees] | | | | |
| 1. | Independent Director | 0.50 | 0.10 | 0.10 | 0.70 |
| | • Fee for attending board committee meetings | | | | |
| | • Commission | | | | |
| | • Others, please specify | | | | |
| | Total (1) | 0.50 | 0.10 | 0.10 | 0.70 |
| 2. | Other Non-Executive Directors | | | | |
| | • Fee for attending board committee meetings | | | | |
| | • Commission | | | | |
| | • Others, please specify | | | | |
| | Total (2) | | | | |
| | Total (B)(1+2) | 0.50 | 0.10 | 0.10 | 0.70 |
| | Total Managerial Remuneration | | | | |
| | Overall Ceiling as per the Act | | | | |



C. Remuneration to Key Managerial Personnel other than MD/Manager/WTD:
(Rupees In Lakhs)

| Sl. No. | Particulars of Remuneration | Key Managerial Personnel | | | |
|---------|--|--------------------------|--|----------------------------|-------|
| | | CEO | Company Secretary [Mrs. Susheela S.Kulkarni] | CFO [Mr. P.O. Luise] | Total |
| 1. | Gross Salary # a) Salary as per provisions contained in section 17(1) of Income Tax Act, 1961 | - | 13.96 | 15.26 | 29.22 |
| | b) Value of perquisites u/s 17(2) of Income Tax Act, 1961 | - | - | - | - |
| | c) Profits in lieu of salary u/s 17(3) of Income Tax Act, 1961 | - | - | - | - |
| 2. | Stock Option | - | - | - | - |
| 3. | Sweat Equity | - | - | - | - |
| 4. | Commission - As % of profit - Others, specify | - | - | - | - |
| 5. | Others: retirement benefits | - | 2.28 | 2.23 | 4.51 |
| | Total | - | 16.24 | 17.49 | 33.73 |

Salaries due but not paid in full.

VII. PENALTIES/PUNISHMENT/COMPOUNDING OF OFFENCES : NIL/NONE

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

Q. ACKNOWLEDGEMENT

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

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

Date: 19-07-2017
Place: Mumbai

Sd/-
S.B. Bhide
Chairman and Managing Director

Annexure – I

Form AOC-I

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

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

Part "A": Subsidiaries

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

| | Rs. In Lakhs |
|---|------------------------------|
| 1. Sl. No.: | 1 |
| 2. Name of the subsidiary: | Hindustan Fluorocarbons Ltd. |
| 1. Reporting period for the subsidiary concerned, if different from the holding company's reporting period: | No |
| 4. Reporting currency and Exchange rate as on the last date of the relevant financial year in the case of foreign subsidiaries: | NA |
| 5. Share capital: | 1961.46 |
| 6. Reserves & surplus: | -8816.84 |

| | |
|-----------------------------|----------|
| 7. Total assets : | 3522.35 |
| 8. Total Liabilities: | 10377.73 |
| 9. Investments: | NIL |
| 10. Turnover: | 3383.51 |
| 11. Profit before taxation: | -488.55 |
| 12. Provision for taxation: | NIL |
| 13. Profit after taxation: | -488.55 |
| 14. Proposed Dividend: | NIL |
| 15. % of shareholding: | 56.43 |

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

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

S.B. Bhide Chairman & Managing Director
Pushpa Trivedi Director
For P.G. BHAGWAT Chartered Accountants
Firm's Registration No. 101118W

Susheela S. Kulkarni Company Secretary
P.O. Luise Chief Financial Officer
Shrinivas S. Gadgil Partner
Membership No. 120570

Place: Mumbai
Date : 29-05-2017

Annexure – II

Part "B": Associates and Joint Ventures
Statement pursuant to Section 129 (3) of the Companies Act, 2013 related to Associate Companies and Joint Ventures

| Name of Associates/Joint Ventures | HOC Chematur Ltd |
|--|--|
| 1. Latest audited Balance Sheet Date : 2015-16 | |
| 2. Shares of Associate/Joint Ventures held by the company on the year end No. | 30050 |
| Amount of Investment in Associates/Joint Venture: | Rs. 3.005 Lakhs |
| Extend of Holding % | 60 |
| 3. Description of how there is significant influence | NA |
| 4. Reason why the associate/joint venture is not consolidated | The company has become defunct and being exited. |
| 5. Networth attributable to Shareholding as per latest : NIL audited Balance Sheet | NIL |
| 6. Profit / Loss for the year : | NIL (Project abandoned) |
| i. Considered in Consolidation | No |
| i. Not Considered in Consolidation | Yes |
| 1. Names of associates or joint ventures which are yet to commence operations. | HOC Chematur Ltd. |
| 2. Names of associates or joint ventures which have been liquidated or sold during the year. | HOC Chematur Ltd. under Liquidation. |

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

S.B. Bhide Chairman & Managing Director
Pushpa Trivedi Director
For P.G. BHAGWAT Chartered Accountants
Firm's Registration No. 101118W

Susheela S. Kulkarni Company Secretary
P.O. Luise Chief Financial Officer
Shrinivas S. Gadgil Partner
Membership No. 120570

Place: Mumbai
Date : 29-05-2017

Annexure – III

Consolidated Report as on 31-03-2017 (SC/ST/Women)

Rasayani & Kochi Unit

| Group | Total | SC | ST | Women |
|--------------|------------|------------|-----------|-----------|
| A | 329 | 54 | 14 | 25 |
| B | 181 | 29 | 8 | 23 |
| C | 317 | 38 | 9 | 25 |
| D | 41 | 09 | 4 | 3 |
| TOTAL | 868 | 130 | 35 | 76 |



[As per SEBI (Securities and Exchange Board of India) Format]

[As per SEBI (Securities and Exchange Board of India) Format]

ANNEXURE IV-A.

ANNEXURE - 1

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

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

Statement on Impact of Audit Qualifications for the Financial Year ended March 31, 2017
[See Regulation 33/52 of the SEBI (LODR) (Amendment) Regulations, 2016]

Statement on Impact of Audit Qualifications for the Financial Year ended March 31, 2017
[See Regulation 33/52 of the SEBI (LODR) (Amendment) Regulations, 2016]

| Sl. No. | Particulars | Audited Figures (as reported before adjusting for qualifications) | Audited Figures (audited figures after adjusting for qualifications) |
|---------|---|---|--|
| 1 | Turnover / Total Income (Rs in Lakhs) | 14914.14 | 14914.14 |
| 2 | Total Expenditure | 40471.60 | 40471.60 |
| 3 | Net Profit/(Loss) | -25557.46 | -25557.46 |
| 4 | Earnings Per Share (Rs) | -38.05 | -38.05 |
| 5 | Total Assets | 24050.13 | 24050.13 |
| 6 | Total Liabilities | 121042.82 | 121042.82 |
| 7 | Net Worth | -96992.69 | -96992.69 |
| 8 | Any other financial item(s) (as felt appropriate by the management) | 0.00 | 0.00 |

| Sl. No. | Particulars | Audited Figures (as reported before adjusting for qualifications) | Audited Figures (audited figures after adjusting for qualifications) |
|---------|---|---|--|
| 1 | Turnover / Total Income | 18281.74 | 18281.74 |
| 2 | Total Expenditure | 44112.95 | 44112.95 |
| 3 | Net Profit/(Loss) | (25831.21) | (25831.21) |
| 4 | Earnings Per Share | (38.45) | (38.45) |
| 5 | Total Assets | 22766.25 | 22766.25 |
| 6 | Total Liabilities | 127499.23 | 127499.23 |
| 7 | Net Worth | (104732.98) | (104732.98) |
| 8 | Any other financial item(s) (as felt appropriate by the management) | 0 | 0 |

II Audit Qualifications (each audit qualification separately):

II Audit Qualification (each audit qualification separately):

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

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

III Signatories :

III Signatories :

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

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

Place : Mumbai
Date : 29.05.2017

Place: Mumbai
Date : 29.05.2017

Annexure - 1

| For Audit Qualification(s) where the impact is not quantified by the auditor : | Management Views |
|---|---|
| (A) The balances of trade payables, loans & advances and other current assets and other debts / credit balances are pending for confirmations and reconciliations. (Note No. 41). The effect of the same on the loss is not ascertainable. This matter was qualified in Audit Report on the financial statements for the year ended March 31, 2016 as well. | These are running account balances and the company continues to followup with the parties for reconciliation of their balances. Any consequential adjustments will be carried out in the books of accouts during the next year. |
| (B) In absence of current status of pending litigations and financial impact thereof, liabilities under such cases are not ascertainable and the foreseeable loss of the same is not considered while preparing financial results. | The pending litigations are pending with statutory authorities / different courts and the matters are subjudice. The liability if any will be known only on the final order on the respective cases are issued. |
| (C) The Kochi unit of the Company has entered into long term supply contract with Gas Authority of India Limited (GAIL) for the supply of Liquefied Natural Gas in the year 2011 for the period of 15 years ending in 2026. Material foreseeable loss on this contract is not quantifiable in current scenario. | Necessary provision for the liability towards GAIL as per the contract for supply of LNG is being made in the books of accounts on monthly basis. |

Annexure - 1

| For Audit Qualification(s) where the impact is not quantified by the auditor : | Management Views |
|---|---|
| (A) The balances of trade payables, loans & advances and other current assets and other debts / credit balances are pending for confirmations and reconciliations. (Note No. 41). The effect of the same on the loss is not ascertainable. This matter was qualified in Audit Report on the financial statements for the year ended March 31, 2016 as well. | These are running account balances and the company continues to followup with the parties for reconciliation of their balances. Any consequential adjustments will be carried out in the books of accouts during the next year. |
| (B) The financials of HOC-Chematur Ltd. in which the Holding Company holds 60% of the equity, has not been considered by the management in the consolidated financial statements for reasons stated in Note no. 33 to the consolidated financial statements | 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 Holding Company had fully provided for the losses against the investment. Since the project has been abandoned, the board of directors have decided to wind up the Company under the early exit scheme of Ministry of Corporate Affairs. |
| (C) In absence of current status of pending litigations and financial impact thereof, liabilities under such cases are not ascertainable and the foreseeable loss of the same is not considered while preparing financial results. | The pending litigations are pending with statutory authorities / different courts and the matters are subjudice. The liability if any will be known only on the final order on the respective cases are issued. |
| (D) The Kochi unit of the Company has entered into long term supply contract with Gas Authority of India Limited (GAIL) for the supply of Liquefied Natural Gas in the year 2011 for the period of 15 years ending in 2026. Material foreseeable loss on this contract is not quantifiable in current scenario. | Necessary provision for the liability towards GAIL as per the contract for supply of LNG is being made in the books of accounts on monthly basis. |



Annexure – V

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

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

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

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

Restructuring plan of HOCL has been approved by CCEA, whereby the operation of the all the plants at Rasayani is being closed except C NA / N2O4 plant which is to be transferred to ISRO, along with the manpower of the plant. The two plants at Kochi (Phenol and Hydrogen plant) will be operational.

Further Government has approved sale of 442 acres of land at Rasayani to BPCL for Rs.618.80 crore and the amount to be utilized along with a bridge loan of Rs.365.26 crore to clear the liabilities of the company.

The proposal of sale of land to BPCL, transfer of land C.NA / N2O4 plant to ISRO along with the manpower and liabilities, VRS / VSS to employees has been duly approved by the Board, Shareholders (wherever approval was required) & CCEA.

Besides shareholders have also approved vide postal ballot & e-voting, the proposal of Disinvestment of Company's [HOCL] entire shareholding in the equity shares (11060000 Eq.shares of Rs.10/- each, aggregating to 56.43%) in its subsidiary company, viz. Hindustan Fluorocarbons Ltd. and the proposal of disposal of plants (seven plants) and Super Structures disposal at Rasayani Unit and consequent Closure of Rasayani Unit.

KEY THREATS INCLUDE

operation of the all the plants at Rasayani is being closed except C NA / N2O4 plant which is to be transferred to ISRO, along with the manpower of the plant.

Further Government has approved sale of 442 acre of land at Rasayani to BPCL

The proposal of sale of land to BPCL, transfer of land C.NA / N2O4 plant to ISRO along with the manpower and liabilities, VRS / VSS to employees has been duly approved by the Board , Shareholders (wherever approval was required) & CCEA.

SEGMENTWISE PERFORMANCE

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

| Product Segment | Year ended 31/03/2017 | | | Year ended 31/3/2016 | | |
|-----------------|-----------------------|-----------|---------------------|----------------------|-----------|---------------------|
| | Target MT | Actual MT | Percentage Achieved | Target MT | Actual MT | Percentage Achieved |
| Chemicals | 44100 | 23609 | 53.54 | 202435 | 26740 | 13.20 |

PRODUCT WISE PERFORMANCE (Production of Main Products)

| Sr. No. | Name of Product | F.Y. 2016-17 | | F.Y. 2015-16 |
|---------|-----------------------|--------------|--------|--------------|
| | | Target | Actual | Actual |
| 1. | Nitrobenzene | 6000 | 710 | 634 |
| 2. | Di-Nitrogen tetroxide | 600 | 685 | 446 |
| 3. | Phenol | 18000 | 7810 | 4271 |
| 4. | Acetone | 11100 | 4722 | 2468 |
| 5. | H2O2 | 8400 | 9682 | 8802 |

OUTLOOK AND INITIATIVES FOR THE CURRENT YEAR

Further Government has approved sale of 442 acre of land at Rasayani to BPCL for Rs.618.80 crore and the amount to be utilized along with a bridge loan of Rs.365.26 crore to clear the liabilities of the company.

The proposal of sale of land to BPCL, transfer of land C.NA / N2O4 plant to ISRO along with the manpower and liabilities, VRS / VSS to employees has been duly approved by the Board , Shareholders (wherever approval was required) & CCEA.

SOME RISKS & CONCERNS.

- The man power cost per ton of finished product remains very high.
- Huge investments required for revamp/replacement/modernization of the old plants.
- operation of the all the plants at Rasayani is being closed except CNA / N2O4 plant which is to be transferred to ISRO, along with the manpower of the plant.
- Further Government has approved sale of 442 acre of land at Rasayani to BPCL
- The proposal of sale of land to BPCL, transfer of land CNA / N2O4 plant to ISRO along with the manpower and liabilities, VRS / VSS to employees has been duly approved by the Board , Shareholders (wherever approval was required) & CCEA.
- Volatility in the raw material prices mainly Benzene prices.
- High interest costs, high employees' remuneration.

INTERNAL CONTROL SYSTEMS & THE ADEQUACY

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

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

REVIEW OF FINANCIAL PERFORMANCE:

During the year 2016-17 the Company registered growth of 31 % under Revenue .The Gross income of the Company stood at Rs.149.14 crore as against Rs.114.04 crore achieved during the previous year. The Loss before Tax for the year 2016-17 was (-) Rs.255.57 crore as against (-) Rs.173.91 crore achieved during the corresponding period of last year.

Restructuring plan of HOCL has been approved by CCEA, whereby the operation of the all the plants at Rasayani is being closed except C NA / N2O4 plant which is to be transferred to ISRO, along with the manpower of the plant. The two plants at Kochi (Phenol and Hydrogen plant) will be operational.

Further Government has approved sale of 442 acre of land at Rasayani to BPCL for Rs.618.80 crore and the amount to be utilized along with a bridge loan of Rs.365.26 crore to clear the liabilities of the company.

The proposal of sale of land to BPCL, transfer of land C.NA / N2O4 plant to ISRO along with the manpower and liabilities, VRS / VSS to employees has been duly approved by the Board , Shareholders (wherever approval was required) & CCEA.

Information Technology – 2016-17

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

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

CAUTIONARY STATEMENT

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

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

Sd/-
(S.B. Bhide)

Chairman & Managing Director

Place : Rasayani

Date : 19/07/2017



ANNEXURE VI

CORPORATE GOVERNANCE REPORT AS PER SCHEDULE V OF THE LODRRs FOR FY – 2016-17

1. A brief statement on listed entity's philosophy on code of governance

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

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

2. Board of directors:

(a) Composition and category of directors :

(e.g. promoter, executive, non-executive, independent non-executive, nominee director - institution represented and whether as lender or as equity investor);-

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

As on 31-03-2017 the Board of HOCL consisted of 6 members with 1 Executive Director (i.e. CMD, HOCL), 2 Government Nominee Directors and 3 Non Official Independent Directors and all are acknowledged as leading professionals in their respective fields.

Our Company-[HOCL] is a Govt. of India Undertaking (a CPSU) and as per Company's Articles of Association, the power to appoint all the Directors on the Board of the Company vests with the Govt. of India. As on 31-03-2017, the Composition of HOCL Board also comprised 3 Independent Directors constituting 50% of the Board's Composition and in compliance with Regulation 27 of the LODRRs .

With the above position of the Composition of the Board of Directors, the Company is presently complying with the provisions of Regulation 27 of the Listing Regulations LODRRs with Stock Exchanges and also as on 31.03.2017.

(ii) DETAILS OF DIRECTORS AND/OR KMP'S WHO HAVE BEEN APPOINTED OR RESIGNED DURING THE YEAR

Government, vide Order No.F.No.P-51/11/95-Ch.III-Org.Estt.(Pt.) dated 16th May, 2016 has appointed Shri Sunil Kumar Sharma, Director, Dept. of Chem.& Petrochemicals in place of Shri V.K.Thakral, AS&FA, as Government Nominee Director on the Board of the Company w.e.f. 16-05-2016 .

Government has appointed Ms. Pushpa Trivedi, Professor, IIT Bombay, Powai Mumbai, as Part time Non Official Independent Director [NOID] on the Board of the Company w.e.f. 15-06-2017 for a period of 3 years or till further orders, whichever is earlier.

Government has appointed Mr. Dinesh Kumar, Director, Official, part time (Govt.Nominee) Director on the Board of the Company w.e.f. 29-09-2016 in place of Shri Sunil Kumar Sharma, Director.

Government, vide Order No.F.No.P-51011/1/2016-Org.Estt.dated 3rd October, 2016 has appointed (ACMD &DT), Shri S.B.Bhide, as Chairman & Managing Director, HOCL w.e.f. 05-10-2016 for further period of 5 years (or till the date of superannuation whichever is earlier).

Government has appointed Ms. Meenakshi Gupta, Additional Secretary & Financial Advisor, as Official, part time (Govt.Nominee) Director on the Board of the Company w.e. f. 15-11-2016 in place of Shri Dinesh Kumar, Director .

Government has appointed Ms. Lata Alker, as Part time Non Official Independent Director [NOID] on the Board of the Company w.e.f. 21-02-2017 for a period of 3 years or till further orders, whichever is earlier.

Government has appointed Mr. Mukesh Pareek, as Part time Non Official Independent Director [NOID] on the Board of the Company w.e.f. 21-02-2017 for a period of 3 years or till further orders, whichever is earlier.

(b) Attendance of each director at the meeting of the board of directors and the last annual general meeting;

| Directors | No. of Board meetings attended | Attendance at the last AGM |
|------------------------------------|--------------------------------|----------------------------|
| Mr. S. B. Bhide | 7 | Yes |
| Mr. J.N.Suryawanshi(upto 3-8-2016) | 1 | No |
| Ms. Meenakshi Gupta | 3 | No |
| Mr. Samir Kumar Biswas | 7 | No |
| Mr. Sunil Kumar Sharma | 1 | No |
| Mr. Dinesh Kumar | 1 | Yes * |
| Ms. Pushpa Trivedi | 6 | No |
| Ms. Lata Alker | 1 | No |
| Mr. Mukesh Pareek | 1 | No |

*Attended as President's Nominee

(c) number of other board of directors or committees in which a directors is a member or chairperson; (As on 31-03-2017)

| Title (Mr./ Ms) | Name of the Director Category (Chairperson/ Executive/Non-Executive/ independent/Nominee) & | No of Directorship in listed entities including this listed entity (Refer Regulation 25(1) of Listing Regulations) | Number of memberships in Audit/ Stakeholder Committee(s) including this listed entity (Refer Regulation 26(1) of Listing Regulations) | No of post of Chairperson in Audit/ Stakeholder Committee held in listed entities including this listed entity (Refer Regulation 26(1) of Listing Regulations) |
|-----------------|---|--|---|--|
| Mr. | S.B.Bhide CMD, Executive | 3 | 2 | 3 |
| Ms. | Meenakshi Gupta Non Executive, Govt.Nominee | 3 | 1 | 1 # |
| Mr. | Samir Kumar Biswas Non ExecutiveGovt.Nominee | 3 | 2 | 2 |
| Ms. | PushpaTrivedi Non Official Independent Director | 2 | 3 | 2 # |
| Ms. | LataAlker Non Official Independent Director | 1 | 1 | -- |
| Mr. | MukeshPareek Non Official Independent Director | 1 | 1 | -- |

Subsequently, on 29-05-2017 Board reconstituted the Audit Committee having Ms. PushpaTrivedi, NOD, as Chairman of the Audit Committee, in compliance with the LODRRs.

(d) Number of meetings of the board of directors held and dates on which held:-

The Board of the Company met 7 times during the financial year 2016-17 on the following dates:
20/05/2016, 05/08/2016, 23/09/2016, 28/10/2016, 20/01/2017, 08/02/2017, and 17/03/2017.

(e) Disclosure of relationships between directors inter-se;-None /

-Not applicable.

(f) number of shares and convertible instruments held by non-executive directors;

-Nil

(g) Web link where details of familiarization programmes imparted to independent directors is disclosed. -- www.hoclindia.com

3. Audit committee:

(a) brief description of terms of reference;-

Apart from all the matters provided in Regulations on Corporate Governance of the Listing Regulations and other applicable provisions of the Companies Act, 2013, the Board /Committee (when met) reviewed reports of the Internal Auditors, met Statutory Auditors periodically and discussed their findings, suggestions, internal control systems, compliance with the Accounting Standards, scope of audit, Modified Opinion, Impact of audit qualifications in audit reports, Management Replies to auditors qualifications, observations of the Auditors etc. and other related matters.

"(1) Every Audit Committee shall act in accordance with the terms of reference specified in writing by the Board which shall *inter alia*, also include (apart from the existing terms of references):-

i. The recommendation for appointment, remuneration and terms of appointment of Auditors of the Company;



- ii. Review and monitor the auditor's independence and performance, and effectiveness of audit process;
- iii. Examination of the financial statement and the auditors' report thereon;
- iiii. Approval or any subsequent modification of transactions of the company with related parties;
- v. Scrutiny of inter-corporate loans and investments;
- vi. Valuation of undertakings or assets of the company, wherever it is necessary;
- vii. Evaluation of internal financial controls and risk management systems;
- viii. Monitoring the end use of funds raised through the public offers and related matters.

(2) The Audit Committee may call for the comments of the auditors about internal control systems, the scope of audit, including the observations of the auditors and review of financial statement before their sub mission to the Board and may also discuss any related issues with the internal and statutory auditors and the management of the Company.

(3) The Audit Committee shall have authority to investigate into any matter in relation to the items specified in sub-sec.(4) or referred to it by the Board and for this purpose shall have power to obtain professional advice from external sources and have full access to information contained in the records of the Company.

(4) The auditors of a company and the key managerial personnel shall have a right to be heard in the meeting of the Audit Committee when it considers the auditor's report but shall not have the right to vote.

(g) The audit committee at its discretion shall invite the finance director or head of the finance function, head of internal audit and a representative of the statutory auditor and any other such executives to be present at the meetings of the committee ;

Provided that occasionally the audit committee may meet without the presence of any executives of the listed entity.

Further in pursuance of LODRRs of SEBI, additional Terms of References to include as to:

- (5) The listed entity shall conduct the meeting of the audit committee in the following manner;
- d. The audit committee shall meet at least four times in a year and not more than one hundred and twenty days shall elapse between two meetings.
- e. The quorum for audit committee meeting shall either be two members or one third of the members of the audit committee, whichever is greater, with at least two independent directors.
- f. The audit committee shall have power to investigate any activity within its terms of reference, seek information from any employee, obtain outside legal or other professional advice and secure attendance of outsiders with relevant expertise, if it considers necessary. "

The Board /Committee (when met) also reviewed the major accounting policies followed by the Company. The Board/Committee during the meetings also invited CMD, other Directors, CFO & other senior executives of the Company as it considers appropriate at its meetings. CMD, Head of Internal Audit attend the meetings of the Board/Audit Committee as special invitees. The representatives of the Statutory Auditors/branch auditors are also invited to attend the meetings. The Company Secretary is Secretary to the Committee.

(b) composition, name of members and chairperson;
Board has reconstituted the Audit Committee from time to time and as on 31-03-2017, Audit Committee comprised of (1) Ms. Meenakshi Gupta, SS&FA, as Chairman of the Audit Committee (2) Shri Samir Kumar Biswas, J.S., (3) Ms. Pushpa Trivedi, NOID, (4) Mr. Mukesh Pareek, NOID and (5) Ms. Lata Alker, NOID as its Members. Further, Mrs. Susheela S. Kulkarni, Company Secretary acts as Secretary of the Audit Committee.

Subsequently on 29-05-2017, Board once again reconstituted the Audit Committee comprising Ms. Pushpa Trivedi, NOID, as Member and Chairman of the Audit Committee along with Ms. Lata Alker and Mr. Mukesh Pareek, the 2 NOIDs as Members of the Audit Committee Mrs. Susheela S. Kulkarni, Company Secretary as Secretary of the Audit Committee. .

(c) meetings and attendance during the year.
The Audit Committee of the Company met 4 times during the financial year 2016-17 on the following dates:

28/10/2016, 20/01/2017, 08/02/2017 and 17/03/2017.

| Audit Committee | No. of Audit Committee Meetings attended |
|-------------------------|--|
| Ms. Meenakshi Gupta | 3 |
| Shri Samir Kumar Biswas | 4 |
| Ms. Pushpa Trivedi | 4 |
| Mr. Mukesh Pareek | 1 |
| Ms. Lata Alker | 1 |

4. Nomination and Remuneration Committee: (Status as on 19-07-2017)

Though during the year ended 31-03-2017 there was no Nomination and Remuneration committee, subsequent to appointment of adequate number of NOIDs on Companies Board, on 29-05-2017 Board constituted a Nomination and Remuneration Committee comprising of 3 NOIDs and one Executive Director (being a listed Co.).

(a) Brief description of terms of reference :-

In pursuance of the Provisions under the Companies Act, 2013 (Sec.178) and SEBI's LODRRs (Part D for Regns. 19(4) & 20(4), the Role, the Terms of references and duties of the Nomination and Remuneration Committee (Committee), shall, inter-alia include the following:

Under Sec.178 of the Companies Act, 2013:

- a) To identify persons who are qualified to become directors or who may be appointed in senior management, recommend to the Board their appointment and removal and shall carry out evaluation of every director's performance;
- b) To formulate the criteria for determining qualifications, positive attributes and independence of a director;
- c) To recommend to the board of directors a policy relating to the remuneration of the directors, key managerial personnel and other employees;

As per SEBI's LODRRs, 2015 :

- (1) Formulation of criteria for determining qualifications, positive attributes and independence of a director and recommend to the board of directors a policy relating to, the remuneration of the directors, key managerial personnel and other employees;
- (2) Formulation of criteria for evaluation of performance of independent directors and the board of directors;
- (3) Devising a policy on diversity of board of directors;
- (4) Identifying persons who are qualified to become directors and who may be appointed in senior management in accordance with the criteria laid down, and recommend to the board of directors their appointment and removal;
- (5) Whether to extend or continue the term of appointment of the independent director, on the basis of the report of performance evaluation of independent directors;"

Further the Chairperson of the Committee may be present at the AGM to answer the shareholders' queries., however, it shall be up to the chairperson to decide who shall answer the queries. Further the quorum for the meetings of the Committee would be 1/3 or 2 directors whichever is more and committee to meet (half yearly) minimum twice a year or at such intervals as the Committee members may mutually decide. As regards to the other provisions regarding Committee Meetings, notice of the meeting of the Committee etc., similar provisions as given under the Company's Articles of Association shall be applicable.

However, apart from the Company by a CPSE, DPE guideline are also being followed in respect of all the issues relating to Nomination & Remuneration matters .

- (b) composition, name of members and chairperson;
In pursuance of applicable provisions (Sec.178) under the Companies Act, 2013 and (Regulation 19) of the LODRRs of SEBI and other applicable provisions /Regulations there under, Board constituted a Nomination and Remuneration Committee of the Board comprising of: Mr.Mukesh Pareek, Independent Director as Member and Chairman of the Committee along with Ms. Lata Alkar, Ms.Pushpa Trivedi Independent Directors (i.e. Non-Executive Directors) and Mr. S.B.Bhide, CMD, HOCL (Executive Director) as Members of the Committee, with Mrs.Susheela S. Kulkarni, CS, HOCL as Secretary to the Committee.
- (c) meeting and attendance during the year :- None [as committee was constituted only on 29-05-2017 in the year, 2017-18.]
- (d) performance evaluation criteria for independent directors – Details are as given in the Terms of Reference of the Committee.

5. Remuneration of Directors:

- (a) all pecuniary relationship or transactions of the non-executive directors vis-à-vis the listed entity shall be disclosed in the annual report; -- None
- (b) criteria of making payments to non-executive directors. Alternatively, this may be disseminated on the listed entity's website and reference drawn thereto in the annual report; -- Yes only sitting fees for attending the Meetings of the Board and committee are being paid to the non-executive directors.
- (c) disclosures with respect to remuneration: in addition to disclosures required under the Companies Act, 2013, the following disclosures shall be made: -- Yes



- (i) all elements of remuneration package of individual directors summarized under major groups, such as salary, benefits, bonuses, stock options, pension etc.:-

Details of remuneration paid / payable to the Directors for the year ended March 31, 2017 are as follows -**Amt. Rs.in (Lacs)**:-

| Sl. No. | Name of Directors | Salary including benefits | Sitting Fees to NOIDs | Total |
|---------|---|---------------------------|-----------------------|-------|
| 1. | Shri. S.B. Bhide, CMD (w.e.f. 05-10-2016 #) | # 23.18 | -- | 23.18 |
| 2. | Shri.J.N.Suryawanshi D(M) (up to 3-8-2016) | ## 25.76 | -- | 25.76 |
| 3. | Ms. Meenakshi Gupta, SS&FA | N.A. | -- | Nil |
| 4. | Shri S.K.Biswas, JS | N.A. | -- | Nil |
| 5. | Ms. PushpaTrivedi,NOID | N.A. | 0.50 | 0.50 |
| 6. | Mr. MukeshPareek,NOID | N.A. | 0.10 | 0.10 |
| 7. | Ms. Lata Alker, NOID | N.A. | 0.10 | 0.10 |

- a) [# - from 25-2-2016 up to 4-10-2016- holding the position of ACMD&DT];
 b) [## - inclusive of leave encashment etc.] ;
 (ii) details of fixed component and performance linked incentives, along with the performance criteria; -- None / Nil

* The Company has not given any stock options.

* Non-executive Directors: The Company does not pay any remuneration to its non-executive Directors except sitting fees for attending the Board/committee meetings.

- (iii) Service contracts, notice period, severance fees; -

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.

- (iv) Stock option details, if any and whether issued at a discount as well as the period over which accrued and over which exercised.- Nil.

6. Stakeholders' grievance committee:

- (a) name of the director heading the committee;-S. B. Bhide, CMD as Chairman [in view of easy availability of the directors at the work place, to convene the required STC meetings once in every fortnightly/monthly or so, to manage effectively all the Bonds/ shareholders/ investors, transfers/grievances related matters in compliances with corporate governance norms of the LODRRs and with suitable explanations to the Exchanges].

Company has a Share Transfer Committee comprising of (functional directors) Shri S. B. Bhide, CMD as Chairman, Shri.J.N.Suryawanshi, Director (Marketing),(Upto 3-8-2016) and Mrs. S. S. Kulkarni, Company Secretary, as its members. The quorum of the committee is Two Directors.

- (b) name and designation of compliance officer:-

Mrs. Susheela S. Kulkarni, Company Secretary is designated as the Compliance Officer and acts as Member &Secretary to the Committee.

Share/Bonds Transfer System:

The Company's Share/Bonds Transfer / Shareholders Grievance Committee is authorised to transfer securities as and when they are received from the company's registrar and transfer agents [viz. RTAs] (the valid transfer etc. documents) and to redress the investor's grievances / complaints. The dematerialised shares are directly transferred to the beneficiaries by the depositories.

All the correspondence with the shareholders and investors are dully carried out on behalf of the company by the company's RTAs.

The Company seeks to ensure that all transfers are approved for registration within the stipulated period. And for this mechanism the Company Secretary (the compliance officer) and company's RTAs have been entrusted with all the requisite powers and authorities, to carry out all the activities with regard to the shares/bonds related functions. 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 based on the requisitions from the RTAs.

There was no pending complaints and requests for demat during the year under review.

This Committee is vested with the requisite powers and authorities to specifically look into the redressal of shareholders and investors grievances, which are being handled and dealt with suitably by the company's RTAs.

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 13 times during the year. The Details are as under: -

29/04/2016; 20/05/2016; 14/06/2016; 29/06/2016; 09/08/2016; 20/09/2016; 30/09/2016; 20/10/2016; 16/11/2016; 20/12/2016; 02/01/2017; 09/02/2017; and 10/03/2017.

No. of Pending Share Transfers

As on 31st March, 2017 there are Nil Share transfer cases pending (as confirmed by RTA).

- (c) number of shareholders' complaints received during the year 2016-17; -- 16 Nos.
 (d) number not solved to the satisfaction of shareholders; -- Nil
 (e) number of pending complaints at the end of the year ended 31-03-2017 -- Nil

7. General body meetings:

- (a) location and time, where last three annual general meetings held;

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

| Particulars | FY 2013-2014 | FY 2014-2015 | FY 2015-2016 |
|-------------|--|--|--|
| Date and | 24-09-2014 | 29-09-2015 | 29-09-2016 |
| Time | 3.00 p.m. | 3.00 p.m. | 3.00 p.m |
| Venue | Rasarang Hall Dr.Kasbekar Park AtPO :Rasayani, Dist.Raigad Pin - 410 207 | Rasarang Hall Dr.Kasbekar Park AtPO :Rasayani, Dist.Raigad Pin - 410 207 | Rasarang Hall Dr.Kasbekar Park AtPO :Rasayani, Dist.Raigad Pin - 410 207 |

- (b) whether any special resolutions passed in the previous three annual general meetings; Yes

- (c) Whether any special resolution passed **last year** /during the year through postal ballot – (2016-17) - Yes. During the year 4 Resolution u/Sec. 180 have been passed through Postal Ballot.

Details of Resolutions passed :

- To consider and to approve the sale of 442 acres of Company's land at Rasayani, Maharashtra to sell to BPCL @ Rs. 1.40 Crore per acre as outright purchase/sale subject to internal approvals of the HOCL & BPCL and other relevant Government approvals
- Proposal of Company's (HOCL) Disinvestment of its entire equity share holding of equity shares [11060000 Eq. Shares of Rs.10/- each] aggregating 56.43% in Hindustan Fluorocarbons Limited, a subsidiary of the Company.
- To consider and to approve the Transfer of Company's N2O4 / CNA Plant at HOCL, Rasayani to ISRO, Department of Space, GOI along with (approx.) 20 acres of land and manpower 'as is where is basis' as decided by Govt. of India.
- Proposal of Stoppage of 2 Plants viz. Nitrobenzene & Formaldehyde Plants at Company's (HOCL) Rasayani Unit, alongwith approval for disposal of 7 Plants (of Rasayani Unit) namely, Nitrobenzene II & III, Formaldehyde, Aniline II & III, Hydrogen III and Nitro toluene and Super Structures disposal and consequent Closure of Rasayani Unit Operations;

details of voting pattern; -

Both Postal Ballot Voting & E-Voting was kept open for a period of 30 days as per Postal Ballot Regulation 22 of LODRRs .

- (d) person who conducted the postal ballot exercise; - Company.

- (d) whether any special resolution is proposed to be conducted through postal ballot;- No.

- (f) procedure for postal ballot.

In pursuance of Section 130 of the Companies Act, 2013 and Rule 22 in Postal Ballot Procedure of the Rules framed under Companies Act, 2013 [i.e. Rule 22 of the Company (Management and Administration) Rules, 2014]

8. Means of communication:

- (a) quarterly results;

- 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.

- (b) newspapers wherein results normally published;

- The results are published in a Regional Language News Papers (Navashakti) and English National Daily (The Free Press Journal) as per the requirements under the Listing Regulations with the Stock Exchanges.



- (c) any website, where displayed;
 - The quarterly, half-yearly reviewed and annual audited financial results are regularly posted by the Company on its website : www.hoclindia.com
- (d) whether it also displays official news releases; -- No
- (e) presentations made to institutional investors or to the analysts. -- No
 - 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. - Yes . Through on line filing of the e-filing portal of the Exchange (BSE & NSE).

9. General shareholder information:

Mrs. Susheela S. Kulkarni, Company Secretary is the Compliance Officer of the Company under relevant Regulations of the Listing Regulations. (LODRRs).

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

- (a) annual general meeting - date, time and venue;

Annual General Meeting [AGM] :

Date & Time : Wednesday, 27th September, 2017 at 3.00 p.m.

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

- (b) financial year;

The Company follows April - March as its Financial Year

- (c) dividend payment date; NIL / Not Applicable.

- (d) (i) the name and address of each stock exchange(s) at which the listed entity's securities are listed and a confirmation about payment of annual listing fee to each of such stock exchange(s); : Bombay Stock Exchange Ltd.[BSE];

- (ii) **During the year, 2016-17 (w.e.f.30-01-2017), in pursuance of Regulation 6(a) of the SEBI (DES) Regulations, 2009, Company has voluntarily delisted its Equity shares from the National Stock Exchange of India Ltd.(NSE), as a measure of economy overall , which was duly acknowledged by the NSE on 31-1-2017 and approved by NSE vide letter dated 2-08-2017.**

- (e) stock/script code; **Stock Code at BSE :** 500449

- (f) market price data- high, low (at BSE) during each month in last financial year;(2016-17)

| Month | Monthly Highest | Monthly Lowest |
|-----------------|-----------------|----------------|
| April, 2016 | 16.45 | 19.20 |
| May, 2016 | 16.20 | 17.90 |
| June, 2016 | 15.15 | 19.25 |
| July, 2016 | 18.90 | 20.70 |
| August, 2016 | 18.25 | 18.25 |
| September, 2016 | 17.10 | 20.60 |
| October, 2016 | 18.85 | 27.20 |
| November, 2016 | 24.50 | 25.35 |
| December, 2016 | 19.10 | 20.75 |
| January, 2017 | 18.50 | 30.95 |
| February, 2017 | 23.95 | 28.10 |
| March, 2017 | 25.90 | 26.55 |

- (g) performance in comparison to broad-based indices such as BSE sensex, CRISIL Index etc;- Nil

- (h) in case the securities are suspended from trading, the directors report shall explain the reason thereof;None /N.A.

- (h.1) Company Voluntary Delisting its Eq. Shares from the NSE :

Further it may be noted that Company's equity shares have been voluntarily delisted from M/s. National Stock Exchange India Ltd. (NSE), (w.e.f. 30-01-2017) as a measure of economy and pursuant to SEBI (DES) Regulations, 2009, which was duly approved by NSE.

However Company's Equity Shares shall be continued to be listed at BSE Ltd. (BSE).

- (i) registrar to an issue and share transfer agents;

M/s. Bigshare Services Pvt. Ltd. -

- (j) share transfer system;

The Company's Share/Bonds Transfer / Shareholders Grievance Committee is authorised to transfer securities as and when they are received from the company's registrar and transfer agents [viz.RTAs] (the valid transfer etc. documents) and to redress the investor's grievances

/ complaints. The dematerialised shares are directly transferred to the beneficiaries by the depositories.

All the correspondence with the shareholders and investors are dully carried out on behalf of the company by the company's RTAs.

The Company seeks to ensure that all transfers are approved for registration within the stipulated period. And for this mechanism the Company Secretary (the compliance officer) and company's RTAs have been entrusted with all the requisite powers and authorities, to carry out all the activities with regard to the shares/bonds related functions. 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 based on the requisitions from the RTAs.

There was no pending complaints and requests for demat during the year under review.

This Committee is vested with the requisite powers and authorities to specifically look into the redressal of shareholders and investors grievances, which are being handled and dealt with suitably by the company's RTAs.

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.

- (k) distribution of shareholding;

As on Date : 31-03-2017 ; (NSDL-CDSL-Physical)

| Shareholding of Nominal | | No. of Shareholders | Percentage of Total | Share Amount | Percentage of Total |
|------------------------------|-----------|---------------------|---------------------|--------------|---------------------|
| Rs. | Rs. | | | Rs. | |
| 1 | 5000 | 45479 | 86.8235 | 69953640 | 10.4139 |
| 5001 | 10000 | 3501 | 6.6837 | 30299750 | 4.5107 |
| 10001 | 20000 | 1677 | 3.2015 | 27040700 | 4.0255 |
| 20001 | 30000 | 570 | 1.0882 | 14989240 | 2.2314 |
| 30001 | 40000 | 263 | 0.5021 | 9617510 | 1.4318 |
| 40001 | 50000 | 280 | 0.5345 | 13524540 | 2.0134 |
| 50001 | 100000 | 343 | 0.6548 | 26037430 | 3.8762 |
| 100001 | 999999999 | 268 | 0.5116 | 480268190 | 71.4971 |
| TOTAL 52381 671731000 | | 100.0000 | | | |

- (l) dematerialization of shares and liquidity;

The shares of the Company are compulsorily traded in dematerialized mode. To facilitate the shareholders to dematerialize the shares, the Company has signed agreements with both the depositories i.e. National Securities Depository Limited and Central Depositories Services (India) Ltd., 96.80% of the share capital of the Company has been dematerialized as on 31st March 2017 - total accounts dematerialized is 35,592 involving 6,50,20,915 shares .

- (m) outstanding global depository receipts or american depository receipts or warrants or any convertible instruments, conversion date and likely impact on equity;- Nil/None.

- (n) commodity price risk or foreign exchange risk and hedging activities;- Nil/None

- (o) plant locations;

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

Note :##- however, disposal of the relevant plants in this complex is in process.

- (p) 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. Bigshare Services Pvt. Ltd.
1st Floor, Bharat Tin Works Bldg., Opp. Vasant Oasis, Makwana Road, Marol, Andheri (East), Mumbai 400 059.Maharashtra.

10. Other Disclosures:

- (a) disclosures on materially significant related party transactions that may have potential conflict with the interests of listed entity at large; None;

[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];

- (b) details of non-compliance by the listed entity, penalties, strictures imposed on the listed entity by stock exchange(s) or the board or any statutory authority, on any matter related to capital markets, during the last three years;- None. As explanations submitted to the Exchanges (BSE &NSE) suitably.



Annexure VII

AUDITORS' CERTIFICATE ON CORPORATE GOVERNANCE REPORT

To,

THE MEMBERS OF

HINDUSTAN ORGANIC CHEMICALS LIMITED

We have examined the compliance of conditions of Corporate Governance by Hindustan Organic Chemicals Limited ("the Company") for the year ended 31st March 2017, as stipulated in the relevant provisions of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("Listing Regulations") as referred to in Regulation 15(2) of the Listing Regulations.

The compliance of the conditions of Corporate Governance is the responsibility of the management.

Our examination was limited to procedures and implementation thereof, adopted by the Company for ensuring the compliance of the conditions of Corporate Governance. It is neither an audit nor an expression of opinion on the financial statements of the Company.

As on 31st March 2017, there was no Nomination and Remuneration Committee. Subsequent to appointment of adequate number of Non-Official Independent Directors (NOIDs) on Companies Board, on 29th May 2017, the Board constituted a Nomination and Remuneration Committee comprising of 3 NOIDs and one Executive Director (being a listed Co.).

In our opinion and to the best of our information and according to the explanations given to us, we certify that the company has, apart from the aforementioned, complied with the conditions of Corporate Governance as stipulated in the abovementioned Listing Regulations, as applicable.

We further certify that such compliance is neither an assurance as to the future viability of the Company nor the efficiency or effectiveness with which the Management has conducted the affairs of the Company.

For M/s P. G. BHAGWAT

Chartered Accountants

Firm Registration Number: 101118W

Sd/-

Shrinivas Shreeram Gadgil.

Partner

Membership Number: 120570

Place: Mumbai

Date: 5th August 2017

Annexure VIII

To,

The Members,

Hindustan Organic Chemicals Limited

CIN: L99999MH1960GOI011895

P.O. Rasyani, DistRaigad,

Maharashtra, India,

PIN 410207

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

Management's Responsibility

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

Auditor's Responsibility

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

Disclaimer

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

S. N. ANANTHASUBRAMANIAN & CO

Company Secretaries

Sd/-

S N Ananthasubramanian

FCS No.4206

C P No. 1774

Date: 17th February, 2017

Place: Thane

[There were no case of Non-compliance by the Company of Statutory Provisions of the Companies Act, 2013, [Reg.: Provisions on Audit Committee] or SEBI Regulations or provisions of Listing Regulations (except Clause on C.G. etc) & any other Statutory Authorities. Further, these authorities have passed any strictures (or imposed any penalties) on the Company on relevant matters during the last years and the explanations submitted to the Exchanges (BSE & NSE) suitably.] ;

details of establishment of vigil mechanism, whistle blower policy, and affirmation that no personnel has been denied access to the audit committee; Yes – details are also placed on the Company's website www.hocindia.com, as per LODRRs.

Further 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; - Yes . –duly effected as applicable and are provided in this report;
- web link where policy for determining 'material' subsidiaries is disclosed;- www.hocindia.com
- web link where policy on dealing with related party transactions; - N.A.
- disclosure of commodity price risks and commodity hedging activities. - N.A.
- Company's equity shares have been voluntarily delisted from M/s. National Stock Exchange India Ltd. (NSE), (w.e.f. 30-01-2017) as a measure of economy and pursuant to SEBI (DES) Regulations, 2009, which was duly approved by NSE.

However Company's Equity Shares shall be continued to be listed at BSE Ltd. (BSE).

- Non-compliance of any requirement of corporate governance report of sub-para (2) to (10) above, with reasons thereof shall be disclosed. - Not applicable. [as all compliances as in (2) to (10) above were duly complied with.] ; {As on 31-03-2017 there were, Non compliances reg. provisions on Audit Committee etc, (reg. independent directors etc.) and all other compliances in connection with the Board's composition, other relevant and applicable compliances etc.}, complied with all the requirements of the Listing Regulations entered into with the Stock Exchanges }
- The corporate governance report shall also disclose the extent to which the discretionary requirements as specified in Part E of Schedule II have been adopted. - yes, as applicable.

Following are the requirements as specified in Part E of Schedule II:

A. The Board

A non-executive chairperson may be entitled to maintain a chairperson's office at the listed entity's expense and also allowed reimbursement of expenses incurred in performance of his duties.-- Yes.

B. Shareholder Rights.

A half-yearly declaration of financial performance including summary of the significant events in last six-months, may be sent to each household of shareholders. – Yes.

C. Modified opinion(s) in audit report

The listed entity may move towards a regime of financial statements withunmodified audit opinion. - will be complied with accordingly.

D. Separate posts of chairperson and chief executive officer

The listed entity may appoint separate persons to the post of chairperson and managing director or chief executive officer. - As per company's Articles of Association, the power to appoint Board of Directors of the company vests with the GOI/President of India.

E. Reporting of internal auditor

The internal auditor may report directly to the audit committee.- yes.

- Declaration to be added that the Company has made adequate disclosures required under Regulations 17 to 27 and clauses (b) to (i) of sub-regulation (2) of regulation 46 of the Listing Regulations , provided the Company has made disclosures.

It is hereby confirmed and declared that, Company has made adequate disclosures required under Regulations 17 to 27 and clauses (b) to (i) of sub-regulation (2) of regulation 46 of the Listing Regulations.

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

(Mrs. Susheela S. Kulkarni)

Company Secretary & Compliance Officer

Date : 19-07-2017



Form No. MR-3
SECRETARIAL AUDIT REPORT

FOR THE FINANCIAL YEAR ENDED 31st MARCH '2016

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

To,

The Members,

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

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

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

Based on our verification of the Company's books, papers, minute books, forms and returns filed and other records maintained by the Company and also the information provided by the Company, its officers, agents and authorized representatives during the conduct of secretarial audit, we hereby report that in our opinion, during the audit period covering the financial year ended 31st March, 2016, subject to our observations stated elsewhere in this report, the Company has complied with the statutory provisions listed hereunder and also that the Company has proper Board processes and compliance mechanism in place to the extent, in the manner and subject to the reporting made hereinafter :

We have examined the books, papers, minute books, forms and returns filed and other records maintained by the Company for the financial year ended on 31st March 2016 according to the provisions of:

- i. The Companies Act, 2013 and the Companies Act, 1956 (the Act) and the rules made thereunder;
- ii. The Securities Contracts (Regulation) Act, 1956 ('SCRA') and the rules made thereunder;
- iii. The Depositories Act, 1996 and the Regulations and Bye-laws framed thereunder;
- iv. Foreign Exchange Management Act, 1999 and the rules and regulations made thereunder to the extent of Foreign Direct Investment, Overseas Direct Investment and External Commercial Borrowings (**Not Applicable**)
- v. The following Regulations and Guidelines prescribed under the Securities and Exchange Board of India Act, 1992 ('SEBI Act'):-
 - a. The Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2011;
 - b. The Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 1992;(Upto 14th May, 2015)
 - c. The Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 2015;(effective 15th May, 2015)
 - d. The Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009 – **Not Applicable as the Company has not issued any securities during the financial year under review;**
 - e. The Securities and Exchange Board of India (Share Based Employee Benefits) Regulations, 2014 – Not applicable as the Company has not made any offer of its stock or shares to its employees during the financial year under review ;
 - f. The Securities and Exchange Board of India (Issue and Listing of Debt Securities) Regulations, 1993 regarding the Companies and dealing with client - **Not Applicable as the Company is not issued or listed any debt securities during the financial year under review;**
 - g. The Securities and Exchange Board of India (Registrars to an Issue and Share Transfer Agents) Regulations, 1993 regarding the Companies Act and dealing with client - **Not Applicable as the Company is not registered as Registrar to Issue and Share Transfer Agent during the financial year under review;**
 - h. The Securities and Exchange Board of India (Delisting of Equity Shares) Regulations, 2009 -**Not applicable as the Company has not delisted/proposed to delist its equity shares from any Stock Exchange during the financial year under review;**
 - i. The Securities and Exchange Board of India (Buyback of Securities) Regulations, 1998 -**Not applicable as the Company has not bought back/proposed to buy-back any of its securities during the financial year under review.**
- vi. The Management has informed that the following laws are specifically applicable to the Company :
 1. Guidelines on Corporate Governance for Central Public Sector Enterprises, 2010;
 2. Petroleum Act, 1934 and Petroleum Rules, 2002.
 3. Manufacture, Storage and Import of Hazardous Chemicals (Amendment) Rules, 2000
 4. The Hazardous Waste (Management & Handling) Trans Boundary Management Rules, 2008.

5. Inflammable Substance Act, 1952.
6. The Poisons Act, 1919 and Maharashtra Poisons Rules, 1972.

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

- (i) Secretarial Standards with regard to Meetings of Board of Directors (SS-1) and General Meeting (SS-2) issued by The Institute of Company Secretaries of India and made effective 1st July, 2015 ;
- (ii) The Listing Agreements entered into by the Company with BSE Limited and National Stock Exchange of India Limited, and; SEBI (Listing Obligations and Disclosure Requirements), Regulations, 2015 (Listing Regulations) made effective 1st December, 2015.

During the year under review the Company has not complied with the following Statutory / Regulatory requirements :

- 1) **Filing of Form MGT-14 in respect of following Resolution:**
 - a. **Approval of Annual Accounts and Boards' Report for year ended 31st March, 2015;**
 - b. **Appointment of Internal Auditors for the financial year 2015-16.**
- 2) **Hosting of the following documents on the website of the Company as prescribed under the Companies Act, 2013, Listing Agreement and Listing Regulations :**
 - a) **Insider Trading Code;**
 - b) **Policy on materiality of Related Party Transactions ;**
 - c) **Policy on Preservation of documents;**
 - d) **Policy for determining 'material' subsidiary;**
 - e) **Archival Policy;**
 - f) **Policy on materiality of events/information;**
 - g) **Receipt of notice of resignation of Directors;**
- 3) **Filing of Forms with Registrar of Companies within the prescribed time limits;**
- 4) **Compliance with the Secretarial Standard for Board meetings (SS-1) and General Meeting (SS-2) ;**
- 5) **Appointment of an Independent Director and Woman Director as required under the Act and Listing Regulations;**
- 6) **Conduct of Audit Committee meetings during the quarters ended September & December 2015 and March 2016 for want of quorum;**
- 7) **Conduct of meeting of Independent Directors as required under the Act and Listing Regulations;**
- 8) **Updation of Statutory Registers ;**
- 9) **With regard to Report of Board of Directors not in the prescribed format;**
- 10) **Annexing the Secretarial Audit Report for the Financial Year ended 31st March, 2015 to the Report of Board of Directors ;**
- 11) **With regard to Disclosures / intimation to the stock exchanges as required under the Listing Agreement / Listing Regulations ;**

We further report that:-

- The Board of Directors of the Company is not constituted with proper balance of Executive Directors, Non-Executive Directors, Independent Directors and Woman Director.
 - Adequate notice is given to all Directors to schedule the Board Meetings, agenda and detailed notes on agenda were sent atleast seven days in advance and a system exists for seeking and obtaining further information and clarifications on the agenda items before the meeting and for meaningful participation at the meeting.
 - Majority decision is carried through, while the dissenting members' views are captured and recorded as part of the minutes.
- We further report that** based on review of compliance mechanism established by the Company and on the basis of the Compliance Certificate(s) issued by the Company Secretary and other Senior Management Personnel and taken on record by the Board of Directors at their meetings, we are of the opinion that there are systems and processes in place in the Company to monitor and ensure compliance with applicable laws, rules, regulations and guidelines: -
- As informed to us and also reported in the compliance reports placed before the Board from time to time, **the Company has defaulted on various statutory payments.** The Company has responded to notices for demands, claims, penalties etc., levied by various statutory / regulatory authorities and initiated actions for corrective measures, wherever found necessary.

We further report that during the audit period no major action having a bearing on the Company's affairs in pursuance of the above referred laws, rules, regulations, guidelines, standards etc.. above have taken place.

S. N. ANANTHASUBRAMANIAN & CO
Companies Secretaries

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

Date: 17th February, 2017

Place: Thane



Annexure VIII-A

Audit Observations & Management Replies thereon –Reg.
Secretarial Audit Report FY 2015-16

INDEPENDENT AUDITOR'S REPORT

To the Members of HINDUSTAN ORGANIC CHEMICALS LIMITED

Report on the Standalone Financial Statements

We have audited the accompanying standalone financial statements of Hindustan Organic Chemicals Limited ("the Company"), which comprise the Balance Sheet as at 31st March, 2017, the Statement of Profit and Loss, the Cash Flow Statement for the year then ended, and a summary of the significant accounting policies and other explanatory information.

Management's Responsibility for the Standalone Financial Statements

The Company's Board of Directors is responsible for the matters stated in Section 134(5) of the Companies Act, 2013 ("the Act") with respect to the preparation of these standalone financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Company in accordance with the accounting principles generally accepted in India, including the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014.

This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding of the assets of the Company and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these standalone financial statements based on our audit. We have taken into account the provisions of the Act, the accounting and auditing standards and matters which are required to be included in the audit report under the provisions of the Act and the Rules made thereunder. We conducted our audit in accordance with the Standards on Auditing specified under Section 143(10) of the Act. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and the disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal financial control relevant to the Company's preparation of the financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of the accounting estimates made by the Company's Directors, as well as evaluating the overall presentation of the financial statements.

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

Basis for Qualified Opinion

- (a) The balances of trade payables, loans & advances and other current assets and other debts / credit balances are pending for confirmations and reconciliations. (Note No. 41). The effect of the same on the loss is not ascertainable.
This matter was qualified in Audit Report on the financial statements for the year ended March 31, 2016 as well.
- (b) In absence of current status of pending litigations and financial impact thereof, liabilities under such cases are not ascertainable and the foreseeable loss of the same is not considered while preparing financial results.
- (c) The Kochi unit of the Company has entered into long term supply contract with Gas Authority of India Limited (GAIL) for the supply of Liquefied Natural Gas in the year 2011 for the period of 15 years ending in 2026. Material foreseeable loss on this contract is not quantifiable in current scenario.

Qualified Opinion

In our opinion and to the best of our information and according to the explanations given to us, *except for the effects of the matters described in the Basis for Qualified Opinion*, the aforesaid standalone financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India, of the state of affairs of the Company as at 31st March, 2017, and its profit and its cash flows for the year ended on that date.

Emphasis of Matter

Attention is drawn to the note 28 to the standalone financial statements which state that the Government of India has approved the restructuring plan of the company which includes closure of all plants at Rasayani unit except the Conc. Nitric Acid / N2O4 Plant (which is to be handed over to ISRO) and VRS to the employees (Direct and Indirect) rendered surplus due to shutting down of all plants at Rasayani except those employees associated with operation of CNAN2O4 plant at Rasayani and the skeletal staff required to implement the proposed restructuring. In view of this, the financial statement have been prepared on Going Concern Basis.

The net worth of the Company is fully eroded. The Company has incurred cash losses in the current and in previous years. The Company's Current Liabilities exceeded its Current Assets as at the balance sheet date. These conditions indicate the existence of material uncertainty that may cast significant doubt on the Company's ability to continue as a going concern.

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

Our opinion is not modified in respect of this matter.

| Sr. No. | Observation | Reply |
|---------|---|--|
| 1 | Non- filing of Form MGT-14 for Approval of annual accounts and Boards' Report for the year ended 31 st March, 2015 and Appointment of Internal auditors for the financial year 2015-16 | already filed & on records |
| 2 | Non- hosting of following documents on the website of the Company: a) Insider Trading Code; b) Policy on materiality of Related Party Transactions; c) Policy on preservation of documents; d) Policy for determining 'material' subsidiary; e) Archival Policy; f) Policy on materiality of events/information; g) Receipt of notice of resignation of Directors; | All the relevant and applicable Policies are already in place at our HOCL Web site. |
| 3 | Non-Filing of Forms with Registrar of Companies within the prescribed time limits | All the relevant & respective forms were filed with out or with delays due to the reasons beyond our control |
| 4 | Non-Compliance with the Secretarial Standard for Board meetings (SS-1) and General Meeting(SS-2); | Duly complied both SS-1 & SS-2 – Further this was already confirmed elsewhere in the S.A. Report (MR-3) that the SS-1 & SS-2 are complied with. |
| 5 | No Appointment of an Independent Director and Woman Director as required under the Act and Listing Regulations | Yes- during the year, 2015-16 there was no independent/ woman director from the period from 22-5-2015 to 31-03-2016 as our Company's AOA empowers GOI for appointment of Directors, hence awaiting orders of the Govt. |
| 6 | Not conducting Audit Committee meetings during the quarters ended September & December 2015 and March 2016 for want of quorum | Yes. As such non-compliances are beyond our control |
| 7 | Not conducting Conduct of meeting of Independent Directors as required under the Act and Listing Regulations; | Yes. As such non-compliances are beyond our control |
| 8 | Non updation of the Statutory Registers | All the relevant registers are maintained and are duly updated from time to time, also submitted copies /extracts of the relevant statutory registers for verification during the audit period. |
| 9 | With regard to Report of Board of Directors not in the prescribed format | Duly complied with reg. format of the Directors Report as the format then existing was downloaded (As obtained from PCS) and was as per the prescribed format (Ref.55 th Annual Report of HOCL) |
| 10 | Non-compliance with respect to Annexing the Secretarial Audit Report for the Financial Year ended 31st March 2015 to the Report of Board of Directors | Yes complied with as SA Report -MR-3 of 2014-15 was included (on its receipt) in the 55th AR of our Company. |
| 11 | Non-compliance with respect to Disclosures / intimation to the stock exchanges as required under the Listing Agreement / Listing Regulations | Duly complied with all the quarterly Compliances reports along with relevant explanations for non-compliance (if any reg. Independent Directors, Audit Committee etc.) duly submitted copies of our quarterly compliance reports were also submitted for verification during audit period. |

For Hindustan Organics Chemicals Limited

Sd/
[Company Secretary [KMP] & Compliance Officer];

Dt.: 07-02-2017



Other Matter

We did not audit the financial statements / information of the Kochi unit included in the standalone financial statement of the Company whose financial statements / information reflecting the total assets of Rs. 11,104.65 Lakhs (excluding inter-branch balance) as at 31st March 2017 and total revenue of Rs. 10,809.92 Lakhs for the year ended on that date, as considered in the standalone financial statement. The financial statement / information of the unit has been audited by the Independent Branch Auditors whose report has been furnished to us and our opinion in so far as it relates to the amounts and disclosures included in respect of this unit is based solely on the report of such Branch Auditor.

Our opinion is not modified in respect of this matter.

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

Report on Other Legal and Regulatory Requirements

- As required by the Companies (Auditor's Report) Order, 2016 issued by the Central Government of India in terms of sub-section (11) of section 143 of the Act, we give in the Annexure A, a statement on the matters specified in paragraphs 3 and 4 of the Order.
- As required by the directions and sub-directions issued by the office of the Comptroller & Auditor General of India under section 143(5) of the Act, we give in the Annexure B, a statement on the matters referred to in those directions.
- As required by Section 143 (3) of the Act, we report that:
 - We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit.
 - In our opinion, proper books of account as required by law have been kept by the Company so far as it appears from our examination of those books.
 - The report on the accounts of the Branch office of the Company audited under section 143(8) of the Act by the Branch Auditors have been sent to us and have been properly dealt with by us in preparing this report.
 - The Balance Sheet, the Statement of Profit and Loss, and the Cash Flow Statement dealt with by this Report are in agreement with the books of account.
 - In our opinion, the aforesaid standalone financial statements comply with the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014.
 - On the basis of the written representations received from the directors as on 31st March, 2017 taken on record by the Board of Directors, none of the directors is disqualified as on 31st March, 2017 from being appointed as a director in terms of Section 164 (2) of the Act.
 - With respect to the adequacy of the internal financial controls over financial reporting of the Company and the operating effectiveness of such controls, refer to our separate report in Annexure C.
 - With respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, in our opinion and to the best of our information and according to the explanations given to us:
 - The Company has disclosed the impact of pending litigations on its financial position in its financial statements- Refer Note 42 to the financial statements.
 - The Kochi unit of the Company has entered into long term supply contract with Gas Authority of India Limited (GAIL) for the supply of Liquefied Natural Gas in the year 2011 for the period of 15 years ending in 2026. Material foreseeable loss on this contract is not quantifiable in current scenario. Other than this, the Company did not have any long term contracts including derivative contracts for which there were any material foreseeable losses.
 - There were no amounts, required to be transferred, to the Investor Education and Protection Fund by the Company.
 - The Company has provided requisite disclosures in its financial statements as to holdings as well as dealings in Specified Bank Notes during the period from 8 November, 2016 to 30 December, 2016. (Refer Note 45).

In Kochi unit, the Company has received amounts from employees in SBN after 8th of Nov 2016, which are classified as receipt from permitted transactions.

We have verified the closing cash balance with the books of accounts. However, details in respect of Specified Bank Notes is as produced to us by the management, as necessary evidence regarding the same was not available for our verification.

For M/S P. G. BHAGWAT
Chartered Accountants
Firm's Registration Number 101118W

Shrinivas Shreeram Gadgil
Partner
Membership Number: 120570

Place: Mumbai
Date: 29th May 2017

ANNEXURE A TO THE AUDITORS' REPORT

(Referred to in our above report of even date)

- The company has maintained proper records showing full particulars including quantitative details and situation of fixed assets.
- The fixed assets have been physically verified by the management at reasonable intervals. In Kochi unit, verification of the fixed assets was carried out during the year. The discrepancies noticed on the verification of fixed assets have been properly dealt with in the books of account. In Rasayani unit, the Company carried out Impairment Study by an external independent agency and incorporated the impairment losses appropriately in the books of account.
- The title deeds of immovable properties are held in the name of the company;
- The inventory has been physically verified by the management at reasonable intervals during the year.
 - In case of Rasayani unit, the verification of chemicals stores in non-working plants were not taken by dip measurement. Instead, reliance was placed on the meter reading device installed. The Company has maintained proper records of inventory. As explained to us, the discrepancies between the physical inventory and the book records noticed on physical verification were not material.
- As explained to us, the Company has granted secured loans to its subsidiary - Hindustan Fluorocarbons Ltd. and unsecured advance in the nature of loan to its joint venture subsidiary company - HOC-Chematur Ltd. Covered in the register maintained under section 189 of the Act. The loan to Hindustan Fluorocarbons Ltd. is interest free to the extent of Rs. 2744.06 lakhs under BIFR agreement and has varying interest rates of 10.25% to 14.5% on amount of Rs.453.01 lakhs. Both the principal amount and the interest on this loan has not been received by company as per stipulation. The advance to HOC- Chematur Ltd. of Rs. 1064.46 lakhs is interest free and there is no stipulation as to repayment of principal. The advance has been fully written off against provision made in previous year as it is doubtful of recovery. In both the above cases, except follow up, the company has not taken any other steps for recovery of dues.
- According to the information and explanations given to us by the management, the company has not entered into any transaction regarding the provisions of section 185 & 186 of the Companies Act, 2013 except for guarantee given by the Holding Company of Rs.1103 Lakhs for the loans taken by subsidiary - Hindustan Fluorocarbons Ltd., from bank. Based on the information and explanations given, the terms and conditions of this guarantee are not prejudicial to the interest of the Holding Company.
- The Company has not accepted any deposits from the public and hence the directives issued by the Reserve Bank of India and the provisions of Sections 73 to 76 or any other relevant provisions of the Act and the Companies (Acceptance of Deposit) Rules, 2015 with regard to the deposits accepted from the public are not applicable.
- We have broadly reviewed the books of accounts maintained by the company in pursuance to the rules made by the Central Government for maintenance of cost records under sub-section (1) of Section 148 of the Act, for the certain products of the company and are of the opinion that prima facie and prescribed accounts and records have been maintained. We have not, however made a detailed examination of the records with a view to determine whether they are accurate or complete.
- According to the information and explanations given to us by the management and on the basis of our examination of the books of account carried on by us and records, the Company has not deposited undisputed statutory dues, including Provident Fund, Service Tax, Duty of Customs, Duty of Excise, except Employees State Insurance, Income-Tax, Sales tax, Value added Tax, cess etc. since October 2013. There is no undisputed arrears of statutory dues outstanding as at 31st March, 2017 for the period of more than 6 Months from the date they became payable except for as stated below:

Rasayani Unit

(Rs in lakhs)

| Sr. No. | Name of Statute | Nature of Dues | Outstanding Amount |
|---------|---|---------------------------------------|--------------------|
| 1 | The Employees' Provident Funds And Miscellaneous Provisions Act, 1952 | Employees Provident Fund contribution | 5,743.16 |
| 2 | The Employees' Provident Funds And Miscellaneous Provisions Act, 1952 | Employees' Pension Fund contribution | 431.97 |
| 3 | Works Contract Tax Act, 1989 | Works Contract Tax | 1.64 |
| 4 | Income Tax Act, 1961 | Tax deducted at source | 403.76 |
| 5 | Central Sales Tax | Central Sales Tax | 34.12 |
| 6 | Professional Tax | Professional Tax | 74.98 |
| 7 | Gram Panchayat | Gram Panchayat Tax | 80.53 |
| 8 | Tahsildar | N. A. Assessment Tax | 2.54 |
| | | TOTAL | 6,772.71 |

Kochi Unit

(Rs in lakhs)

| Sr. No. | Name of Statute | Nature of Dues | Outstanding Amount |
|---------|---|---------------------------------------|--------------------|
| 1 | The Employees' Provident Funds And Miscellaneous Provisions Act, 1952 | Employees Provident Fund contribution | 1,156.88 |
| 2 | Income Tax Act, 1961 | TDS - Salary | 411.84 |
| 3 | Excise Act | Excise duty | 512.27 |
| 4 | Professional Tax | Professional Tax | 12.89 |
| | | TOTAL | 2,093.87 |

- According to the information and explanation given to us, there are no disputed dues of income tax, sales tax, service tax, duty of customs duty, excise duty, value added tax and cess which have not been deposited as at 31st March 2017 other than those shown below:



Rasayani Unit

(Rs. in lakhs)

| Sr. No. | Name of the Statute | Nature of Dues | Period to which the dispute relates | Amount of Dispute | Forum where dispute is pending |
|---------|--------------------------|--|-------------------------------------|-------------------|--|
| 1 | Central Excise Act, 1944 | Molten Sulphur Classification | Feb-97 to Jun-98 | 15.53 | Customs, Excise and Service Tax Appellate Tribunal |
| 2 | Central Excise Act, 1944 | Molten Sulphur Classification | Sept-94 to Jan-97 | 22.76 | Customs, Excise and Service Tax Appellate Tribunal |
| 3 | Central Excise Act, 1944 | Shortage of Inputs | 1998-01 | 18.66 | Pending at high court |
| 4 | Central Excise Act, 1944 | Shortage of Inputs | July-01 to Sept-02 | 5.85 | Commissionerate |
| 5 | Central Excise Act, 1944 | ARO Case (Aniline Valuation) | July-03 to May-06 | 19.29 | Customs, Excise and Service tax appellate |
| 6 | Central Excise Act, 1944 | Clearance of SSA to Fertilizer Manufacturing Units | Sept-96 to Mar-00 | 112.78 | Pending remanded by CEGAT but Central Excise department filed appeal in High Court |
| 7 | Central Excise Act, 1944 | N2O4 Exemption | Jan.,06 to Feb-08 | 104.63 | Customs, Excise and Service Tax Appellate Tribunal |
| 8 | Central Excise Act, 1944 | Duty on clearance on Molten Sulphur | Nov-98 to Dec-98 | 5.05 | Deputy commissioner central excise |
| 9 | Central Excise Act, 1944 | Duty on clearance on Molten Sulphur | Dec-98 to Jan-99 | 2.59 | Deputy commissioner central excise |
| 10 | Finance Act, 1944 | Wrong credit avails on Angels, bar and HR coils and Plates | May-07 to Jul-10 | 1.44 | Appeal filed before Assistant commissioner Central Excise |
| 11 | Finance Act, 1944 | Cleaning, gardening and rent a cab services | Oct-09 to Nov-11 | 8.88 | Deputy commissioner central excise |
| 12 | Finance Act, 1944 | Service tax on canteen services | Feb-07 to Mar-11 | 66.96 | Commissioner of Central Excise Custom and Service Tax. |
| 13 | Finance Act, 1944 | Capital goods Bills of entry | 27.11.2013 to 18.12.2014 | 17.58 | Appeal filed before Hon'ble Comm.C excise Appeals Mumbai.II |
| 14 | Finance Act, 1944 | Flood case | Jan-07 | 9.34 | Appeal is to be filed in CESTATE |
| 15 | Finance Act, 1944 | Reversal Penalty and int. payment as O-inO | Oct.,13 to Mar-15 | 10.95 | Assistant commissioner Central Excise |
| 16 | Finance Act, 1944 | Molten Sulphur | 1999 | 7.62 | Commissioner of Central Excise Appeals, Mumbai - II |
| 17 | Finance Act, 1944 | Shortage of inputs | | 13.64 | Commissioner of Central Excise |
| 18 | Finance Act, 1944 | Reversal of cenvat | 2006-07 | 18.66 | Commissioner of Central Excise se |
| 19 | Finance Act, 1944 | Service tax credit works | 2015-16 | 17.80 | Joint commissioner Central Excise |
| 20 | Finance Act, 1944 | Contract Service | | 8.90 | Appeal is to be filed before Hon'ble Comm. Central Excise Appeals Mumbai - II |
| 21 | Income Tax Act, 1961 | Penalty u/s 271(1)(c) | A.Y 1999-00 | 91.07 | Bombay High Court |
| 22 | Income Tax Act, 1961 | Penalty u/s 271(1)(c) | A.Y 1999-00 | 57.55 | Bombay High Court |
| 23 | Income Tax Act, 1961 | Penalty u/s 271(1)(c) | A.Y 2003-04 | 607.25 | Bombay High Court |
| 24 | Income Tax Act, 1961 | Penalty u/s 271(1)(c) | A.Y 2004-05 | 63.23 | Bombay High Court |
| 25 | Income Tax Act, 1961 | Disallowance of Expenses | A.Y. 2011-12 | 404.71 | Bombay High Court. Awaiting for hearing. |
| 26 | Income Tax Act, 1961 | Disallowance of Expenses | A.Y. 2012-13 | 81.03 | Bombay High Court. Awaiting for hearing. |
| 27 | Income Tax Act, 1961 | Disallowance of Expenses | A.Y. 2013-14 | 106.51 | Bombay High Court. Awaiting for hearing. |
| | | | TOTAL | 1,900.26 | |

Kochi Unit

(Rs. in lakhs)

| Sr. No. | Name of Statute | Nature of Dues | Period to which the dispute relates | Amount of Dispute | Forum where dispute is pending |
|---------|---|---|-------------------------------------|-------------------|---|
| 1 | Finance Act, 1994-Service Tax | Transportation of Excise Goods to Rasayani Depot- Service Tax. Pending for hearing. | Apr-03 to Dec-06 | 43.36 | CESTAT, Bangalore |
| 2 | Finance Act, 1994-Service Tax | Insurance Renewal /Tyre re trading Charges - Service Tax. Pending for hearing | Jul-11 to May-12 | 3.17 | CESTAT, Bangalore |
| 3 | Finance Act, 1994-Service Tax | Bus, Car transportation to employees-Service Tax. Pending for hearing | Nov-11 to Jun-12 | 1.10 | Commissioner (Appeals), Ernakulam |
| 4 | Finance Act, 1994-Service Tax | Insurance renewal/Tyre re trading charge-Service Tax. Pending for hearing | Jun-12 to May-13 | 10.96 | Commissioner (Appeals), Ernakulam |
| 5 | Finance Act, 1994-Service Tax- | Availing of Cenvat credit on the service tax paid for outdoor Catering , Insurance renewal / Transit insurance/Group Insurance and tyre re trading Charges. Department filed appeal to CESTAT. Pending for hearing | Apr-06 to Jan-13 | 83.32 | CESTAT, Bangalore |
| 6 | ESI Corporation | IC No. 88 of 2004 HOCL Vs. ESI Corporation & another before employee Insurance Court (Industrial Tribunal) filed by HOCL challenging the Order of ESI corporation for payment of ESI contribution during the period from 01.04.1992 to 31.10.1992 amounting to ₹ 2,17,000 | 2004 | 2.17 | ESI Court , Ernakulam |
| 7 | Central Sales Tax Act 1956 | Levy of interest-CST | 2005-06 | 155.23 | Tribunal, Dept. of Commercial Taxes, Ernakulam |
| 8 | KVAT Act 2003 | Levy of interest-KVAT | 2005-06 | 152.63 | Tribunal, Dept. of Commercial Taxes, Ernakulam |
| 9 | Central Sales Tax Act 1956 - Input tax credit | Input tax credit | 2012-13 | 73.36 | D.C. (Appeals), Dept. of Commercial Taxes, Ernakulam |
| 10 | KVAT Act 2003 | KVAT Act 2003- Demand under Sec.25(1) | 2011-12 | 714.58 | Commissioner of Commercial Taxes, Thiruvananthapuram. |
| | | | | 1,239.88 | |

8. In our opinion & according to the information and explanation given to us, in absence of adequacy of funds the company has made default in repayment of dues to banks and government loan as per stipulation. Details for the default made by the company are as follows:

Government Loan -

(Rs. In Lakhs)

| S.N. | Amount of default as at 31 st March 2017 | Period of Default |
|--------------|---|-------------------|
| 1 | 61.60 | 2002-03 |
| 2 | 152.60 | 2003-04 |
| 3 | 212.60 | 2004-05 |
| 4 | 268.50 | 2005-06 |
| 5 | 328.50 | 2006-07 |
| 6 | 388.50 | 2007-08 |
| 7 | 448.50 | 2008-09 |
| 8 | 804.50 | 2009-10 |
| 9 | 749.10 | 2010-11 |
| 10 | 749.10 | 2011-12 |
| 11 | 687.50 | 2012-13 |
| 12 | 828.50 | 2013-14 |
| 13 | 768.50 | 2014-15 |
| 14 | 412.00 | 2015-16 |
| 15 | 844.20 | 2016-17 |
| Total | 7644.20 | |



Canara Bank Loan –

(Rs. In Lakhs)

| S.N. | Amount of default as at 31 st March 2017 | Period of Default |
|--------------|---|-------------------|
| 1 | 58.43 | 2015-16 |
| 2 | 117.10 | 2016-17 |
| Total | 175.53 | |

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

For M/S P. G. BHAGWAT
Chartered Accountants

Firm's Registration Number 101118W

Shrinivasi Shreeram Gadgil

Partner

Membership Number: 120570

Place: Mumbai
Date: 29th May 2017

Annexure B to the Auditors' Report

To the Members of Hindustan Organic Chemicals Limited For the year ended 31st March, 2017 (Referred to in paragraph 2 under Report on Other Legal and Regulatory Requirements)

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

1. **Whether the Company has clear title/lease deeds for freehold and leasehold respectively? If not please state the area of freehold & leasehold land for which title/lease deeds are not available?**

Based on the information & Explanation given to us we report that the Company has clear titles/lease deeds for freehold and leasehold respectively.

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

Rasayani unit:

During the year, the Rasayani unit of the company has written off Rs. 12.98 Lakhs due from M/s NOCIL.

Kochi unit:

Kochi unit has not written off any debt / loan / interest etc. during the year.

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

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

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

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

Rasayani Unit:

As informed to us, in Rasayani Unit, 40 acres (approx) land is under encroachment. The management has not taken any effective action for eviction of the encroachers.

The land area allotted by the Government of Maharashtra is not earmarked and measured. Detail of encroachment is given on approximate basis.

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

Kochi Unit:

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

2. **Average salary, retirement age etc. and assumptions made by the actuary regarding the discount rates, future cost increase, mortality rate etc. for arriving at the provisions for liability of retirement benefits viz., gratuity, leave encashment, post-retirement medical benefits etc.**

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

For M/S P. G. BHAGWAT

Chartered Accountants

Firm's Registration Number 101118W

Shrinivasi Shreeram Gadgil

Partner

Membership Number: 120570

Place: Mumbai
Date: 29th May 2017

Annexure C to the Auditors' Report

Report on the Internal Financial Controls under Clause (i) of Sub-section 3 of Section 143 of the Companies Act, 2013 ("the Act")

We have audited the internal financial controls over financial reporting of Hindustan Organic Chemicals Limited ("the Company") as of 31 March 2017 in conjunction with our audit of the standalone financial statements of the Company for the year ended on that date.

Management's Responsibility for Internal Financial Controls

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

Auditors' Responsibility

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

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

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

Meaning of Internal Financial Controls over Financial Reporting

A company's internal financial control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal financial control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to



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

Inherent Limitations of Internal Financial Controls over Financial Reporting

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

Opinion

In our opinion, the Company has, in all material respects, an adequate internal financial controls system over financial reporting and such internal financial controls over financial reporting were operating effectively as at 31 March 2017, based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India except as reported below:

- The Company should improve system of follow up with all creditors/debtors to ensure periodic reconciliation with parties because very few confirmations received during the year.
- The Company needs to implement program for physical verification of all movable and immovable assets on periodic basis in addition to impairment study done by external independent agency.

For **M/S P. G. BHAGWAT**
Chartered Accountants
Firm's Registration Number 101118W

Shrinivas Shreeram Gadgil
Partner
Membership Number: 120570

Place: Mumbai
Date: 29th May 2017

COMMENTS OF THE COMPTROLLER AND AUDITOR GENERAL OF INDIA UNDER SECTION 143(6)(b) OF THE COMPANIES ACT, 2013 ON THE FINANCIAL STATEMENTS OF HINDUSTAN ORGANIC CHEMICALS LIMITED, RASAYANI FOR THE YEAR ENDED 31 MARCH 2017

The preparation of Financial Statements of Hindustan Organic Chemicals Limited, Rasayani for the year ended 31 March 2017 in accordance with the financial reporting framework prescribed under the Companies Act, 2013 (the Act) is the responsibility of the management of the Company. The Statutory Auditors appointed by the Comptroller and Auditor General of India under Section 139(5) of the Act are responsible for expressing opinion on the Financial Statements under Section 143 of the Act based on independent audit in accordance with the standards on auditing prescribed under Section 143(10) of the Act. This is stated to have been done by them vide their Audit Report dated 29 May 2017.

I, on behalf of the Comptroller and Auditor General of India, have conducted a Supplementary Audit under Section 143(6)(a) of the Act of the Financial Statements of Hindustan Organic Chemicals Limited, Rasayani for the year ended 31 March 2017. This Supplementary Audit has been carried out independently without access to the working papers of the Statutory Auditors and is limited primarily to inquiries of the Statutory Auditors and Company personnel and a selective examination of some of the accounting records. Based on my Supplementary Audit, I would like to highlight the following significant matters under Section 143(6)(b) of the Act which have come to my attention and which in my view are necessary for enabling a better understanding of the Financial Statements and the related Audit Report.

Standalone Statement of Profit and Loss

Employee Benefit Expenses – Rs.100.21 crore

Read with Note 28

- This does not include Rs.84.46 crore being the expenditure towards Voluntary Retirement Scheme / Voluntary Separation Scheme introduced by the Company as per the restructuring plan for the Company approved (25 May 2017) by the Government of India. This has resulted in understatement of Employee Benefit Expenses and loss by Rs.84.46 crore.

- This also does not include Rs.22.08 crore towards provision on account of wage revision (1997 and 2007) of Rasayani Unit which is accounted under Prior Period Adjustment (Note 27). In this connection a reference is invited to Note 33 of the Notes to the Standalone Financial Statements for the year 2015-16 wherein the Company has disclosed that no provision has been made for the liability towards wage arrears and it is shown as contingent liability. Since the Company had already ascertained the liability and disclosed the same as contingent liability in the previous year (2015-16), accounting the same as prior period expense in the current year is not in line with provisions of Accounting Standard 5 (Para 16).

This has resulted in understatement of Employee Benefit Expenses and overstatement of Prior Period Adjustment by Rs.22.08 crore.

For and on behalf of the

Comptroller and Auditor General of India
Sd/-

(Roop Rashi)

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

Place: Mumbai

Date: 21 August 2017

Management Reply to the Comments of The Comptroller And Auditor General Of India Standalone Statement of Profit and Loss

Employee Benefit Expenses – Rs.100.21 crore

Read with Note 28

Comment - 1

This does not include Rs.84.46 crore being the expenditure towards Voluntary Retirement Scheme / Voluntary Separation Scheme introduced by the Company as per the restructuring plan for the Company approved (25 May 2017) by the Government of India. This has resulted in understatement of Employee Benefit Expenses and loss by Rs.84.46 crore.

Reply :

As per the VRS Scheme notified by the company the relieving of employees was subject to receipt of funds (from sale of land / Government assistance). The relieving of employees is subject to raising of funds of Rs.618.80 crore from sale of 442 acre of land at Rasayani to BPCL. Moreover the salary to employees will have to be paid / provided, till the date of relieving of the employees. The actual VRS liability will vary depending on the date of relieving of the employees. The VRS circular also stated that the company had the right to withdraw the scheme without any notice. Therefore, the company has calculated the estimated VRS liability upto 31.03.2017 and shown under Commitment / Contingent liabilities, in the Notes to Accounts for the year 2016-17, pending receipt of funds and completion of the various formalities.

Comment – 2

This also does not include Rs.22.08 crore towards provision on account of wage revision (1997 and 2007) of Rasayani Unit which is accounted under Prior Period Adjustment (Note 27). In this connection a reference is invited to Note 33 of the Notes to the Standalone Financial Statements for the year 2015-16 wherein the Company has disclosed that no provision has been made for the liability towards wage arrears and it is shown as contingent liability. Since the Company had already ascertained the liability and disclosed the same as contingent liability in the previous year (2015-16), accounting the same as prior period expense in the current year is not in line with provisions of Accounting Standard 5 (Para 16).

This has resulted in understatement of Employee Benefit Expenses and overstatement of Prior Period Adjustment by Rs.22.08 crore

Reply :

The wage revision arrears due to Rasayani Unit employees was approved by the Board of Directors during earlier years and the payment was to be made in instalments subject to generation of funds. The company had made part payments during the year 2012-13 and the amounts was debited as prior period expenditure, as the approval for payment was given during earlier years. As per the approved restructuring plan of GoI, it is proposed to give VRS / VSS to employees of Rasayani unit; consequent on closure of the unviable plants and necessary funds, is being generated by sale of land to BPCL Rs.618.80 Crore and balance as bridge loan (Rs.360.26 crore) and the arrears due to the employees of Rasayani Unit has been included in the liability. Hence, the amount of arrears payable has been accounted as prior period expenditure, as the approval for the payment was accorded during earlier years and company has not made provision earlier, for want of funds.



Standalone Balance Sheet as at 31st March, 2017

(₹ lakhs)

| | Notes | As at 31.03.2017 | As at 31.03.2016 |
|--|---------|-------------------|-------------------|
| I. EQUITY AND LIABILITIES | | | |
| (1) Shareholders' funds | | | |
| (a) Share capital | 2 | 33726.96 | 33726.96 |
| (b) Reserves and surplus | 3 | (130719.65) | (104847.73) |
| | | (96992.69) | (71120.77) |
| (2) Deferred government grants | 4 | 1801.93 | 1971.25 |
| (3) Non-current liabilities | | | |
| (a) Long-term borrowings | 5 | 28445.40 | 28327.16 |
| (b) Other Long term liabilities | | 0.00 | 0.00 |
| (c) Long-term provisions | 6 | 2611.24 | 7877.55 |
| | | 31056.64 | 36204.71 |
| (4) Current liabilities | | | |
| (a) Short-term borrowings | 7 | 4141.83 | 4041.39 |
| (b) Trade payables | 8 | 19108.46 | 14158.88 |
| (c) Other current liabilities | 9 | 51556.35 | 37097.93 |
| (d) Short-term provisions | 10 | 13377.61 | 1259.73 |
| | | 88184.25 | 56557.93 |
| TOTAL | | 24050.13 | 23613.12 |
| II. ASSETS | | | |
| (1) Non-current assets | | | |
| (a) Fixed assets | | | |
| (i) Tangible assets | 11 | 8831.37 | 10065.54 |
| (ii) Intangible assets | | 1.05 | 7.64 |
| (iii) Capital work-in-progress | 12 | 433.22 | 433.22 |
| (iv) Intangible assets under development | | 0.00 | 0.00 |
| (b) Non-current investments | 13 | 889.80 | 889.80 |
| (c) Long-term loans and advances | 14 | 2834.31 | 2839.69 |
| | | 12989.75 | 14235.89 |
| (2) Current assets | | | |
| (a) Inventories | 15 | 4392.29 | 3131.91 |
| (b) Trade receivables | 16 | 492.61 | 641.12 |
| (c) Cash and cash equivalents | 17 | 355.03 | 234.22 |
| (d) Short-term loans and advances | 18 | 5625.51 | 5151.81 |
| (e) Other current assets | 19 | 194.94 | 218.17 |
| | | 11060.38 | 9377.23 |
| TOTAL | | 24050.13 | 23613.12 |
| Significant Accounting Policies | 1 | | |
| Notes to the Standalone Financial Statements | 2 to 46 | | |

For and on behalf of the Board of Directors

Sd/-
S.B. Bhide
Chairman & Managing Director

Sd/-
Pushpa Trivedi
Director

As per our report of even date attached

For P.G. BHAGWAT
Chartered Accountants
Firm's Registration No. 101118W

Sd/-
Susheela S. Kulkarni
Company Secretary

Sd/-
P.O. Luise
Chief Financial Officer

Sd/-
Shrinivas S. Gadgil
Partner
Membership No.120570

Place: Mumbai
Date : 29.05.2017

Place: Mumbai
Date : 29.05.2017



Standalone Statement of Profit and Loss for the year ended 31st March, 2017

₹ in lakhs

| | Notes | Year ended 31.03.2017 | Year ended 31.03.2016 |
|---|---------|--------------------------|--------------------------|
| REVENUE | | | |
| Revenue from operations: | | | |
| Sale of products | 20 | 15820.72 | 12078.72 |
| Other operating revenue | | 7.98 | 1.72 |
| | | 15828.70 | 12080.44 |
| Less : Excise duty | | 1490.21 | 1165.67 |
| | | 14338.49 | 10914.77 |
| Other income | 21 | 575.65 | 489.21 |
| Total revenue | | 14914.14 | 11403.98 |
| EXPENSES | | | |
| Cost of materials consumed | 22 | 6398.42 | 3864.22 |
| Changes in Inventories of finished goods and work in progress | 23 | (1344.37) | 1672.70 |
| Variation in excise duty on finished goods inventory | | 101.85 | (219.56) |
| Employee benefits expenses | 24 | 10021.03 | 9613.37 |
| Finance costs | 25 | 9484.58 | 6610.92 |
| Depreciation and amortization expenses | | 746.89 | 856.49 |
| Provision for impairment loss on fixed assets | | 513.31 | 1593.70 |
| Other expenses | 26 | 11717.22 | 5841.38 |
| | | 37638.93 | 29833.22 |
| Profit / (Loss) before prior period adjustment, exceptional items and tax | | (22724.79) | (18429.24) |
| Less: Prior Year Adjustment | 27 | 2832.67 | (1038.19) |
| Profit / (Loss) before exceptional items and tax | | (25557.46) | (17391.05) |
| Less: Exceptional items | | 0.00 | 0.00 |
| Profit / (Loss) before tax | | (25557.46) | (17391.05) |
| Extra-ordinary items | | 0.00 | 0.00 |
| Profit / (Loss) before tax | | (25557.46) | (17391.05) |
| Tax expenses : | | | |
| Current tax | | - | - |
| Deferred tax | | - | - |
| Profit / (Loss) for the year | | (25557.46) | (17391.05) |
| Earnings per equity share: (in `) (Face value ₹ 10 each) | | | |
| Basic and Diluted | 37 | (38.05) | (25.89) |
| Significant Accounting Policies | 1 | | |
| Notes to the Standalone Financial Statements | 2 to 46 | | |

For and on behalf of the Board of Directors

Sd/-
S.B. Bhide
Chairman & Managing Director

Sd/-
Pushpa Trivedi
Director

As per our report of even date attached

For P.G. BHAGWAT
Chartered Accountants
Firm's Registration No. 101118W

Sd/-
Susheela S. Kulkarni
Company Secretary

Sd/-
P.O. Luise
Chief Financial Officer

Sd/-
Shrinivas S. Gadgil
Partner
Membership No.120570

Place: Mumbai
Date : 29.05.2017

Place: Mumbai
Date : 29.05.2017

Standalone Cash Flow Statement for the year ended 31st March, 2017

(₹ lakhs)

| | 2016-17 | 2015-16 |
|--|--------------------|-------------------|
| CASH FLOW FROM OPERATING ACTIVITIES: | | |
| Net Profit/(Loss) before tax, prior year adjustments and exceptional items as per Statement of Profit and Loss | (22,724.79) | (18,429.24) |
| Adjusted for : | | |
| Depreciation and amortization expenses | 746.89 | 856.49 |
| Impairment loss (net of provision written back) | 513.31 | 1,593.70 |
| Provision for Impairment on CWIP | - | - |
| Provision for Diminution of Investment-HFL. | - | - |
| Loss on sale/ discard of assets (net) | - | - |
| Provision for Stock Obsolescence | 102.39 | 184.84 |
| Profit on Sale of Assets | (1.63) | - |
| Govt grant transferred to income (Refer note 4) | (169.31) | (102.03) |
| Finance costs | 9,484.58 | 6,610.92 |
| Provision no longer required written back | - | - |
| Interest income from Subsidiary | (63.78) | (63.78) |
| Interest income | (11.95) | (15.01) |
| Operating Profit/(Loss) Before Prior Year Adjustments and exceptional items | (12,124.29) | (9,364.11) |
| Add :- Net prior year adjustments and exceptional items: | (2,832.67) | 1,038.18 |
| Operating Profit / (Loss) Before Working Capital Changes | (14,956.96) | (8,325.93) |
| Adjusted for : | | |
| Trade and other receivables | 148.51 | 1,557.39 |
| Inventory | (1,362.77) | 1,880.02 |
| Trade and other payables | 22,995.40 | 9,779.55 |
| Loans and advances | (445.09) | (143.02) |
| Cash Generated from Operations | 6,379.09 | 4,748.01 |
| Taxes paid (net) | - | - |
| Net Cash from Operating Activities : (A) | 6,379.09 | 4,748.01 |
| CASH FLOW FROM INVESTING ACTIVITIES | | |
| Purchase of fixed assets | (34.75) | (210.98) |
| Sale of fixed assets | 12.62 | - |
| Interest income | 75.73 | 78.79 |
| Net Cash Used In Investing Activities : (B) | 53.60 | (132.19) |
| CASH FLOW FROM FINANCING ACTIVITIES | | |
| Borrowings (net of repayments) | 1,779.06 | 979.85 |
| Bond issue expenses | (314.47) | (314.11) |
| Interest paid | (7,776.47) | (5,396.51) |
| Grant from ISRO | - | 164.50 |
| Net Cash from / Used In Financing Activities : (C) | (6,311.88) | (4,566.27) |
| Net Increase In Cash and Cash Equivalents (A+B+C) | 120.81 | 49.55 |
| Opening Balance of Cash and Cash Equivalents | 234.22 | 184.67 |
| Closing Balance of Cash and Cash Equivalents | 355.03 | 234.22 |

Note : 1. Figures in brackets represent outflows.

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

For and on behalf of the Board of Directors

Sd/-
S.B. Bhide
Chairman & Managing Director

Sd/-
Pushpa Trivedi
Director

As per our report of even date attached

For P.G. BHAGWAT
Chartered Accountants
Firm's Registration No. 101118W

Sd/-
Susheela S. Kulkarni
Company Secretary

Sd/-
P.O. Luise
Chief Financial Officer

Sd/-
Shrinivas S. Gadgil
Partner
Membership No.120570

Place: Mumbai
Date : 29.05.2017

Place: Mumbai
Date : 29.05.2017

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

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

B. USE OF ESTIMATES

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

C. FIXED ASSETS

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

D. IMPAIRMENT OF ASSETS

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

E. DEPRECIATION

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

F. INVENTORIES

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

G. SUNDRY DEBTORS

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

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

H. REVENUE RECOGNITION

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

I. GOVERNMENT GRANTS

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

J. FOREIGN CURRENCY TRANSACTIONS

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

K. BOND ISSUE EXPENSES

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

L. RETIREMENT BENEFITS

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

M. INVESTMENTS

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

N. PRIOR PERIOD ADJUSTMENTS

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

O. PREPAID EXPENSES

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

P. PROVISION FOR CURRENT AND DEFERRED TAX

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

Q. PROVISIONS, CONTINGENT LIABILITIES AND CONTINGENT ASSETS

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



NOTES TO THE STANDALONE FINANCIAL STATEMENTS

| Note No. | ₹ in lakhs | |
|--|------------------|------------------|
| | As at 31.03.2017 | As at 31.03.2016 |
| 2 SHARE CAPITAL: | | |
| AUTHORISED | | |
| 100000000 (previous year 100000000) Equity Shares of Rs. 10 each | 10000.00 | 10000.00 |
| 270000000 (previous year 270000000) 8% Non-cumulative Redeemable Preference Shares of Rs. 10 each. | 27000.00 | 27000.00 |
| | <u>37000.00</u> | <u>37000.00</u> |
| ISSUED, SUBSCRIBED AND FULLY PAID-UP | | |
| Equity Share Capital | | |
| 67173100 (previous year 67173100) Equity Shares of Rs. 10 each | 6717.31 | 6717.31 |
| Add: Paid-up amount on shares forfeited | 9.65 | 9.65 |
| | <u>6726.96</u> | <u>6726.96</u> |
| Preference Share Capital | | |
| 270000000 (previous year 270000000) 8% Non-cumulative Redeemable Preference Shares of Rs. 10 each. | 27000.00 | 27000.00 |
| TOTAL | <u>33726.96</u> | <u>33726.96</u> |

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

2B The Government of India had released in earlier year Rs. 270.00 lakhs (for financial restructuring Rs.250.00 lakhs and Caustic Soda Plant recommissioning Rs. 20.00 lakhs) against allotment of 8% Non-Cumulative Redeemable Preference Shares, thereby broadening the capital base as per the revival scheme. The 8% Preference Shares were allotted to Government of India by the Board on 28th January, 2008, redeemable @ 20% commencing from 4th year with last redemption in the 8th year. The first, second, third, fourth & fifth installments of 20% i.e. Rs. 54.00 lakhs each was due for redemption in financial year 2011-12, 2012-13, 2013-14, 2014-15 & 2015-16 respectively. At the request of the Company, Government of India has extended the commencement of redemption from financial year 2011-12 to financial year 2015-16 @ 25% each year. The Board has authorised the company to request the Govt. for further extension of the redemption date by another four years. As per the decision of the Government of India, the extension of redemption is subject payment of interest @ 1.5 % on the total amount of Rs.270 crore and an amount of Rs.16.20 crore has been provided in the books of accounts during the year. Further interest @1% is payable for default in repayment and accordingly interest amount Rs.5.40 crore has been provided for two years.

2C The particulars of shareholders holding more than 5% equity shares.
The Government of India
Number of shares held 39481500 39481500
Percentage of holding 58.78% 58.78%

2D Terms/rights attached to equity shares
The Company has only one class of equity shares having a par value of Rs.10 per share. Each holder of equity shares is entitled to one vote per share. In the event of liquidation of the Company, the holders of equity shares will be entitled to receive remaining assets of the Company, after distribution of all preferential amounts. The distribution will be in proportion to the number of equity shares held by the shareholders.

2E The preference shareholders have no voting rights.

| Note No. | As at 31.03.2017 | | As at 31.03.2016 | |
|---|------------------|--------------------|------------------|--------------------|
| 3 RESERVES AND SURPLUS: | | | | |
| Capital Reserve | | | | |
| 1. Nominal value of Freehold land Re. 1/- (previous year Re. 1/-) | | | | |
| 2. Share Premium Account | 5298.78 | | 5612.89 | |
| Less: Bond Issue Expenses | 314.46 | 4984.32 | 314.11 | 5298.78 |
| | | <u>4984.32</u> | | <u>5298.78</u> |
| Surplus / (Deficit) in Statement of Profit and Loss | | | | |
| Balance as per last Balance Sheet | (110146.51) | | (92755.45) | |
| Profit / (Loss) for the year as per the Statement of Profit and Loss | (25557.46) | (135703.97) | (17391.06) | (110146.51) |
| TOTAL | | <u>(130719.65)</u> | | <u>(104847.73)</u> |

| Note No. | As at 31.03.2017 | | As at 31.03.2016 | |
|---|------------------|--|------------------|--|
| 4 DEFERRED GOVERNMENT GRANTS : | | | | |
| Amount received upto 01.04.2016 | 2273.33 | | 1932.34 | |
| Add: Received during the year | 0.00 | | 164.50 | |
| Add: Receivable as per final statement | 0.00 | | 176.49 | |
| | 2273.33 | | 2273.33 | |
| Less: Transferred (to) / from deposit | 0.00 | | 0.00 | |
| | 2273.33 | | 2273.33 | |
| Less: Transferred to Income upto 31.03.2016 | (302.09) | | (200.05) | |
| Less: Transferred to Income during the year | (169.31) | | (102.03) | |
| | <u>1801.93</u> | | <u>1971.25</u> | |

4A An amount of Rs. 2273.33 lakhs (previous year Rs. 2096.84 lakhs) has been received from ISRO (Government of India) towards Capital Grant till date for refurbishment of CNA Plant. As per AS 12 - 'Accounting for Government Grants', income for the year has been recognised from this grant of Rs.169.31 lakhs (previous year Rs.102.03 lakhs) to the extent of depreciation charged and is included in 'Miscellaneous income'.

| Note No. | As at 31.03.2017 | | As at 31.03.2016 | |
|--|------------------|-----------------|------------------|-----------------|
| 5 LONG-TERM BORROWINGS : | | | | |
| Secured Loans | | | | |
| Term Loan from Bank | | 0.00 | | 900.00 |
| Unsecured Loans | | | | |
| 1000 (Previous year 1000) Non-convertible 10.57% Taxable Bonds of Rs. 1000000 each, redeemable on 28.08.2017 | | 10000.00 | | 10000.00 |
| 1500 (Previous year 1500) Non-convertible 9.36% Taxable Bonds of Rs. 1000000 each, redeemable on 28.09.2017 | | 15000.00 | | 15000.00 |
| Loans from Government of India | | 3445.40 | | 2320.80 |
| Other Loans | | 0.00 | | 106.36 |
| TOTAL | | <u>28445.40</u> | | <u>28327.16</u> |

5A i) The Term Loan from bank is secured by equitable mortgage conveying first charge over all immovable assets at factory and township situated at Ambalamugal, Rasayani, and Nestle Apartments (10 Flats) at Mumbai. The current maturity of Term loan falling due within the next 12 months are classified under Other current liabilities.
ii) The Company has raised Bonds for Rs.100,00,00,000 (series XX unsecured 10.57% p.a. redeemable bonds) on 28.08.2013 to redeem the bonds (series XIX unsecured 8.73% p.a. redeemable bond) matured on 28.08.2013. The Bonds of Rs.10000 lakhs are shown under current liabilities being 'current maturities of long term borrowing'(maturing on 28.8.2017).
iii) The Company has raised Bonds for Rs.15000 lakhs (series XXI unsecured 9.36% p.a. redeemable bonds) on 01.10.2014 for working capital requirement. The Bonds of Rs.15000 lakhs are shown under current liabilities, being 'current maturities of long term borrowings (maturing on 28.9.2017).
iv) In the absence of profit during the year and due to accumulated losses, Bond redemption reserve has not been created against the bonds raised during earlier year under series XXI for Rs.15000 lakhs.
v) There is a continuing default in repayment of loan from Government of India since the year 2002-03 and the overdue amount towards principal is Rs.7644.20 lakhs (previous year Rs.6800 lakhs) and for interest accrued is Rs.8587.20 lakhs (previous year Rs.7379.15 lakhs). These amounts are shown under 'Other Current Liabilities'. Further an amount of Rs.1336.40 lakhs (previous year Rs.844.20 lakhs) maturing in next 12 months is shown under Other Current Liabilities as 'current maturity of long-term borrowings'.
vi) During the year the company has made a provision in the books for penal interest on Gol loan payable amounting to Rs.1682.00 lakhs (Previous year Nil).

5B The other loans shown above is Canara Bank towards housing finance for employees. The loans from Canara Bank Rs.175.53 (Previous year Rs.152.41) are secured by way of mortgage assignment of rights available to the Company on the housing properties. The amounts repayable to Canara Bank within one year amounting to Rs.175.53 (previous year Rs.46.04) is shown under other 'as current liabilities' 'current maturity of long-term borrowings'.

| Note No. | As at 31.03.2017 | | As at 31.03.2016 | |
|---|------------------|----------------|------------------|----------------|
| 6 LONG-TERM PROVISIONS : | | | | |
| For Employee's Benefits (Refer note - 29) | | 2609.17 | | 7848.73 |
| For Others | | | | |
| Difference in Fixed Assets | 2.07 | | 10.77 | |
| Statutory Claims | 0.00 | 2.07 | 18.05 | 28.82 |
| TOTAL | | <u>2611.24</u> | | <u>7877.55</u> |

i) The difference in Fixed assets in the books of Kochi unit amounting to Rs.10.77 lakhs found during earlier years has been written off during the year. Further during the year an additional provision of Rs.2.77 lakhs has been created for differences in fixed assets.
ii) The Statutory claims is on account of demand from PF authorities (Kochi unit) on account of damages/penalties towards delayed payment of pension contribution during earlier years settled during the year.



NOTES TO THE STANDALONE FINANCIAL STATEMENTS

| Note No. | As at 31.03.2017 | As at 31.03.2016 |
|--|------------------|------------------|
| 7 SHORT-TERM BORROWINGS : | | |
| Secured Loans | | |
| Cash Credit from State Bank of India (Mumbai, Rasayani and Ambalamedu) | 4141.83 | 4041.39 |
| TOTAL | 4141.83 | 4041.39 |

7A Cash Credit from State Bank of India is secured by :

- 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.
- Equitable mortgage conveying First charge over all immovable assets at factory and township situated at Ambalamugal, Dist: Ernakulam in the state of Kerala and over the immovable properties situated at village Deolali, Posari, Wasambe, Parade, Savale, Turade, Dapivali and Ambivali of Panvel and Khalapur talukas, District Raigad in the State of Maharashtra and plant and machinery, equipments, fixtures and fittings, movable machinery, spares, articles and things in the State of Maharashtra (excluding current assets).

| Note No. | As at 31.03.2017 | As at 31.03.2016 |
|---|------------------|------------------|
| 8 TRADE PAYABLES : | | |
| Sundry Creditors | | |
| Dues to Micro, Small and Medium Enterprises (Refer note - 30) | 37.27 | 73.50 |
| Dues to Others | 19071.19 | 14085.38 |
| TOTAL | 19108.46 | 14158.88 |

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

| Note No. | As at 31.03.2017 | As at 31.03.2016 |
|--|------------------|------------------|
| 9 OTHER CURRENT LIABILITIES : | | |
| Current Maturity of Long Term Borrowings | | |
| 1 Loan from Government of India (Refer note - 5A(v)) | 8980.60 | 7644.20 |
| 2 Term Loan from Bank (Refer note - 5A(i)) | 1214.47 | 1124.29 |
| 3 Other Loans - (Refer note - 5B) | 175.53 | 46.04 |
| 4 Interest accrued but not due | 2404.12 | 1904.06 |
| 5 Interest accrued and due (Refer note - 5A(v)) | 8587.20 | 7379.15 |
| 6 Advances from customers | 1432.23 | 540.49 |
| 7 Deposits from Vendors / Customers | 792.22 | 443.14 |
| 8 Statutory dues | 3670.12 | 1973.84 |
| 9 Employee related liabilities | 20477.96 | 12288.43 |
| 10 Payroll Recoveries Payable | 554.91 | 459.57 |
| 11 Other Liabilities | 3266.99 | 3294.72 |
| TOTAL | 51556.35 | 37097.93 |

| Note No. | As at 31.03.2017 | As at 31.03.2016 |
|--|------------------|------------------|
| 10 SHORT-TERM PROVISIONS : | | |
| For Employee Benefits (Refer note - 29) | 6534.65 | 890.46 |
| For Employees Remuneration (Refer note - 31) | 144.04 | 144.04 |
| For Interest to others | 225.23 | 225.23 |
| For Damages/Penalty/Penal Interest | 6473.69 | 0.00 |
| TOTAL | 13377.61 | 1259.73 |

During the year the company has made provision in respect of Damages/Penalty/Penal interest as below.

- Interest, Damages, Penalties, for default in payment of CPF, Gratuity, and other recoveries. Rs. 1837.28 lakhs
- Penal Interest on Gov loan Rs.1682 lakhs
- Interest (1.5 %) on Preference Share (Rs.270 Crore) postponement of redemption by 4 years Rs.1620 lakhs.
- Interest on default in repayment of Preference Share Capital by 2 years Rs.540 lakhs.
- Penalty for non-payment of Guarantee fee on government guaranteed bonds Rs.734 lakhs
- Loss on account of Mis-appropriation of company's fund amounting to Rs.60.41 Lakhs, pending final report from CBI and outcome of the Civil suite.

Total impact on account of the above is Rs.6473.69 Lakhs.

NOTE 11 - FIXED ASSETS

| Sl. No. | Description | GROSS BLOCK | | | | DEPRECIATION / AMORTISATION / IMPAIRMENT | | | | NET BLOCK | | |
|-----------|--------------------------------------|------------------|--------------|----------------|------------------|--|----------------|--------------------------|----------------------------|------------------|------------------|------------------|
| | | As at 01.04.2016 | Additions | Deletions | As at 31.03.2017 | Up to 01.04.2016 | Deletions | Provided during the year | Impairment during the year | Up to 31.03.2017 | As on 31.03.2017 | As on 01.04.2016 |
| A. | TANGIBLE ASSETS | | | | | | | | | | | |
| 1. | Land and Land Development | 669.55 | 0.00 | 0.00 | 669.55 | - | - | - | - | - | 669.55 | 669.55 |
| 1a | Land Revaluation | 0.00 | 0.00 | | 0.00 | | | | | | 0.00 | 0.00 |
| 2. | Leasehold Land | 336.93 | 0.00 | 0.00 | 336.93 | 54.57 | 0.00 | 5.29 | 0.00 | 59.86 | 277.07 | 282.36 |
| 3. | Buildings | 3617.02 | 0.00 | -75.16 | 3541.86 | 2320.14 | -57.98 | 88.78 | 22.97 | 2373.91 | 1167.95 | 1296.88 |
| 4. | Plant and Equipment | 45256.37 | 33.49 | -8259.40 | 37030.46 | 38776.20 | -7435.88 | 551.24 | 49.23 | 31940.79 | 5089.67 | 6480.17 |
| 5. | Furniture and Fixtures | 2157.43 | 1.26 | -171.29 | 1987.40 | 2003.66 | -161.41 | 10.54 | 6.89 | 1859.68 | 127.72 | 153.77 |
| 6. | Vehicles | 187.94 | 0.00 | -34.59 | 153.35 | 155.04 | -32.90 | 11.81 | 0.01 | 133.96 | 19.39 | 32.90 |
| 7. | Office Equipment | 695.91 | 0.00 | 0.00 | 695.91 | 588.58 | 0.00 | 71.64 | 0.19 | 660.41 | 35.50 | 107.33 |
| 8. | Library Books | 77.45 | 0.00 | 0.00 | 77.45 | 74.21 | 0.00 | 0.00 | 0.00 | 74.21 | 3.24 | 3.24 |
| 9. | Railway Sidings | 35.53 | 0.00 | 0.00 | 35.53 | 33.75 | 0.00 | 0.00 | 0.00 | 33.75 | 1.78 | 1.78 |
| 10. | Plants held for disposal | 11378.62 | 0.00 | 8348.40 | 19727.02 | 10346.40 | 7507.13 | 0.00 | 433.99 | 18287.52 | 1439.50 | 1032.22 |
| | Total | 64412.75 | 34.75 | -192.04 | 64255.46 | 54352.55 | -181.04 | 739.30 | 513.28 | 55424.09 | 8831.37 | 10060.20 |
| | Previous year | 63573.72 | 844.37 | 0.00 | 64418.09 | 51983.78 | 0.00 | 775.07 | 1593.70 | 54352.55 | 10065.54 | |
| B. | INTANGIBLE ASSETS | | | | | | | | | | | |
| 11. | Computer Software | 405.17 | 0 | 0 | 405.17 | 397.53 | 0.00 | 6.59 | - | 404.12 | 1.05 | 7.64 |
| | Total | 405.17 | 0 | 0 | 405.17 | 397.53 | 0 | 6.59 | - | 404.12 | 1.05 | 7.64 |
| | Previous Year | 405.17 | 0 | 0 | 405.17 | 316.12 | 0.00 | 81.42 | - | 397.54 | 7.63 | 89.05 |
| | TOTAL (Tangible + Intangible) | | | | | | | | | | | |
| | Current year | 64817.92 | 34.75 | -192.04 | 64660.63 | 54750.08 | -181.04 | 745.89 | 513.28 | 55828.21 | 8832.42 | 10067.84 |
| | Previous Year | 63978.89 | 844.37 | 0.00 | 64823.26 | 52299.90 | 0.00 | 856.49 | 1593.70 | 54750.09 | 10073.17 | |

Note : For Fixed Assets, Capital Work In Progress, Assets held for disposal and provision for impairment of Assets refer note No - 32.



NOTES TO THE STANDALONE FINANCIAL STATEMENTS

| Note No. | ₹ in lakhs | | | |
|---|------------------|--------|------------------|--------|
| | As at 31.03.2017 | | As at 31.03.2016 | |
| 12 CAPITAL WORK-IN-PROGRESS : | | | | |
| 1. J.N.P.T. Tank Terminals Project (Refer note - 32E) | 2978.91 | | 2978.91 | |
| Less: Provision for impairment | 2634.54 | 344.37 | 2634.54 | 344.37 |
| 2. Captive Power Plant Project (Refer note - 32F) | 25.41 | | 25.41 | |
| Less: Provision for impairment | 25.41 | 0.00 | 25.41 | 0.00 |
| 3. Khargar Project | | 83.20 | | 83.20 |
| 4. Others | | 5.65 | | 5.65 |
| TOTAL | 433.22 | | 433.22 | |

| Note No. | ₹ in lakhs | | | |
|---|------------------|--------|------------------|--------|
| | As at 31.03.2017 | | As at 31.03.2016 | |
| 13 NON CURRENT INVESTMENTS : | | | | |
| TRADE INVESTMENTS (AT COST) | | | | |
| Investments in Equity instruments in Subsidiary - Company - Quoted: | | | | |
| 11060000 (previous year 11060000) Equity Shares of Rs. 10 each fully paid in Hindustan Fluorocarbons Ltd., (Refer note - 34(a)) | 1106.00 | | 1106.00 | |
| Less: Provision for diminution of investment | 221.20 | 884.80 | 221.20 | 884.80 |
| Investments in Equity instruments in Joint Venture | | | | |
| Subsidiary - Unquoted: | | | | |
| 30000 (previous year 30000) Equity Shares of Rs. 10 each fully paid in HOC-Chematur Ltd., (Refer note - 33)) | 3.00 | | 3.00 | |
| Less: Provision for diminution of investment | 3.00 | 0.00 | 3.00 | 0.00 |
| Investments in Unquoted Equity Shares of Kerala Enviro Infrastructure Ltd. | | | | |
| 50000 (previous year 50000) Unquoted Equity Shares of Rs.10 | | 5.00 | | 5.00 |
| TOTAL | 889.80 | | 889.80 | |

| Note No. | ₹ in lakhs | | | |
|---|------------------|---------|------------------|---------|
| | As at 31.03.2017 | | As at 31.03.2016 | |
| 14 LONG-TERM LOANS AND ADVANCES : | | | | |
| (Unsecured, considered good unless otherwise stated) | | | | |
| Security Deposits | 90.46 | | 93.04 | |
| Less : Provision for doubtful deposits | 3.06 | 87.40 | 3.06 | 89.98 |
| Advance to Related Parties (Subsidiary Companies) | | | | |
| M/s. Hindustan Fluorocarbons Ltd., (Secured) (Refer note - 34(b)) | | 2744.06 | | 2744.06 |
| Staff Loans (Secured) | | 2.85 | | 5.65 |
| TOTAL | 2834.31 | | 2839.69 | |

| Note No. | ₹ in lakhs | | | |
|----------------------------------|------------------|---------|------------------|---------|
| | As at 31.03.2017 | | As at 31.03.2016 | |
| 15 INVENTORIES : | | | | |
| 1. Raw Materials | 269.29 | | 237.61 | |
| Materials-in-transit | - | | - | |
| Less: Provision for obsolescence | 0.00 | 269.29 | 26.31 | 211.30 |
| 2. Work in Progress : | | 952.85 | | 682.30 |
| 3. Finished Products | | | | |
| i) For Captive Consumption | 232.66 | | 113.01 | |
| ii) Main Products for sale | 1055.14 | | 110.08 | |
| iii) By-Products | 14.01 | 1301.81 | 4.90 | 227.99 |
| 4. Stores and Spares | 2676.92 | | 2690.21 | |
| Less: Provision for obsolescence | 808.58 | 1868.34 | 679.89 | 2010.32 |
| TOTAL | 4392.29 | | 3131.91 | |

15A Excise duty provided on goods manufactured but not removed Rs. 117.43 lakhs (previous year Rs. 17.67 lakhs).

15B Stores and Spares include items not moved for more than five years Rs.1052.41 lakhs (previous year Rs.1057.93 lakhs) and obsolete items of Rs.94.80 lakhs (previous year Rs.4.02 lakhs). An adhoc provision of Rs.808.58 lakhs (previous year Rs.679.89 lakhs) has been made for obsolescence.

| Note No. | ₹ in lakhs | | |
|---|------------------|--|------------------|
| | As at 31.03.2017 | | As at 31.03.2016 |
| 16 TRADE RECEIVABLES : | | | |
| Debts overdue for a period exceeding six months | 2609.98 | | 2695.66 |
| Other Debts | 407.29 | | 534.93 |
| | 3017.27 | | 3230.59 |
| Less: Bills Receivables Discounted | 0.00 | | 66.59 |
| Less: Provision for Doubtful Debts | 2524.66 | | 2522.88 |
| | 492.61 | | 641.12 |

| Note No. | ₹ in lakhs | | |
|--|------------------|--|------------------|
| | As at 31.03.2017 | | As at 31.03.2016 |
| NOTE: | | | |
| Considered good, in respect of which Company holds Bank Guarantees/Letters of Credit | 0.74 | | 376.40 |
| Unsecured considered good | 491.87 | | 331.31 |
| Unsecured considered Doubtful | 516.98 | | 516.62 |
| | 1009.59 | | 1224.33 |
| Less: Bills Receivables Discounted | 0.00 | | 66.59 |
| Less: Provision for Doubtful Debts | 516.98 | | 516.62 |
| | 492.61 | | 641.12 |

| Note No. | ₹ in lakhs | | |
|---|------------------|--------|------------------|
| | As at 31.03.2017 | | As at 31.03.2016 |
| 17 CASH AND BANK BALANCES : | | | |
| 1. CASH AND CASH EQUIVALENTS : | | | |
| Balance with Banks | | | |
| In Current Account | 181.69 | | 62.02 |
| In Saving Bank Account | 125.66 | | 119.58 |
| | 307.35 | | 181.60 |
| In Fixed Deposit | 31.22 | | 29.00 |
| Cash in hand | 2.90 | | 10.98 |
| | | 341.47 | 221.58 |
| 2. OTHER BANK BALANCES | | | |
| In Term Deposit Account | | | |
| With original maturity period not exceeding 12 months | 13.56 | | 12.64 |
| With original maturity period exceeding 12 months | 0.00 | | 0.00 |
| | | 13.56 | 12.64 |
| TOTAL | 355.03 | | 234.22 |

| Note No. | ₹ in lakhs | | | |
|--|------------------|----------------|------------------|---------|
| | As at 31.03.2017 | | As at 31.03.2016 | |
| 18 SHORT-TERM LOANS AND ADVANCES: | | | | |
| (Unsecured, Considered Good unless otherwise stated) | | | | |
| Advances to related parties (Subsidiary Company) | | | | |
| M/s.Hindustan Fluorocarbon Ltd. (Secured) | 453.01 | | 453.01 | |
| Interest accrued but not received | 724.36 | 1177.37 | 679.83 | 1132.84 |
| Loans to Public Sector Undertaking (Considered doubtful) | | | | |
| Loans | 171.08 | | 171.08 | |
| Less: Provision for doubtful recovery | 171.08 | 0.00 | 171.08 | 0.00 |
| Balances / Deposits with Excise, Customs and Statutory Authorities | 877.24 | | 832.48 | |
| Less : Provision for Doubtful Deposits | 2.90 | 874.34 | 2.90 | 829.58 |
| Deposits (Considered Doubtful) | 1.80 | | 1.80 | |
| Less : Provision for Doubtful Deposits | 1.80 | 0.00 | 1.80 | 0.00 |
| Other Loans and Advances | | | | |
| Advance to Suppliers (including Rs. 85.01 lakhs, previous year Rs. 85.01 lakhs, considered doubtful) | 425.38 | | 185.98 | |
| Loans and Advances to Employees | 112.11 | | 46.64 | |
| Claims Receivable from Employees | 0.00 | | 1.84 | |
| Other Receivables (ISRO)(Refer Note No 4A) | 0.00 | | 176.49 | |
| Duties and Taxes Receivable | 2936.31 | | 2572.12 | |
| (includes doubtful advance Rs.5.00 lakhs, previous year Rs.5.00 lakhs) | | | | |
| Miscellaneous advance recoverable | 135.89 | | 121.87 | |
| Less: Provision made for doubtful recovery | (60.41) | | | |
| Others Deposits | 1.55 | | 0.55 | |
| Prepaid Expenses | 112.98 | | 173.91 | |
| | 3663.81 | | 3279.40 | |
| Less : Provision for doubtful advances | 90.01 | | 90.01 | |
| | | 3573.80 | 3189.39 | |
| | | 5625.51 | 5151.81 | |

NOTES TO THE STANDALONE FINANCIAL STATEMENTS

- 18A a) Duties and Taxes Receivable includes an amount of Rs.381.22 lakhs (PY Rs.381.22 lakhs) being KVAT refund due from year 2005-06 to 2012-13 recovered from the input tax refunds by Commercial Taxes dept. (This has been challenged by the company by filing appeals with Dy. Commissioner (Appeals). The said disputed VAT refund will have to be written off in the event of the company losing the appeal before the Appellate authorities. So it included in the contingent Liabilities).
- b) Balances of short term Loans and advances are subject to confirmation/reconciliation and subsequent adjustments.

| Note No. | ₹ in lakhs | | | |
|---|------------------|---------------|------------------|---------------|
| | As at 31.03.2017 | | As at 31.03.2016 | |
| 19 OTHER CURRENT ASSETS : | | | | |
| Accrued Interest on Employee Advances | 105.63 | | 138.86 | |
| Accrued Interest on Deposits | | 26.25 | | 17.13 |
| Accrued Income from Township | 70.31 | | 69.43 | |
| Less: Provision for Doubtful Recovery | 7.25 | 63.06 | 7.25 | 62.18 |
| | | <u>194.94</u> | | <u>218.17</u> |
| 20 REVENUE FROM OPERATIONS | | | | |
| 1. Sale of Products (Manufactured) | | | | |
| Nitroproducts | 414.83 | | 382.94 | |
| Acids | 347.50 | | 92.88 | |
| Spent Acid | 2.24 | | 4.73 | |
| Dinitrogen Tetroxide (N2O4) | 2904.53 | | 1820.63 | |
| Phenol | 5102.94 | | 4350.75 | |
| Acetone | 2530.93 | | 1756.93 | |
| Hydrogen Peroxide (H2O2) | 2683.13 | | 2200.90 | |
| Heavy Ends of Cumene | 255.53 | | 198.32 | |
| Cumox Oil | 88.88 | | 104.97 | |
| | <u>14330.51</u> | | <u>10913.05</u> | |
| Add: Excise Duty | 1490.21 | | 1165.67 | |
| | <u>15820.72</u> | | <u>12078.72</u> | |
| 2. Sale of Products - Traded | | | | |
| | 0.00 | | 0.00 | |
| Gross Sales | <u>15820.72</u> | | <u>12078.72</u> | |
| Other Operating Revenues | 7.98 | | 1.72 | |
| | <u>15828.70</u> | | <u>12080.44</u> | |
| Less : Excise Duty | 1490.21 | | 1165.67 | |
| | <u>14338.49</u> | | <u>10914.77</u> | |
| 21 OTHER INCOME | | | | |
| INTEREST: | | | | |
| On Call and Term Deposits (Gross) | 11.95 | | 15.01 | |
| On Advances and Deposits with MIDC,MSEB and others | 5.39 | | 3.61 | |
| On loan to Subsidiary Company | 63.78 | | 63.78 | |
| Delayed Payment and Finance Charges from Sundry Debtors | 0.82 | 81.94 | 10.42 | 92.82 |
| OTHER NON-OPERATING INCOME: | | | | |
| Estate Rent | 165.63 | | 172.90 | |
| Transport, Water, Electricity,etc. recoveries | 55.96 | | 71.84 | |
| Miscellaneous Income | 270.49 | | 151.65 | |
| Profit on Sale of Assets | 1.63 | 493.71 | 0.00 | 396.39 |
| | <u>575.65</u> | | <u>489.21</u> | |
| 22 COST OF MATERIALS CONSUMED | | | | |
| A. RAW MATERIALS | | | | |
| Benzene | 1837.13 | | 1205.75 | |
| Methanol | 1.38 | | 1.57 | |
| Nitric acid | 338.54 | | 258.65 | |
| Ammonia | 216.58 | | 94.65 | |
| Liquefied Petroleum Gas | 3787.58 | | 2165.50 | |
| Hydrogen | 0.00 | | 11.52 | |
| Caustic Soda Lye | 40.42 | | 22.45 | |
| Sulphuric Acid | 36.83 | | 26.43 | |
| Nitrogen | 85.49 | | 72.63 | |
| Other Raw Materials | 54.47 | | 5.07 | |
| | <u>6398.42</u> | | <u>3864.22</u> | |

Above purchases includes opening stock of raw-materials transferred to stock-in-trade for sale.

| Note No. | ₹ in lakhs | | | |
|---|------------------|------------------|------------------|----------------|
| | As at 31.03.2017 | | As at 31.03.2016 | |
| 23 CHANGES IN INVENTORIES OF FINISHED GOODS, WORK IN PROGRESS AND STOCK IN TRADE | | | | |
| OPENING STOCK | | | | |
| Stock-in-Process | 682.30 | | 814.97 | |
| Stock for Captive Consumption | 113.01 | | 52.93 | |
| Finished Products (Main) | 110.08 | | 1626.17 | |
| By-Products | 4.90 | | 88.93 | |
| | | <u>910.29</u> | | <u>2583.00</u> |
| CLOSING STOCK | | | | |
| Stock-in-Process | 952.85 | | 682.30 | |
| Stock for Captive Consumption | 232.66 | | 113.01 | |
| Finished Products (Main) | 1055.14 | | 110.08 | |
| By-Products | 14.01 | | 4.91 | |
| | | <u>2254.66</u> | | <u>910.30</u> |
| Decrease / (Increase) | | <u>(1344.37)</u> | | <u>1672.70</u> |
| 23A Closing Inventory - Finished Goods | | | | |
| Nitroproducts | 9.82 | | 10.28 | |
| Dinitrogen Tetroxide (N2O4) | 12.88 | | 6.81 | |
| Phenol | 712.28 | | 7.68 | |
| Acetone | 308.16 | | 36.55 | |
| Hydrogen Peroxide (H2O2) | 12.00 | | 48.76 | |
| | <u>1055.14</u> | | <u>110.08</u> | |
| Opening Inventory - Finished Goods | | | | |
| Nitroproducts | 10.28 | | 24.10 | |
| Dinitrogen Tetroxide (N2O4) | 6.81 | | 0.00 | |
| Other chemicals | 0.00 | | 23.38 | |
| Phenol | 7.68 | | 1201.96 | |
| Acetone | 36.55 | | 282.91 | |
| Hydrogen Peroxide (H2O2) | 48.76 | | 93.84 | |
| | <u>110.08</u> | | <u>1626.19</u> | |
| 24 EMPLOYEE BENEFITS EXPENSES | | | | |
| Salary, Wages, Bonus, Incentives and Allowances | 7514.56 | | 7565.81 | |
| Company's contribution to Provident Fund | 743.98 | | 763.45 | |
| Family Pension Fund and other Funds | | | | |
| Gratuity payments including premium for Group | 1010.04 | | 436.75 | |
| Gratuity-cum-Life Insurance Scheme | | | | |
| Provision for leave encashment | 1.20 | | 0.00 | |
| Staff Welfare Expenses | | | | |
| Medical Amenities | 209.83 | | 217.66 | |
| Educational Amenities | 54.33 | | 57.85 | |
| Canteen and Nutrition Amenities | 452.32 | | 520.34 | |
| Other Welfare Expenses | 34.77 | 751.25 | 51.51 | 847.36 |
| TOTAL | | <u>10021.03</u> | | <u>9613.37</u> |
| 25 FINANCE COSTS | | | | |
| Interest Expenses | | | | |
| On Fixed Loans | 3893.62 | | 3602.19 | |
| On Other Loans | 767.25 | | 949.19 | |
| Interest - Others | 4726.53 | 9387.40 | 1959.55 | 6510.93 |
| Other Borrowing Cost | | 97.18 | | 99.99 |
| | | <u>9484.58</u> | | <u>6610.92</u> |
| Interest - others is in respect of interest paid / payable on delayed payment towards provident fund, gratuity, credit society, electricity charges, water charges, income tax (TDS) , MSMEs and other creditors against raw-material supplies. | | | | |



NOTES TO THE STANDALONE FINANCIAL STATEMENTS

| Note No. | ₹ in lakhs | |
|--|------------------|------------------|
| | As at 31.03.2017 | As at 31.03.2016 |
| 26 OTHER EXPENSES: | | |
| Consumption of Stores and Spares (Including catalyst consumed) | 437.65 | 277.62 |
| Utilities: | | |
| Power and Fuel | 4293.26 | 3463.49 |
| Water | <u>218.89</u> | <u>190.93</u> |
| Repairs & Maintenance | | |
| Repairs to Buildings | 69.33 | 79.47 |
| Repairs to Machinery | 127.86 | 102.36 |
| Repairs to Other Assets | <u>173.83</u> | <u>187.77</u> |
| Administration Expenses: | | |
| Rent | 9.55 | 30.71 |
| Insurance | 53.22 | 48.22 |
| Rates and Taxes | 95.65 | 109.50 |
| Consultancy Charges | 50.87 | 52.53 |
| Payment to Auditors Comprises: | | |
| As Auditors-Statutory Audit | 3.31 | 3.73 |
| For Taxation Matters | 1.34 | 1.34 |
| For Other Services | 1.20 | 1.20 |
| For Reimbursement of Expenses | 0.40 | 0.40 |
| Power for Township | 136.98 | 129.39 |
| Water for Township | 90.33 | 116.13 |
| Security Expenses | 202.91 | 213.06 |
| Advertisement Expenses - Tenders, Recruitment etc. | 7.52 | 4.89 |
| Hire of Vehicles Expenses | 30.88 | 53.68 |
| Miscellaneous Expenses | 288.15 | 258.32 |
| Bad Debts Written-off | <u>12.98</u> | <u>0.00</u> |
| Selling and Distribution Expenses: | | |
| Cash Discount | 133.68 | 120.32 |
| Publicity Expenses | 9.86 | 7.80 |
| Other Selling Expenses | <u>8.60</u> | <u>0.40</u> |
| Provisions: | | |
| Provision for Doubtful Debts | 1.78 | 0.19 |
| Provision for Doubtful Advances | 60.41 | 0.00 |
| Provision for Stock Obsolescence | 102.39 | 184.84 |
| For unidentified assets | 2.07 | 0.00 |
| For Long term agreements | 299.04 | 203.09 |
| For Damages/Penalty/Penal Interest | 4793.28 | 5258.97 |
| TOTAL | <u>11717.22</u> | <u>5841.38</u> |
| 26A At Kochi unit, SPA1 Catalyst of 76.330 MT valuing Rs.333.41 Lakhs was charged to the reactor in Cumene plant in the month of May 2013. The estimated life of the Catalyst is to achieve a production of 1100 MT of Cumene per MT of Catalyst under good operating conditions. During the period from May 2013 to March 2017 the company has produced 43298.82 MT of Cumene. Due to intermittent shutdown of Cumene plant during the period which affects the life of Catalyst, the company may fall short of achieving guarantee norms. | | |
| 27 PRIOR YEAR ADJUSTMENTS: | | |
| INCOME | | |
| Income Pertaining to Past Period (General) | 0.00 | 0.06 |
| Income Pertg. To Past Period (N2O4 Sales 2015-16) | 4.35 | 0.00 |
| Others - Rasayani | 6.55 | 0.00 |
| Others - Kochi | <u>15.00</u> | <u>0.00</u> |
| | 25.90 | 0.06 |
| EXPENDITURE | | |
| JNPT Rent Escalation | 0.00 | (532.88) |
| Wage Revision Arrears (1997 & 2007) | 2207.60 | 0.00 |
| Gratuity & Leave encashment diff. of retired employees | 150.03 | 0.00 |
| Sales Tax | 24.79 | 0.00 |
| Industrial safety and Health | 0.37 | 0.00 |
| Interest / DPC payable to BPCL | 116.09 | 0.00 |
| Interest on water charges (MIDC) | 264.29 | 0.00 |
| Gratuity for School teachers | 56.06 | 0.00 |
| General Expenses-Input Tax Disallowed | 0.00 | 6.53 |
| Other Interest | 53.03 | 0.00 |
| Trade Discounts | 4.36 | 0.00 |
| Others - Overtime & Sap-AMC | <u>0.00</u> | <u>28.69</u> |
| | 2876.62 | (497.66) |
| | 2850.72 | (497.72) |
| EXCESS PROVISION WRITTEN BACK | | |
| Provision for Leave Encashment written back | 0.00 | 539.19 |
| Stores & Spares | 0.00 | 1.28 |
| Reversal of Provision for statutory claims | 18.05 | 0.00 |
| | <u>18.05</u> | <u>540.47</u> |
| NET PRIOR YEAR ADJUSTMENTS: | <u>2832.67</u> | <u>(1038.19)</u> |

| Note No. | ₹ in lakhs | |
|---|------------------|------------------|
| | As at 31.03.2017 | As at 31.03.2016 |
| 28 RASAYANI | | |
| i. The Government of India has approved the restructuring plan of the company which includes closure of all plants at Rasayani unit except the Conc. Nitric Acid / N2O4 Plant (which is to be handed over to ISRO) and VRS to the employees (Direct and Indirect) rendered surplus due to shutting down of all plants at Rasayani except those employees associated with operation of CNA/N2O4 plant at Rasayani and the skeletal staff required to implement the proposed restructuring. | | |
| ii) The Company had introduced a VRS Scheme on 12.09.2013 and was open for 1 month upto 12.10.2013 and further re-opened from 11.11.2013 to 18.11.2013. The Company received 151 applications in total out of which 15 applicants were relieved, one applicant was expired. Further 99 applicants have been superannuated in the normal course on attaining the retirement age during the last four years. The balance 36 (previous year 69) applications are kept pending for want of funds and the VRS Compensation of Rs.536.46 lakhs (previous year Rs.856 lakhs has been shown under Other Commitments. (refer note-42). | | |
| iii. The Company has announced a VRS Scheme on 20.02.2017 to 21.03.2017 which was kept open for one month initially and further extended by another 15 days. The company has received 409 applications from the employees (including the 36 employees opted in 2013). The fund required for relieving 373 employees (409 - 36) works out to Rs. 6836.55). | | |
| iv) The Board also approved a Voluntary Separation Scheme (VSS) for the indirect employees (canteen, Adhoc and Mathadi workers) of Rasayani Unit. The estimated liability on account of VSS to the Indirect employees works out to Rs.1073.01 lakhs included in the Other commitments (refer note-42(ii)). | | |

29 EMPLOYEES BENEFIT PLAN:

29A Provision for leave encashment

The Company has made provision of Rs. 1.20 lakhs (previous year Rs.Nil) for leave encashment as per revised AS-15 issued by Institute of Chartered Accountants of India based on Actuarial Valuation and the unpaid amount of leave encashment claims submitted by the employees. As per the restructuring plan submitted to government all the employees of Rasayani unit except those employees being taken over by ISRO are being given VRS and based on the actuarial assessment of the accumulated liabilities, the leave encashment liability of Rasayani unit is being shown under current liabilities.

29B 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.

29C Gratuity

The Employees' Gratuity Fund Scheme, which is a defined benefit plan, is managed by the Trust through an Annuity Scheme maintained with Life Insurance Corporation of India (LIC). The present value of obligation is determined based on actuarial valuation of liability done by using Projected Unit Credit Method, which recognises each period of service as giving rise to additional unit of employee benefit entitlement and measures each unit separately to build up the final obligation. The gratuity liability of Rasayani unit employees has been included in the short term provision since all employees except those who are required for CNA/N2O4 plant will be relieved on VRS.

The ceiling of gratuity has been enhanced from Rs.3.50 lakhs to Rs.10 lakhs with effect from 1st January, 2007. The gratuity liability as on 31st March, 2017 includes the provision towards arrears for the retired employees on above account amounting to Rs.187.54 lakhs (previous year Rs. 187.54 lakhs).

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

| Particulars | 2016-17 | 2015-16 |
|---|---------|----------|
| Present value of obligation as at the beginning of the year | 4981.55 | 5136.04 |
| Interest Cost | 381.09 | 400.61 |
| Current Service Cost | 139.58 | 171.61 |
| Actuarial (gain)/loss on obligations | 210.13 | (726.70) |
| Present value of obligations at the end of year | 5712.35 | 4981.55 |

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

| Particulars | 2016-17 | 2015-16 |
|--|---------|---------|
| Fair value of plan assets at beginning of year | 39.02 | 36.01 |
| Expected return on plan assets | 2.35 | 2.88 |
| Actuarial gain/(loss) on plan assets | 0.86 | 0.13 |
| Fair value of plan assets at the end of year | 42.24 | 39.02 |



NOTES TO THE STANDALONE FINANCIAL STATEMENTS

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

| Particulars | 2016-17 | 2015-16 |
|---|---------|---------|
| Fair value of Plan Asset at the end of the year | 42.24 | 39.02 |
| Present value of obligations at the end of year | 5712.35 | 4981.55 |
| Liability/(Asset) recognized in the Balance Sheet | 5670.12 | 4942.54 |

(iv) Expenses recognized during the year:

| Particulars | 2016-17 | 2015-16 |
|--|---------|----------|
| Current Service Cost | 139.58 | 171.61 |
| Interest cost | 381.09 | 400.61 |
| Expected return on plan assets | (2.35) | (2.88) |
| Actuarial (gain)/loss | 209.27 | (726.83) |
| Expenses Recognised in Profit & Loss Account | 727.58 | (157.49) |

(v) Assumptions used to determine the defined benefit obligations

| Particulars | 2016-17 | 2015-16 |
|--|---------------------------|---------|
| Mortality Table (LIC) (1994-96 Ultimate) Discount rate (p.a) | 6.80% | 7.65% |
| Expected rate of increase in salary (p.a.) | 7.00% | 7.00% |
| Withdrawal rate | 1% to 3% depending on age | |

30 Amount due to Micro, Small and Medium enterprises:

| Particulars | 2016-17 | 2015-16 |
|---|---------|---------|
| a) i) Principal amount remaining unpaid as at the end of each accounting year | 37.27 | 73.50 |
| ii) Interest due thereon | 3.70 | 5.72 |
| b) the amount of interest paid in terms of section 16 of the Micro, Small and Medium Enterprises Development Act, 2006 along with the amount of the payment made to the supplier beyond appointed day. | Nil | Nil |
| c) The amount of interest due and payable for the period of delay in making payment (which have been paid but beyond the appointed day during the year) but without adding the interest specified under the Micro, Small and Medium Enterprises Development Act, 2006. | Nil | Nil |
| d) The amount of interest accrued and remaining unpaid at the end of each accounting year | 24.14 | 20.44 |
| 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 |

31 PROVISION FOR EMPLOYEE REMUNERATION

The company has made provision on account of wage revision (1997 & 2007) of Rasayani unit employees amounting to Rs.2207.60 lakhs and Rs.150.03 lakhs on account of Gratuity and Leave encashment difference payable to retired employees as Prior period expenditure.

32 FIXED ASSETS

RASAYANI

32A Land in possession of the Company at Rasayani admeasuring 455.69 hectares (previous year 455.69 hectares) is acquired by government of Maharashtra and transferred to HOCL, against which a nominal value of Re.1/- is included in "Land and Land development" by creating "Capital Reserve". Land at Parnel amounting to Rs.80,000 (previous year Rs.80,000) included in "Land and Land development" has been given by the Government of Maharashtra for the business/residential purpose of the company.

32B As per the report of the consultant / valuer appointed by the company, for assessing the impairment of Fixed Assets, the loss on account of impairment has been worked out, by comparing the fair market value as on date, with the WDV as on 31st March, 2017 and an additional amount of Rs.513.31 lakhs (including Caustic Soda plant Rs.432.05 lakhs) (previous year Rs.1593.70 lakhs) has been provided for during the year.

32C The company has decided to dispose of all non-working plants i.e. Acetanilide, Sulphuric Acid, and Hydrogen-II, Nitrobenzene-II, Nitrobenzene-III, Aniline-II, Aniline-III, Hydrogen-III, Nitrotoluene and Formaldehyde-II plants having WDV (net of impairment) Rs.1438.16 lakhs and accordingly shown as Plants held for Disposal.

32D The company during the year had called tenders, for disposal of Caustic Soda Plant having WDV of Rs.1032.22 lakhs (previous year 1032.22 lakhs), through MSTC E auction and received highest bid of Rs.600.17 lakhs and pending disposal of the plant, additional impairment amounting to Rs.432.05 lakhs has been provided as on 31.3.2017.

32E i) Capital Work-in-Progress and Expenditure during Construction includes Rs.2978.91 lakhs (previous year Rs.2978.91 lakhs) towards cost of JNPT Tank Terminal project wherein management had decided to suspend further construction. Eventhough the lease period has expired in June 2010, the Company has written to JNPT authorities for extension of the lease period. The company has gone into arbitration along with other Liquid Berth Users Association against JNPT for various issues including lease period issue. Provision for Impairment amounting to Rs.2634.54 lakhs has been made based on the valuer report during earlier year. ii) As per Lease Agreement with JNPT, the Lease Rentals provide for escalation @ 10% on Lease Rent payable to JNPT. The Company had provided for Lease Rentals with old rates upto 31.03.2014 without considering the escalation @ 10% per annum as the matter is under arbitration.

32F An amount of Rs. 25.41 lakhs (previous year Rs. 25.41 lakhs) incurred towards feasibility study of captive power plant was carried forward as Capital WIP from the previous year. The project is on hold now due to high gas prices and may be taken up at a later date only. Full impairment provision has been recognised for the same in earlier year.

32G With respect to the Company's leased land at Kharghar, the commencement of construction certificate issued by CIDCO was valid upto 29.12.2012. Further the Company paid a premium of Rs.15.41 lakhs and got extension for commencement of construction upto 25.05.2013. For further extension for a period of one year upto 25.05.2014 the agreement provides for an additional premium payment of Rs.30.81 lakhs failing which CIDCO reserves the right for taking back the possession of the land. Since the Company was facing financial crunch the payment has not been made to CIDCO.

33 The company had invested Rs.3 lakhs in the Equity of M/s. HOC-Chematur Ltd. by way of joint venture as a co-promoter. The company holds 60% of the Paid-up Equity Capital of HOC-Chematur Ltd., hence HOC-Chematur is a subsidiary company of HOCL. HOC-Chematur Ltd., had initiated the process of implementing the project, however, abandoned subsequently due to inadequate support from financial institutions. In view of such uncertainties involved in implementing the project, the company had fully provided for the losses against the investment. Since the project has been abandoned, the board of directors have decided to wind up the company under the early exit scheme of Ministry of Corporate Affairs.

34 a) The Company has an investment of Rs.1106 lakhs (previous year Rs.1106 lakhs) in the equity share of subsidiary company M/s. Hindustan Fluorocarbons Ltd. (HFL) which is under BIFR since 1994. HFL had made profits in the 4 financial years prior to financial year 2013-14. During the financial year 2013-14, 2014-15 and 2015-16 HFL has incurred a loss. The shares are traded below nominal value since Dec 2012 and the net worth of the Company based on its latest audited balance sheet as at 31st March, 2017 is negative. Hence provision has been made during earlier year towards diminution in the value of these investments amounting to Rs.221.20 lakhs. No provisions are made during the year. As per the decision of the Government of India, the company has decided to divest the entire stake in the Subsidiary for which the Transaction and Legal Advisors have been appointed.

b) During the year 2007-08, the Modified Draft Rehabilitation Scheme (MDRS) for revival of subsidiary - Hindustan Fluorocarbon Ltd. (HFL) was approved by BIFR for implementation. As part of implementation of MDRS, HOCL had waived interest of Rs.2260.26 lakhs accumulated on loan given to HFL and converted the unsecured loan amounting to Rs.2744.06 lakhs as Zero Coupon Loan (ZCL), into secured loan by creating first charge on HFL immovable property (land 84.31 acre valued to the extent of Rs. 4046.88 lakhs) in favour of HOCL. This loan was payable in 7 equal annual instalments commencing from 2010-11. HFL has not paid the instalments for the year 2010-11, 2011-12, 2012-13, 2013-14, 2014-15, 2015-16 and 2016-17 aggregating to Rs.2744.06 lakhs (previous year Rs.2352.05 lakhs). Further, the Company had given loans to HFL aggregating to Rs. 453.01 lakhs (previous year Rs.453.01 lakhs) bearing interest ranging from 10.25% to 14.50% out of which Rs.743.80 lakhs (previous year Rs.445.20 lakhs) being the instalments due from financial year 2010-11 to 2016-17 remains unpaid. This loan is also secured by first charge on the HFL immovable property (land valued to the extent of Rs.4046.88 lakhs).

35 During the year 2001-2002, a case of misappropriation of Company's funds to the tune of Rs. 64.81 lakhs (net and to the extent identified) by an official of the Company, involving fraudulent / fake payments / withdrawals under various heads of accounts including sales tax, debtors etc. had been detected. The case is at present under investigation of CBI. In the meantime, based on the report of the Vigilance Department, a civil suit has been filed for recovery of the amount involved from the concerned employee who was dismissed from the services of the Company. During the year provision has been made in the books to the extent of Rs.60.41 lakhs being the amount receivable outstanding in the books as doubtful of recovery.



NOTES TO THE STANDALONE FINANCIAL STATEMENTS

36 a) The company has entered into an agreement dt. 16.10.2006 to lease the school infrastructure facilities to M/s.Mahatma Education Society (MES) for managing the school for a period of 30 years. The management of MES in order to start professional courses has constructed new buildings and facilities in the premises in contravention of the terms of agreement. The company has sent a notice for termination as per the terms of the agreement to M/s.MES. M/s.MES has filed a petition challenging the termination notice in the Dist. Magistrates Court Alibag. MES has filed petition in the Bombay High Court for appointment of Arbitrator in the dispute between HOCL and MES. The District Court has granted stay pending the final disposal of the Arbitration petition of MES. Company has filed a petition to vacate the stay granted by the District Court in the Bombay High Court.
 b) The Company had entered into long term supply contract with Gas Authority of India (GAIL) at Kochi for supply of Liquefied Natural Gas in 2011 for a period of 15 years ending in 2026. Material foreseeable losses can not be identified in the current scenario.

| 37 EARNING PER SHARE | | Rs. lakhs | |
|---|----------------|----------------|--|
| Earnings per share has been calculated as follows: | | | |
| | 2016-17 | 2015-16 | |
| Net Profit/(Loss) after Tax | (25557.46) | (17391.05) | |
| Weighted average number of equity shares | 67173100 | 67173100 | |
| Nominal Value per equity share (Rs.) | 10 | 10 | |
| Basic / Diluted Earning per equity share | (38.05) | (25.89) | |

38 SEGMENT REPORTING.

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

39 RELATED PARTY DISCLOSURE AS PER AS-18

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

b) Key Managerial Personnel

| No. Name | 2016-17 | | 2015-16 | |
|--|-----------------------------|--|-----------------------------|--|
| | Remuneration (Rs. in Lakhs) | | Remuneration (Rs. in Lakhs) | |
| i) Sri. S.B. Bhide, Chairman and Managing Director | 23.18 | | 21.84 | |
| ii) Sri. J.N. Suryawanshi, Director (Marketing) (upto 03.08.2016) | 25.76 | | 22.60 | |
| iii) Sri. V.B. Ramachandran Nair, Chairman and Managing Director (upto 22.02.2016) | 0.00 | | 18.33 | |
| iv) Sri. R. Suresh Kumar, Director (Finance) (upto 29.02.2016) | 0.00 | | 9.05 | |
| v) Smt. S.S. Kulkarni, Company Secretary | 16.24 | | 14.33 | |
| vi) Sri. P.O. Luise, Chief Financial Officer | 17.49 | | 18.15 | |

40 DEFERRED TAXES

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

41 BALANCE CONFIRMATION

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

For and on behalf of the Board of Directors

Sd/-
S.B. Bhide
 Chairman & Managing Director

Sd/-
Pushpa Trivedi
 Director

Sd/-
Susheela S. Kulkarni
 Company Secretary

Sd/-
P.O. Luise
 Chief Financial Officer

Place: Mumbai
 Date : 29.05.2017

42 Contingent Liabilities & Commitments ₹ in lakhs

| i) Contingent Liabilities | | 31.03.2017 | 31.03.2016 |
|---|--|--------------|-----------------|
| a) Claims against the Company not Acknowledged as debts: | | | |
| i) Differential tax on account of concessional forms in respect of concessional sales | | 281.92 | 158.32 |
| ii) Income Tax Claims | | 672.96 | 1411.37 |
| iii) Sales Tax Claim | | 1095.80 | 1095.80 |
| iv) Excise Claims | | 633.00 | 628.92 |
| v) Customs duty | | 277.18 | 0.00 |
| vi) Rental claim Harchandrai House | | 4661.76 | 4403.39 |
| vii) Wage revision employees (Refer note 33) | | 0.00 | 2197.60 |
| viii) Delayed Payment Charges claimed by BPCL | | 985.25 | 1057.48 |
| ix) Gratuity for School teachers | | 108.81 | 0.00 |
| x) Other claims (P&A - Legal cases) | | 1544.02 | 929.85 |
| xi) Penal Interest on Government Loan | | 0.00 | 1475.52 |
| xi) Claims not acknowledge as debts by suppliers | | 0.00 | 51.78 |
| b) Letters of Credit opened, cheques and bills of exchange discounted with the bankers and remaining outstanding | | 0.00 | 66.59 |
| c) Bank guarantee given | | 135.15 | 1596.15 |
| d) Guarantees given on behalf of the Subsidiary Company, Hindustan Fluoro-carbons Limited to Financial Institutions and Commercial Banks for securing loans and cash credit facilities. | | 603.00 | 1103.00 |
| e) Security Bond given to Commercial Taxes Dept., Govt. of Kerala | | 3053.30 | 3053.30 |
| | | Total | 14052.15 |
| | | | 19229.07 |
| ii) Commitments | | | |
| i) Estimated amount of contracts remaining to be executed on capital account and not provided for (Net of advances) | | 0.00 | 0.00 |
| ii) Other Commitments (Refer note - 28) | | 7909.56 | 1260.00 |

| 43 Value of Imports (on CIF basis) | | 2016-17 | 2015-16 |
|------------------------------------|--|---------|---------|
| Component and Spare Parts | | 43.57 | 0.00 |

44 Consumption of Indigenous/Imported Materials

| | | ₹ in lakhs | | Consumption % ₹ in lakhs | |
|------------------------------|--|----------------|---------------|--------------------------|---------------|
| A) Raw Materials | | | | | |
| Imported | | Nil | Nil | Nil | Nil |
| Indigenous | | 6398.41 | 100 | 3864.21 | 100 |
| TOTAL | | 6398.41 | 100 | 3864.21 | 100 |
| B) Component and Spare Parts | | | | | |
| Imported | | 85.58 | 19.55 | 32.66 | 11.76 |
| Indigenous | | 352.06 | 80.45 | 244.96 | 88.24 |
| TOTAL | | 437.64 | 100.00 | 277.62 | 100.00 |

45 Details of Specified Bank Notes (SBN) held and transacted during the period from 8th November, 2016 to 30th December, 2016

| Description | SBNs | Other denomination notes | Total (₹ in lakhs) |
|---------------------------------------|-------------|--------------------------|--------------------|
| Closing cash in hand as on 8-11-2016 | 9.13 | 0.26 | 9.39 |
| (+) Permitted receipts | 0.61 | 9.63 | 10.24 |
| (-) Permitted payments | 0.00 | 3.04 | 3.04 |
| (-) Amount deposited in Banks | 9.74 | 0.00 | 9.74 |
| Closing cash in hand as on 30-12-2016 | 0.00 | 6.85 | 6.85 |

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

As per our report of even date attached

For P.G. BHAGWAT
 Chartered Accountants
 Firm's Registration No. 101118W

Sd/-
Shrinivas S. Gadgil
 Partner
 Membership No.120570

Place: Mumbai
 Date : 29.05.2017



INDEPENDENT AUDITOR'S REPORT

To the Members of HINDUSTAN ORGANIC CHEMICALS LIMITED

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Hindustan Organic Chemicals Limited ("the Holding Company") and its subsidiary (the Holding Company and its subsidiary together referred to as the "the group"), comprising of the Consolidated Balance Sheet as at 31st March, 2017, the Consolidated Statement of Profit and Loss, the Consolidated Cash Flow Statement for the year then ended, and a summary of the significant accounting policies and other explanatory information (hereinafter referred to as "the consolidated financial statements").

Management's Responsibility for the Consolidated Financial Statements

The Holding Company's Board of Directors is responsible for the preparation of these consolidated financial statements in terms of the requirements of the Companies Act, 2013 (hereinafter referred to as "the Act") that give a true and fair view of the consolidated financial position, consolidated financial performance and consolidated cash flows of the Group including its Associates and Jointly controlled entities in accordance with the accounting principles generally accepted in India, including the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014.

The respective Board of Directors of the companies included in the Group are responsible for maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Group and for preventing and detecting frauds and other irregularities; the selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and the design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error, which have been used for the purpose of preparation of the consolidated financial statements by the Directors of the Holding Company, as aforesaid.

Auditor's Responsibility

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

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

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

We believe that the audit evidence obtained by us and the audit evidence obtained by the other auditors in terms of their reports referred to in sub-paragraph (a) of the Other Matters paragraph below, is sufficient and appropriate to provide a basis for our audit opinion on the consolidated financial statements.

Basis for Qualified Opinion

- (a) The balances of trade payables, loans & advances and other current assets and other debts / credit balances are pending for confirmations and reconciliations. (Note No. 41). The effect of the same on the loss is not ascertainable.
This matter was qualified in Audit Report on the financial statements for the year ended March 31, 2016 as well.
- (b) The financials of HOC-Chematur Ltd. in which the Holding Company holds 60% of the equity, has not been considered by the management in the consolidated financial statements for reasons stated in Note no. 33 to the consolidated financial statements.
- (c) In absence of current status of pending litigations and financial impact thereof, liabilities under such cases are not ascertainable and the foreseeable loss of the same is not considered while preparing financial results.
- (d) The Kochi unit of the Company has entered into long term supply contract with Gas Authority of India Limited (GAIL) for the supply of Liquefied Natural Gas in the year 2011 for the period of 15 years ending in 2026. Material foreseeable loss on this contract is not quantifiable in current scenario.

Qualified Opinion

In our opinion and to the best of our information and according to the explanations given to us, *except for the effects of the matters described in the Basis for Qualified Opinion*, the aforesaid Consolidated financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with

the accounting principles generally accepted in India, of the state of affairs of the Company as at 31st March, 2017, and its profit and its cash flows for the year ended on that date.

Emphasis of Matter

- (a) Attention is drawn to the note 28 to the Consolidated financial statements which state that the Government of India has approved the restructuring plan of the Holding Company which includes closure of all plants at Rasayani unit except the Conc. Nitric Acid / N2O4 Plant (which is to be handed over to ISRO) and VRS to the employees (Direct and Indirect) rendered surplus due to shutting down of all plants at Rasayani except those employees associated with operation of CNAN/N2O4 plant at Rasayani and the skeletal staff required to implement the proposed restructuring.

In view of this, the financial statements have been prepared on Going Concern Basis.

The net worth of the group is fully eroded. The group has incurred cash losses in the current and in previous years. The group's Current Liabilities exceeded its Current Assets as at the balance sheet date. These conditions indicate the existence of material uncertainty that may cast significant doubt on the group's ability to continue as a going concern.

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

- (b) The Group have a few difference in accounting policies of the Holding Company and the Subsidiary Company which are listed below:

| S. N. | Policy | As followed by the Holding Company | As followed by the Subsidiary Company |
|-------|--|--|---|
| 1 | Valuation of Inventory – Raw Materials | At cost on weighted average basis. | At cost on weighted average basis or net realisable value (NRV) whichever is lower |
| 2 | Valuation of Inventory – Stores & Spares | At cost on weighted average basis. | At cost on weighted average basis or net realisable value (NRV) whichever is lower |
| 3 | Valuation of Inventory – Intermediate Products | At cost | At cost on weighted average basis or net realisable value (NRV) whichever is lower |
| 4 | Valuation of Inventory – By Products | At estimated NRV | At NIL value |
| 5 | Revenue Recognition – Sale of Scrap | At the time of disposal | On receipt basis |
| 6 | Revenue Recognition – Interest Income | Recognized when no significant uncertainty as to its realization exists. | On a time proportion basis taking into account the amount outstanding and the applicable rate of interest |
| 7 | Refurbishment Expenditure on Plant & Machinery | In line with the Depreciation policy in accordance with the provisions of the Companies Act 2013 | Amortised over a period of five years from the year if expenditure in accordance with the BIFR Modified Draft Rehabilitation Scheme. |
| 8 | Borrowing Costs | Borrowing Costs in the nature of Bond Issue Expenses are being charged off against Securities Premium Account as per the provisions of the Companies Act, 2013 | Borrowing costs relating to the acquisition of the Fixed Assets are capitalised as part of the cost of the asset. All other borrowing costs are charged to revenue. |
| 9 | Prior Period Adjustments | Items of income / expenses above Rs. 10,000/- in each case relating to previous years, are accounted as prior period adjustments. | There is no specific policy |

As per the information and explanation given to us, the impact of differences as above is not material with the respect to the Group as a whole.

Our opinion is not modified in respect of this matter.

Other Matter

We did not audit the financial statements / financial information of the subsidiary whose financial statements / financial information reflect total assets of Rs. 3,522.35 Lakhs as at 31st March, 2017, total revenues of Rs. 3431.38 Lakhs and net cash flows amounting to Rs. 92.99 Lakhs for the year ended on that date, as considered in the consolidated financial statements. We also did not audit the financial statements / information of the Kochi unit included in the Consolidated financial statement of the Company whose financial statements / information reflecting the total assets of Rs. 11,104.65 Lakhs (excluding inter-branch balance) as at 31st March 2017 and total revenue of Rs. 10,809.92 Lakhs for the year ended on that date, as considered in the consolidated financial statements.



These financial statements / financial information have been audited by other auditors whose reports have been furnished to us by the Management and our opinion on the consolidated financial statements, in so far as it relates to the amounts and disclosures included in respect of the subsidiary and Kochi unit, and our report in terms of sub-sections (3) and (11) of Section 143 of the Act, insofar as it relates to the aforesaid subsidiary is based solely on the reports of the other auditors.

Our opinion on the consolidated financial statements, and our report on Other Legal and Regulatory Requirements below, is not modified in respect of the above matters with respect to our reliance on the work done and the reports of the other auditors and the financial statements / financial information certified by the Management.

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

Report on Other Legal and Regulatory Requirements

1. As required by the Companies (Auditor's Report) Order, 2015 ("the Order"), issued by the Central Government of India in terms of sub-section (11) of Section 143 of the Act, based on the comments in the auditors' reports of the Holding company, subsidiary companies, associate companies and jointly controlled companies incorporated in India, we give in the Annexure A, a statement on the matters specified in paragraphs 3 and 4 of the Order, to the extent applicable.
2. As required by the directions and sub-directions issued by the office of the Comptroller & Auditor General of India under section 143(5) of the Act, we give in the Annexure B, a statement on the matters referred to in those directions.
3. As required by Section 143 (3) of the Act, we report that:
 - (a) We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit of the aforesaid consolidated financial statements.
 - (b) In our opinion, proper books of account as required by law relating to preparation of the aforesaid consolidated financial statements have been kept so far as it appears from our examination of those books and the reports of the other auditors.
 - (c) The report on the accounts of the Branch office of the Company audited under section 143(8) of the Act by the Branch Auditors have been sent to us and have been properly dealt with by us in preparing this report.
 - (d) The Consolidated Balance Sheet, the Consolidated Statement of Profit and Loss, and the Consolidated Cash Flow Statement dealt with by this Report are in agreement with the relevant books of account maintained for the purpose of preparation of the consolidated financial statements.
 - (e) In our opinion, the aforesaid consolidated financial statements comply with the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014.
 - (f) On the basis of the written representations received from the directors of the Holding Company as on 31st March, 2017 taken on record by the Board of Directors of the Holding Company and the reports of the statutory auditors of its subsidiary company, none of the directors of the Group companies is disqualified as on 31st March, 2017 from being appointed as a director in terms of Section 164 (2) of the Act.
 - (g) With respect to the adequacy of the internal financial controls over financial reporting of the Company and the operating effectiveness of such controls, refer to our separate report in Annexure C.
 - (h) With respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, in our opinion and to the best of our information and according to the explanations given to us:
 - i. The consolidated financial statements disclose the impact of pending litigations on the consolidated financial position of the Group- Refer Note 42to the financial statements.
 - ii. The Kochi unit of the Company has entered into long term supply contract with Gas Authority of India Limited (GAIL) for the supply of Liquefied Natural Gas in the year 2011 for the period of 15 years ending in 2026. Material foreseeable loss on this contract is not quantifiable in current scenario. Other than this, the Company did not have any long term contracts including derivative contracts for which there were any material foreseeable losses.
 - iii. There were no amounts which were required to be transferred to the Investor Education and Protection Fund by the Holding Company, and its subsidiary company.
 - iv. The Holding Company has provided requisite disclosures in the consolidated financial statements as to holdings as well as dealings in Specified Bank Notes during the period from 8 November, 2016 to 30 December, 2016. (Refer Note 46).

In Kochi unit, the Company has received amounts from employees in SBN after 8th of Nov 2016, which are classified as receipt from permitted transactions.

We have verified the closing cash balance with the books of accounts. However, details in respect of Specified Bank Notes is as provided by the management of respective entities, as necessary evidence regarding the same was not available for our verification.

For M/S P. G. BHAGWAT
Chartered Accountants
Firm's Registration Number 101118W
Shrinivas Shreeram Gadgil
Partner
Membership Number: 120570

Place: Mumbai
Date: 29th May 2017

ANNEXURE A TO THE AUDITORS' REPORT

As referred in paragraph 1 under Report on Other Legal and Regulatory Requirements of our audit report of even date, the following statement is based in the comments in the Auditor's report on the Consolidated financial statement of the Holding company and its subsidiary incorporated in India (referred to as "the Group") for the year ended 31st March 2017:

1.
 - (a) The Group has maintained proper records showing full particulars including quantitative details and situation of fixed assets.
 - (b) The fixed assets have been physically verified by the management at reasonable intervals.
In Kochi unit, verification of the fixed assets was carried out during the year. The discrepancies noticed on the verification of fixed assets have been properly dealt with in the books of account.
In Rasayani unit, the Company carried out Impairment Study by an external independent agency and incorporated the impairment losses appropriately in the books of account.
 - (c) The title deeds of immovable properties are held in the name of the company;
 2.
 - (a) The inventory has been physically verified by the management at reasonable intervals during the year.
 - (b) In case of Rasayani unit, the verification of chemicals stores in non-working plants were not taken by dip measurement. Instead, reliance was placed on the meter reading device installed. The Company has maintained proper records of inventory. As explained to us, the discrepancies between the physical inventory and the book records noticed on physical verification were not material.
 3. As explained to us, the Holding Company has granted secured loans to its subsidiary - Hindustan Fluorocarbons Ltd. and unsecured advance in the nature of loan to its joint venture subsidiary company - HOC-Chematur Ltd. Covered in the register maintained under section 189 of the Act.
The loan to Hindustan Fluorocarbons Ltd. is interest free to the extent of Rs. 2744.06 lakhs under BIFR agreement and has varying interest rates of 10.25% to 14.5% on amount of Rs.453.01 lakhs. Both the principal amount and the interest on this loan has not been received by company as per stipulation.
The advance to HOC- Chematur Ltd. of Rs. 1064.46 lakhs is interest free and there is no stipulation as to repayment of principal. The advance has been fully written off against provision made in previous year as it is doubtful of recovery.
In both the above cases, except follow up, the company has not taken any other steps for recovery of dues.
 4. According to the information and explanations given to us by the management, the Group has not entered into any transaction regarding the provisions of section 185 & 186 of the Companies Act, 2013 except for guarantee given by the Holding Company of Rs.1,103 Lakhs for the loans taken by subsidiary - Hindustan Fluorocarbons Ltd., from bank. Based on the information and explanations given, the terms and conditions of this guarantee are not prejudicial to the interest of the Holding Company.
 5. The Group has not accepted any deposits from the public and hence the directives issued by the Reserve Bank of India and the provisions of Sections 73 to 76 or any other relevant provisions of the Act and the Companies (Acceptance of Deposit) Rules, 2015 with regard to the deposits accepted from the public are not applicable.
 6. We have broadly reviewed the books of accounts maintained by the Group in pursuance to the rules made by the Central Government for maintenance of cost records under sub-section (1) of Section 148 of the Act, for the certain products of the company and are of the opinion that prima facie and prescribed accounts and records have been maintained. We have not, however made a detailed examination of the records with a view to determine whether they are accurate or complete.
 7.
 - (a) According to the information and explanations given to us by the management and on the basis of our examination of the books of account carried on by us and records, the Holding Company has not deposited undisputed statutory dues, including Provident Fund, Service Tax, Duty of Customs, Duty of Excise, except Employees State Insurance, Income-Tax, Sales tax, Value added Tax, cess etc. since October 2013. There is no undisputed arrears of statutory dues outstanding as at 31st March, 2017 for the period of more than 6 Months from the date they became payable except for as stated below:

Rasayani Unit

(Rs in lakhs)

| Sr. No. | Name of Statute | Nature of Dues | Outstanding Amount |
|---------|---|---------------------------------------|--------------------|
| 1 | The Employees' Provident Funds And Miscellaneous Provisions Act, 1952 | Employees Provident Fund contribution | 5,743.16 |
| 2 | The Employees' Provident Funds And Miscellaneous Provisions Act, 1952 | Employees' Pension Fund contribution | 431.97 |
| 3 | Works Contract Tax Act, 1989 | Works Contract Tax | 1.64 |
| 4 | Income Tax Act, 1961 | Tax deducted at source | 403.76 |
| 5 | Central Sales Tax | Central Sales Tax | 34.12 |
| 6 | Professional Tax | Professional Tax | 74.98 |



| Sr. No. | Name of Statute | Nature of Dues | Outstanding Amount |
|--------------|-----------------|----------------------|--------------------|
| 7 | Gram Panchayat | Gram Panchayat Tax | 80.53 |
| 8 | Tahsildar | N. A. Assessment Tax | 2.54 |
| TOTAL | | | 6,772.71 |

Kochi Unit

(Rs in lakhs)

| Sr. No. | Name of Statute | Nature of Dues | Outstanding Amount |
|--------------|---|---------------------------------------|--------------------|
| 1 | The Employees' Provident Funds And Miscellaneous Provisions Act, 1952 | Employees Provident Fund contribution | 1,156.88 |
| 2 | Income Tax Act, 1961 | TDS - Salary | 411.84 |
| 3 | Excise Act | Excise duty | 512.27 |
| 4 | Professional Tax | Professional Tax | 12.89 |
| TOTAL | | | 2,093.87 |

Subsidiary Company

(Rs in lakhs)

| Sr. No. | Name of Statute | Nature of Dues | Outstanding Amount |
|--------------|---|---------------------------------------|--------------------|
| 1 | The Employees' Provident Funds And Miscellaneous Provisions Act, 1952 | Employees Provident Fund contribution | 348.28 |
| TOTAL | | | 348.28 |

(b) According to the information and explanation given to us, there are no disputed dues of income tax, sales tax, service tax, duty of customs duty, excise duty, value added tax and cess which have not been deposited as at 31st March 2017 other than those shown below:

Rasayani Unit

(Rs. in lakhs)

| Sr. No. | Name of the Statute | Nature of Dues | Period to which the dispute relates | Amount of Dispute | Forum where dispute is pending |
|---------|--------------------------|--|-------------------------------------|-------------------|--|
| 1 | Central Excise Act, 1944 | Molten Sulphur Classification | Feb-97 to Jun-98 | 15.53 | Customs, Excise and Service Tax Appellate Tribunal |
| 2 | Central Excise Act, 1944 | Molten Sulphur Classification | Sept-94 to Jan-97 | 22.76 | Customs, Excise and Service Tax Appellate Tribunal |
| 3 | Central Excise Act, 1944 | Shortage of Inputs | 1998-01 | 18.66 | Pending at high court |
| 4 | Central Excise Act, 1944 | Shortage of Inputs | July-01 to Sept-02 | 5.85 | Commissionerate |
| 5 | Central Excise Act, 1944 | ARO Case (Aniline Valuation) | July-03 to May-06 | 19.29 | Customs, Excise and Service tax appellate |
| 6 | Central Excise Act, 1944 | Clearance of SSA to Fertilizer Manufacturing Units | Sept-96 to Mar-00 | 112.78 | Pending remanded by CEGAT but Central Excise department filed appeal in High Court |
| 7 | Central Excise Act, 1944 | N2O4 Exemption | Jan.,06 to Feb-08 | 104.63 | Customs, Excise and Service Tax Appellate Tribunal |
| 8 | Central Excise Act, 1944 | Duty on clearance on Molten Sulphur | Nov-98 to Dec-98 | 5.05 | Deputy commissioner central excise |
| 9 | Central Excise Act, 1944 | Duty on clearance on Molten Sulphur | Dec-98 to Jan-99 | 2.59 | Deputy commissioner central excise |
| 10 | Finance Act, 1944 | Wrong credit avails on Angels, bar and HR coils and Plates | May-07 to Jul-10 | 1.44 | Appeal filed before Assistant commissioner Central Excise |
| 11 | Finance Act, 1944 | Cleaning, gardening and rent a cab services | Oct-09 to Nov-11 | 8.88 | Deputy commissioner central excise |
| 12 | Finance Act, 1944 | Service tax on canteen services | Feb-07 to Mar-11 | 66.96 | Commissioner of Central Excise Custom and Service Tax. |
| 13 | Finance Act, 1944 | Capital goods Bills of entry | 27.11.2013 to 18.12.2014 | 17.58 | Appeal filed before Hon'ble Comm. C excise Appeals Mumbai.II |
| 14 | Finance Act, 1944 | Flood case | Jan-07 | 9.34 | Appeal is to be filed in CESTATE |
| 15 | Finance Act, 1944 | Reversal Penalty and int. payment as O-inO | Oct.,13 to Mar-15 | 10.95 | Assistant commissioner Central Excise |

| Sr. No. | Name of the Statute | Nature of Dues | Period to which the dispute relates | Amount of Dispute | Forum where dispute is pending |
|--------------|----------------------|--------------------------|-------------------------------------|-------------------|---|
| 16 | Finance Act, 1944 | Molten Sulphur | 1999 | 7.62 | Commissioner of Central Excise Appeals, Mumbai - II |
| 17 | Finance Act, 1944 | Shortage of inputs | | 13.64 | Commissioner of Central Excise |
| 18 | Finance Act, 1944 | Reversal of cenvat | 2006-07 | 18.66 | Commissioner of Central Excise se |
| 19 | Finance Act, 1944 | Service tax credit works | 2015-16 | 17.80 | Joint commissioner Central Excise |
| 20 | Finance Act, 1944 | Contract Service | | 8.90 | Appeal is to be filed before Hon'ble Comm. Central Excise Appeals Mumbai-II |
| 21 | Income Tax Act, 1961 | Penalty u/s 271(1)(c) | A.Y 1999-00 | 91.07 | Bombay High Court |
| 22 | Income Tax Act, 1961 | Penalty u/s 271(1)(c) | A.Y 1999-00 | 57.55 | Bombay High Court |
| 23 | Income Tax Act, 1961 | Penalty u/s 271(1)(c) | A.Y 2003-04 | 607.25 | Bombay High Court |
| 24 | Income Tax Act, 1961 | Penalty u/s 271(1)(c) | A.Y 2004-05 | 63.23 | Bombay High Court |
| 25 | Income Tax Act, 1961 | Disallowance of Expenses | A.Y. 2011-12 | 404.71 | Bombay High Court. Awaiting for hearing. |
| 26 | Income Tax Act, 1961 | Disallowance of Expenses | A.Y. 2012-13 | 81.03 | Bombay High Court. Awaiting for hearing. |
| 27 | Income Tax Act, 1961 | Disallowance of Expenses | A.Y. 2013-14 | 106.51 | Bombay High Court. Awaiting for hearing. |
| TOTAL | | | | 1,900.26 | |

Kochi Unit

(Rs. in lakhs)

| Sr. No. | Name of Statute | Nature of Dues | Period to which the dispute relates | Amount of Dispute | Forum where dispute is pending |
|---------|--------------------------------|---|-------------------------------------|-------------------|--|
| 1 | Finance Act, 1994-Service Tax | Transportation of Excise Goods to Rasayani Depot-Service Tax. Pending for hearing. | Apr-03 to Dec-06 | 43.36 | CESTAT, Bangalore |
| 2 | Finance Act, 1994-Service Tax | Insurance Renewal /Tyre re trading Charges - Service Tax. Pending for hearing | Jul-11 to May-12 | 3.17 | CESTAT, Bangalore |
| 3 | Finance Act, 1994-Service Tax | Bus, Car transportation to employees-Service Tax. Pending for hearing | Nov-11 to Jun-12 | 1.10 | Commissioner (Appeals), Ernakulam |
| 4 | Finance Act, 1994-Service Tax | Insurance renewal/Tyre re trading charge-Service Tax. Pending for hearing | Jun-12 to May-13 | 10.96 | Commissioner (Appeals), Ernakulam |
| 5 | Finance Act, 1994-Service Tax- | Availing of Cenvat credit on the service tax paid for outdoor Catering , Insurance renewal /Transit insurance/Group Insurance and tyre re trading Charges. Department filed appeal to CESTAT. Pending for hearing | Apr-06 to Jan-13 | 83.32 | CESTAT, Bangalore |
| 6 | ESI Corporation | IC No. 88 of 2004 HOCL Vs. ESI Corporation & another before employee Insurance Court (Industrial Tribunal) filed by HOCL challenging the Order of ESI corporation for payment of ESI contribution during the period from 01.04.1992 to 31.10.1992 amounting to ` 2.17,000 | 2004 | 2.17 | ESI Court , Ernakulam |
| 7 | Central Sales Tax Act 1956 | Levy of interest-CST | 2005-06 | 155.23 | Tribunal, Dept. of Commercial Taxes, Ernakulam |



| Sr. No. | Name of Statute | Nature of Dues | Period to which the dispute relates | Amount of Dispute | Forum where dispute is pending |
|---------|---|---------------------------------------|-------------------------------------|-------------------|---|
| 8 | KVAT Act 2003 | Levy of interest-KVAT | 2005-06 | 152.63 | Tribunal, Dept. of Commercial Taxes, Ernakulam |
| 9 | Central Sales Tax Act 1956 - Input tax credit | Input tax credit | 2012-13 | 73.36 | D.C. (Appeals), Dept. of Commercial Taxes, Ernakulam |
| 10 | KVAT Act 2003 | KVAT Act 2003- Demand under Sec.25(1) | 2011-12 | 714.58 | Commissioner of Commercial Taxes, Thiruvananthapuram. |
| | | | | 1,239.88 | |

8. In our opinion & according to the information and explanation given to us, in absence of adequacy of funds the company has made default in repayment of dues to banks and government loan as per stipulation. Details for the default made by the company are as follows:

Government Loan -

(Rs. In Lakhs)

| S.N. | Amount of default as at 31 st March 2017 | Period of Default |
|--------------|---|-------------------|
| 1 | 61.60 | 2002-03 |
| 2 | 152.60 | 2003-04 |
| 3 | 212.60 | 2004-05 |
| 4 | 268.50 | 2005-06 |
| 5 | 328.50 | 2006-07 |
| 6 | 388.50 | 2007-08 |
| 7 | 448.50 | 2008-09 |
| 8 | 804.50 | 2009-10 |
| 9 | 749.10 | 2010-11 |
| 10 | 749.10 | 2011-12 |
| 11 | 687.50 | 2012-13 |
| 12 | 828.50 | 2013-14 |
| 13 | 768.50 | 2014-15 |
| 14 | 412.00 | 2015-16 |
| 15 | 844.20 | 2016-17 |
| Total | 7644.20 | |

Canara Bank Loan -

(Rs. In Lakhs)

| S.N. | Amount of default as at 31 st March 2017 | Period of Default |
|--------------|---|-------------------|
| 1 | 58.43 | 2015-16 |
| 2 | 117.10 | 2016-17 |
| Total | 175.53 | |

Government Plan Loan -

(Rs. In Lakhs)

| S.N. | Amount of default as at 31 st March 2017 | Period of Default |
|--------------|---|-------------------|
| 1 | 572.00 | 2016-17 |
| Total | 572.00 | |

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

16. In our opinion, the company is not required to be registered under section 45IA of the Reserve Bank of India Act, 1934 and accordingly, the provisions of clause 3 (xvi) of the order are not applicable to the Company and hence not commented upon.

For **M/S P. G. BHAGWAT**
Chartered Accountants
Firm's Registration Number 101118W
Shrinivas Shreeram Gadgil
Partner
Membership Number: 120570

Place: Mumbai
Date: 29th May 2017

Annexure B to the Auditors' Report

To the Members of Hindustan Organic Chemicals Limited For the year ended 31st March, 2017 (Referred to in paragraph 2 under Report on Other Legal and Regulatory Requirements)

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

1. Whether the Company has clear title/lease deeds for freehold and leasehold respectively? If not please state the area of freehold & leasehold land for which title/lease deeds are not available?

Based on the information & Explanation given to us we report that the Company has clear titles/lease deeds for freehold and leasehold respectively.

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

Rasayani unit:

During the year, the Rasayani unit of the company has written off Rs. 12.98 Lakhs due from M/s NOCIL, Kochi unit.

Kochi unit has not written off any debt / loan / interest etc. during the year.

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

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

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

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

Rasayani Unit:

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

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

Kochi Unit:

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

2. Average salary, retirement age etc. and assumptions made by the actuary regarding the discount rates, future cost increase, mortality rate etc. for arriving at the provisions for liability of retirement benefits viz., gratuity, leave encashment, post-retirement medical benefits etc.

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

For **M/S P. G. BHAGWAT**
Chartered Accountants
Firm's Registration Number 101118W
Shrinivas Shreeram Gadgil
Partner
Membership Number: 120570

Place: Mumbai
Date: 29th May 2017

Annexure C to the Auditors' Report

Report on the Internal Financial Controls under Clause (i) of Sub-section 3 of Section 143 of the Companies Act, 2013 ("the Act")

In conjunction with my / our audit of the consolidated financial statements of the Company as of and for the year ended March 31, 2017, we have audited the internal financial controls over financial reporting of Hindustan Organic Chemicals Limited (hereinafter referred to as "the Holding Company") and its subsidiary company as of that date.

Management's Responsibility for Internal Financial Controls

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

Auditors' Responsibility



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

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

We believe that the audit evidence we have obtained and the audit evidence obtained by the other auditors in terms of their reports referred to in the Other Matters paragraph below, is sufficient and appropriate to provide a basis for our audit opinion on the Company's internal financial controls system over financial reporting.

Meaning of Internal Financial Controls over Financial Reporting

A company's internal financial control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal financial control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorisations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorised acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Inherent Limitations of Internal Financial Controls Over Financial Reporting

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

Opinion

In our opinion, the Holding Company and its subsidiary company have, in all material respects, an adequate internal financial controls system over financial reporting and such internal financial controls over financial reporting were operating effectively as at March 31, 2017, based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India except as reported below:

- The Company should improve system of follow up with all creditors/debtors to ensure periodic reconciliation with parties because very few confirmations received during the year.
- The Company needs to implement program for physical verification of all movable and immovable assets on periodic basis in addition to impairment study done by external independent agency.

For M/S P. G. BHAGWAT
Chartered Accountants
Firm's Registration Number 101118W

Shrinivas Shreeram Gadgil
Partner
Membership Number: 120570

Place: Mumbai
Date: 29th May 2017

COMMENTS OF THE COMPTROLLER AND AUDITOR GENERAL OF INDIA UNDER SECTION 143(6)(B) READ WITH SECTION 129(4) OF THE COMPANIES ACT, 2013 ON THE CONSOLIDATED FINANCIAL STATEMENTS OF HINDUSTAN ORGANIC CHEMICALS LIMITED, RASAYANI FOR THE YEAR ENDED 31 MARCH 2017

The preparation of Consolidated Financial Statements of Hindustan Organic Chemicals Limited, Rasayani for the year ended 31 March 2017 in accordance with the financial reporting framework prescribed under the Companies Act, 2013 (the Act) is the responsibility of the management of the Company. The Statutory Auditors appointed by the Comptroller and Auditor General of India under Section 139(5) read with Section 129(4) of the Act are responsible for expressing opinion on the Financial Statements under Section 143 read with Section 129(4) of the Act based on independent audit in accordance with the standards on auditing prescribed under Section 143(10) of the Act. This is stated to have been done by them vide their Audit Report dated 29 May 2017.

I, on behalf of the Comptroller and Auditor General of India, have conducted a Supplementary Audit under Section 143(6)(a) read with section 129(4) of the Act of the Consolidated Financial Statements of Hindustan Organic Chemicals Limited, Rasayani for the year ended 31 March 2017. We conducted a Supplementary Audit of the Financial Statements of Hindustan Organic Chemicals Limited but did not conduct Supplementary Audit of the Financial Statements of Hindustan Fluorocarbons Limited for the year ended on that date. This Supplementary Audit has been carried out independently without access to the working papers of the Statutory Auditors and is limited primarily to inquiries of the Statutory Auditors and company personnel and a selective examination of some of the accounting records.

Based on my supplementary audit, I would like to highlight the following significant matters under Section 143(6) (b) read with section 129(4) of the Act which have come to my attention and which in my view are necessary for enabling a better understanding of the financial statements and the related audit report.

Consolidated Statement of Profit and Loss

Employee Benefit Expenses – Rs.112.66 crore (Note 24)

Read with Note 28

- This does not include Rs.84.46 crore being the expenditure towards Voluntary Retirement Scheme / Voluntary Separation Scheme introduced by the Company as per the restructuring plan for the Company approved (25 May 2017) by the Government of India. This has resulted in understatement of Employee Benefit Expenses and loss by Rs.84.46 crore.
- This also does not include Rs.22.08 crore towards provision on account of wage revision (1997 and 2007) of Rasayani Unit which is accounted under Prior Period Adjustment (Note 27). In this connection a reference is invited to Note 33 of the Notes to the Consolidated Financial Statements for the year 2015-16 wherein the Company has disclosed that no provision has been made for the liability towards wage arrears and it is shown as contingent liability. Since the Company had already ascertained the liability and disclosed the same as contingent liability in the previous year (2015-16), accounting the same as prior period expense in the current year is not in line with provisions of Accounting Standard 5 (Para 16).

This has resulted in understatement of Employee Benefit Expenses and overstatement of Prior Period Adjustment by Rs.22.08 crore.

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

(Roop Rashi)

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

Place: Mumbai
Date: 21 August 2017

Management Reply to the Comments of The Comptroller And Auditor General Of India

Consolidated Statement of Profit and Loss

Employee Benefit Expenses – Rs.112.66 crore (Note 24)

Read with Note 28

Comment - 1

This does not include Rs.84.46 crore being the expenditure towards Voluntary Retirement Scheme / Voluntary Separation Scheme introduced by the Company as per the restructuring plan for the Company approved (25 May 2017) by the Government of India. This has resulted in understatement of Employee Benefit Expenses and loss by Rs.84.46 crore.

Reply :

As per the VRS Scheme notified by the company the relieving of employees was subject to receipt of funds (from sale of land / Government assistance). The relieving of employees is subject to raising of funds of Rs.618.80 crore from sale of 442 acre of land at Rasayani to BPCL. Moreover the salary to employees will have to be paid / provided, till the date of relieving of the employees. The actual VRS liability will vary depending on the date of relieving of the employees. The VRS circular also stated that the company had the right to withdraw the scheme without any notice. Therefore, the company has calculated the estimated VRS liability upto 31.03.2017 and shown under Commitment / Contingent liabilities, in the Notes to Accounts for the year 2016-17, pending receipt of funds and completion of the various formalities.

Comment – 2

This also does not include Rs.22.08 crore towards provision on account of wage revision (1997 and 2007) of Rasayani Unit which is accounted under Prior Period Adjustment (Note 27). In this connection a reference is invited to Note 33 of the Notes to the Standalone Financial Statements for the year 2015-16 wherein the Company has disclosed that no provision has been made for the liability towards wage arrears and it is shown as contingent liability. Since the Company had already ascertained the liability and disclosed the same as contingent liability in the previous year (2015-16), accounting the same as prior period expense in the current year is not in line with provisions of Accounting Standard 5 (Para 16).

This has resulted in understatement of Employee Benefit Expenses and overstatement of Prior Period Adjustment by Rs.22.08 crore

Reply :

The wage revision arrears due to Rasayani Unit employees was approved by the Board of Directors during earlier years and the payment was to be made in instalments subject to generation of funds. The company had made part payments during the year 2012-13 and the amounts was debited as prior period expenditure, as the approval for payment was given during earlier years. As per the approved restructuring plan of Gol, it is proposed to give VRS / VSS to employees of Rasayani unit; consequent on closure of the unviable plants and necessary funds, is being generated by sale of land to BPCL Rs.618.80 Crore and balance as bridge loan (Rs.360.26 crore) and the arrears due to the employees of Rasayani Unit has been included in the liability. Hence, the amount of arrears payable has been accounted as prior period expenditure, as the approval for the payment was accorded during earlier years and company has not made provision earlier, for want of funds.



Consolidated Balance Sheet as at 31st March, 2017

₹ lakhs

| | Notes | As at 31.03.2017 | As at 31.03.2016 |
|--|---------|-------------------|------------------|
| I. EQUITY AND LIABILITIES | | | |
| (1) Shareholders' funds | | | |
| (a) Share capital | 2 | 33726.96 | 33726.96 |
| (b) Reserves and surplus | 3 | (138459.94) | (112099.50) |
| | | -104732.98 | -78372.54 |
| (2) Deferred government grants | 4 | 1801.93 | 1971.25 |
| (3) Non-current liabilities | | | |
| (a) Long-term borrowings | 5 | 29117.40 | 29355.35 |
| (b) Other Long term liabilities | | 0.00 | 0.00 |
| (c) Long-term provisions | 6 | 3222.63 | 8512.98 |
| | | 32340.03 | 37868.33 |
| (4) Current liabilities | | | |
| (a) Short-term borrowings | 7 | 4479.12 | 4488.22 |
| (b) Trade payables | 8 | 19398.62 | 14594.83 |
| (c) Other current liabilities | 9 | 55649.34 | 40327.02 |
| (d) Short-term provisions | 10 | 13830.19 | 1806.04 |
| | | 93357.27 | 61216.11 |
| TOTAL | | 22766.25 | 22683.15 |
| II. ASSETS | | | |
| (1) Non-current assets | | | |
| (a) Fixed assets | 11 | | |
| (i) Tangible assets | | 10911.12 | 12278.15 |
| (ii) Intangible assets | | 208.68 | 219.99 |
| (iii) Capital work-in-progress | 12 | 436.16 | 442.20 |
| (b) Non-current investments | 13 | 5.00 | 5.00 |
| (c) Long-term loans and advances | 14 | 189.17 | 194.59 |
| | | 11750.13 | 13139.93 |
| (2) Current assets | | | |
| (a) Inventories | 15 | 4928.71 | 3873.15 |
| (b) Trade receivables | 16 | 899.13 | 870.03 |
| (c) Cash and cash equivalents | 17 | 489.37 | 475.17 |
| (d) Short-term loans and advances | 18 | 4503.97 | 4106.71 |
| (e) Other current assets | 19 | 194.94 | 218.16 |
| | | 11016.12 | 9543.22 |
| TOTAL | | 22766.25 | 22683.15 |
| Significant Accounting Policies | 1 | | |
| Notes to the Consolidated Financial Statements | 2 to 49 | | |

For and on behalf of the Board of Directors

As per our report of even date attached

Sd/-
S.B. Bhide
 Chairman & Managing Director

Sd/-
Pushpa Trivedi
 Director

For P.G. BHAGWAT
 Chartered Accountants
 Firm's Registration No. 101118W

Sd/-
Susheela S. Kulkarni
 Company Secretary

Sd/-
P.O. Luise
 Chief Financial Officer

Sd/-
Shrinivas S. Gadgil
 Partner
 Membership No.120570

Place: Mumbai
 Date : 29.05.2017

Place: Mumbai
 Date : 29.05.2017



Consolidated Statement of Profit and Loss for the year ended 31st March, 2017

| | Notes | Year ended 31.03.2017 | Year ended 31.03.2016 |
|---|---------|--------------------------|--------------------------|
| ₹ lakhs | | | |
| REVENUE | | | |
| Revenue from operations: | | | |
| Sale of products | 20 | 19621.44 | 16035.40 |
| Other operating revenue | | 13.63 | 8.33 |
| | | <u>19635.07</u> | <u>16043.73</u> |
| Less : Excise duty | | 1913.07 | 1601.58 |
| | | <u>17722.00</u> | <u>14442.15</u> |
| Other income | 21 | 559.74 | 486.36 |
| Total revenue | | <u><u>18281.74</u></u> | <u><u>14928.51</u></u> |
| EXPENSES | | | |
| Cost of materials consumed | 22 | 7678.28 | 5565.14 |
| Changes in Inventories of finished goods and work in progress | 23 | (1191.51) | 1944.40 |
| Variation in excise duty on finished goods inventory | | 83.56 | (239.79) |
| Employee benefits expenses | 24 | 11266.07 | 11009.80 |
| Finance costs | 25 | 9746.90 | 6892.65 |
| Depreciation and amortization expenses | | 899.14 | 993.07 |
| Provision for impairment loss on fixed assets | | 513.31 | 1593.70 |
| Other expenses | 26 | 12396.05 | 6710.23 |
| Total expenses | | <u>41391.80</u> | <u>34469.20</u> |
| Profit / (Loss) before prior period adjustment, exceptional items and tax | | <u>(23110.06)</u> | <u>(19540.69)</u> |
| Less: Prior Year Adjustment | 27 | 2934.01 | (1038.11) |
| Profit / (Loss) before exceptional items and tax | | <u>(26044.07)</u> | <u>(18502.58)</u> |
| Less: Exceptional items | | 0.00 | 0.00 |
| Profit / (Loss) before tax | | <u>(26044.07)</u> | <u>(18502.58)</u> |
| Extra-ordinary items | | 0.00 | 0.00 |
| Profit / (Loss) before tax | | <u>(26044.07)</u> | <u>(18502.58)</u> |
| Tax expenses : | | | |
| Current tax | | 0.00 | 0.00 |
| Deferred tax | | 0.00 | 0.00 |
| | | <u>(26044.07)</u> | <u>(18502.58)</u> |
| Minority Interest | | <u>(212.86)</u> | <u>(484.23)</u> |
| Profit / (Loss) for the year | | <u>(25831.21)</u> | <u>(18018.35)</u> |
| Earnings per equity share: (in ₹) (Face value ₹ 10 each) | | | |
| Basic and Diluted | 37 | (38.45) | (26.82) |
| Significant Accounting Policies | 1 | | |
| Notes to the Consolidated Financial Statements | 2 to 49 | | |

For and on behalf of the Board of Directors

As per our report of even date attached

Sd/-
S.B. Bhide
Chairman & Managing Director

Sd/-
Pushpa Trivedi
Director

For P.G. BHAGWAT
Chartered Accountants
Firm's Registration No. 101118W

Sd/-
Susheela S. Kulkarni
Company Secretary

Sd/-
P.O. Luise
Chief Financial Officer

Sd/-
Shriniwas S. Gadgil
Partner
Membership No.120570

Place: Mumbai
Date : 29.05.2017

Place: Mumbai
Date : 29.05.2017



Consolidated Cash Flow Statement for the year ended 31st March, 2017

(₹ lakhs)

| | 2016-17 | 2015-16 |
|--|--------------------|-------------------|
| CASH FLOW FROM OPERATING ACTIVITIES: | | |
| Net Profit/(Loss) before tax, prior year adjustments and exceptional items as per Statement of Profit and Loss | (23,110.06) | (19,540.69) |
| Adjusted for : | | |
| Depreciation and amortization expenses | 899.14 | 993.07 |
| Impairment loss (net of provision written back) | 513.31 | 1,593.70 |
| Profit on Sale of Assets | (1.63) | - |
| Provision for Stock Obsolescence | 102.39 | 184.84 |
| Govt grant transferred to income (Refer note 4) | (169.31) | (102.03) |
| Finance costs | 9,746.90 | 6,892.65 |
| Interest income | (11.95) | (15.01) |
| | <u>11,078.85</u> | <u>9,547.22</u> |
| Operating Profit/(Loss) Before Prior Year Adjustments and exceptional itmes | (12,031.21) | (9,993.47) |
| Add :- Net prior year adjustments and exceptional items: | <u>(2,934.01)</u> | <u>1,038.11</u> |
| Opearing Profit / (Loss) Before Working Capital Changes | (14,965.22) | (8,955.36) |
| Adjusted for : | | |
| Trade and other receivables | (29.10) | 1,627.71 |
| Inventory | (1,157.95) | 2,071.09 |
| Trade and other payables | 22,468.16 | 9,867.80 |
| Loans and advances | (368.62) | 5.27 |
| | <u>20,912.49</u> | <u>13,571.87</u> |
| Cash Generated from Operations | 5,947.27 | 4,616.51 |
| Taxes paid (net) | - | - |
| Net Cash from Opearing Activities : (A) | 5,947.27 | 4,616.51 |
| CASH FLOW FROM INVESTING ACTIVITIES | | |
| Purchase of fixed assets | (43.40) | (662.30) |
| Sale of fixed assets | 12.62 | - |
| Interest income | 11.95 | 15.01 |
| | <u>(18.83)</u> | <u>(647.29)</u> |
| Net Cash Used In Investing Activities : (B) | (18.83) | (647.29) |
| CASH FLOW FROM FINANCING ACTIVITIES | | |
| Borrowings (net of repayments) | 2,047.50 | 2,457.02 |
| Bond issue expenses | (314.46) | (314.11) |
| Interest paid | (7,647.28) | (7,109.94) |
| Grant from ISRO | - | 164.50 |
| | <u>(5,914.24)</u> | <u>(4,802.53)</u> |
| Net Cash from / Used In Financing Activites : (C) | (5,914.24) | (4,802.53) |
| Net Increase In Cash and Cash Equivalents (A+B+C) | 14.20 | (833.31) |
| Opening Balance of Cash and Cash Equivalents | 475.17 | 1,308.48 |
| Closing Balance of Cash and Cash Equivalents | 489.37 | 475.17 |

Note : 1. Figures in brackets represent outflows.

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

For and on behalf of the Board of Directors

As per our report of even date attached

Sd/-
S.B. Bhide
Chairman & Managing Director

Sd/-
Pushpa Trivedi
Director

For P.G. BHAGWAT
Chartered Accountants
Firm's Registration No. 101118W

Sd/-
Susheela S. Kulkarni
Company Secretary

Sd/-
P.O. Luise
Chief Financial Officer

Sd/-
Shrinivas S. Gadgil
Partner
Membership No.120570

Place: Mumbai
Date : 29.05.2017

Place: Mumbai
Date : 29.05.2017

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

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

B. USE OF ESTIMATES

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

C. BASIS OF CONSOLIDATION.

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

D. FIXED ASSETS

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

E. IMPAIRMENT OF ASSETS

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

F. DEPRECIATION

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

G. INVENTORIES

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

H. SUNDRY DEBTORS

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

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

I. REVENUE RECOGNITION

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

J. GOVERNMENT GRANTS

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

K. FOREIGN CURRENCY TRANSACTIONS

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

L. BOND ISSUE EXPENSES

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

M. RETIREMENT BENEFITS

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

N. INVESTMENTS

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

O. PRIOR PERIOD ADJUSTMENTS

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

P. PREPAID EXPENSES

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

Q. PROVISION FOR CURRENT AND DEFERRED TAX

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

R. PROVISIONS, CONTINGENT LIABILITIES AND CONTINGENT ASSETS

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



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(₹ lakhs)

| Note No. | As at 31.03.2017 | As at 31.03.2016 |
|---|--------------------|--------------------|
| 2 SHARE CAPITAL: | | |
| AUTHORISED | | |
| 100000000 (previous year 100000000) | 10000.00 | 10000.00 |
| Equity Shares of Rs. 10 each | | |
| 270000000 (previous year 270000000) | 27000.00 | 27000.00 |
| 8% Non-cumulative | | |
| Redeemable Preference Shares of Rs. 10 each. | | |
| | <u>37000.00</u> | <u>37000.00</u> |
| ISSUED, SUBSCRIBED AND FULLY PAID-UP | | |
| Equity Share Capital | | |
| 67173100 (previous year 67173100) Equity Shares of Rs. 10 each | 6717.31 | 6717.31 |
| Add: Paid-up amount on shares forfeited | 9.65 | 9.65 |
| | <u>6726.96</u> | <u>6726.96</u> |
| Preference Share Capital | | |
| 270000000 (previous year 270000000) | 27000.00 | 27000.00 |
| 8% Non-cumulative | | |
| Redeemable Preference Shares of Rs. 10 each. | | |
| TOTAL | <u>33726.96</u> | <u>33726.96</u> |
| 2A During the year 2010-11, the Holding Company forfeited 193000 shares of Rs.10 each (Rs.5 paid up) for non payment of allotment and call monies and the amount paid towards application money in respect of these forfeited shares has been transferred to "Share's Forfeiture Account". | | |
| 2B The Government of India had released in earlier year Rs. 270.00 lakhs (for financial restructuring Rs. 250.00 lakhs and Caustic Soda Plant recommissioning Rs. 20.00 lakhs) against allotment of 8% Non-Cumulative Redeemable Preference Shares to the Holding Company, thereby broadening the capital base as per the revival scheme. The 8% Preference Shares were allotted to Government of India by the Board on 28th January, 2008, redeemable @ 20% commencing from 4th year with last redemption in the 8th year. The first, second, third, forth & fifth installments of 20% i.e. Rs. 54.00 lakhs each was due for redemption in financial year 2011-12, 2012-13, 2013-14, 2014-15 & 2015-16 respectively. At the request of the Holding Company, Government of India has extended the commencement of redemption from financial year 2011-12 to financial year 2015-16 @ 25% each year. The Board has authorised the Holding Company to request the Govt. for further extension of the redemption date by another four years. As per the decision of the Government of India, the extension of redemption is subject payment of interest @ 1.5 % on the total amount of Rs.270 crore and an amount of Rs.16.20 crore has been provided in the books of accounts during the year. Further interest @1% is payable for default in repayment and accordingly interest amount Rs.5.40 crore has been provided for two years. | | |
| 2C The particulars of shareholders holding more than 5% equity shares. | | |
| The Government of India | | |
| Number of shares held | 39481500.00 | 39481500.00 |
| Percentage of holding | 58.78% | 58.78% |
| 2D Terms/rights attached to equity shares | | |
| The Holding Company has only one class of equity shares having a par value of Rs.10 per share. Each holder of equity shares is entitled to one vote per share. In the event of liquidation of the Company, the holders of equity shares will be entitled to receive remaining assets of the Company, after distribution of all preferential amounts. The distribution will be in proportion to the number of equity shares held by the shareholders. | | |
| 2E The preference shareholders have no voting rights. | | |
| 3 RESERVES AND SURPLUS: | | |
| Capital Reserve | | |
| Nominal value of Freehold land Re.1/- (previous Year Re.1/-) | 0.00 | 0.00 |
| Paid up amount of Shares Forefeited | 0.87 | 0.87 |
| Share Premium Account | 5298.78 | 5612.89 |
| Less: Bond Issue Expenses | 314.46 | 314.11 |
| | <u>4984.32</u> | <u>5298.78</u> |
| Surplus / (Deficit) in Statement of Profit and Loss | | |
| Balance as per last Balance Sheet | (114625.10) | (96606.75) |
| Profit / (Loss) for the year as per the Statement of Profit and Loss | (25833.14) | (18018.35) |
| | <u>(140458.24)</u> | <u>(114625.10)</u> |
| Negative minority interest (refer note-47) | (2986.89) | (2774.05) |
| | <u>(138459.94)</u> | <u>(112099.50)</u> |
| TOTAL | <u>33726.96</u> | <u>33726.96</u> |

(₹ lakhs)

| Note No. | As at 31.03.2017 | As at 31.03.2016 |
|--|------------------|------------------|
| 4 DEFERRED GOVERNMENT GRANTS : | | |
| Amount received upto 01.04.2016 | 2273.33 | 1932.34 |
| Add: Received during the year | 0.00 | 164.50 |
| Add: Receivable as per final statement | 0.00 | 176.49 |
| | <u>2273.33</u> | <u>2273.33</u> |
| Less: Transferred (to) / from deposit | 0.00 | 0.00 |
| | <u>2273.33</u> | <u>2273.33</u> |
| Less: Transferred to Income upto 31.03.2016 | (302.09) | (200.05) |
| Less: Transferred to Income during the year | (169.31) | (102.03) |
| | <u>1801.93</u> | <u>1971.25</u> |
| 4A An amount of Rs.2273.33 lakhs (previous year Rs. 2096.84 lakhs) has been received from ISRO (Government of India) by Holding Company towards Capital Grant till date for refurbishment of CNA Plant. As per AS 12 - 'Accounting for Government Grants', income for the year has been recognised from this grant of Rs.169.31 lakhs (previous year Rs.102.03 lakhs) to the extent of depreciation charged and is included in 'Miscellaneous income'. | | |
| 5 LONG-TERM BORROWINGS : | | |
| Secured Loans | | |
| Term Loan from Bank | 0.00 | 920.19 |
| Unsecured Loans | | |
| 1000 (Previous year 1000) Non-convertible 10.57% Taxable | 10000.00 | 10000.00 |
| Bonds of Rs. 1000000 each, redeemable on 28.08.2017 | | |
| 1500 (Previous year Nil) Non-convertible 9.36% Taxable | 15000.00 | 15000.00 |
| Bonds of Rs. 1000000 each, redeemable on 28.09.2017 | | |
| Loans from Government of India | 4117.40 | 3328.80 |
| Other Loans | 0.00 | 106.36 |
| TOTAL | <u>29117.40</u> | <u>29355.35</u> |
| 5A i) The Holding Company's Term Loan from bank is secured by equitable mortgage conveying first charge over all immovable assets at factory and township situated at Ambalamugal, Rasayani, and Nestle Apartments (10 Flats) at Mumbai. The current maturity of Term loan falling due within the next 12 months are classified under Other current liabilities. | | |
| ii) The Holding Company has raised Bonds for Rs.100,00,00,000 (series XX unsecured 10.57% p.a. redeemable bonds) on 28.08.2013 to redeem the bonds (series XIX unsecured 8.73% p.a. redeemable bond) matured on 28.08.2013. The Bonds of Rs10000 lakhs are shown under current liabilities being 'current maturities of long term borrowing' (maturing on 28.8.2017). | | |
| iii) The Holding Company has raised Bonds for Rs.15000 lakhs (series XXI unsecured 9.36% p.a. redeemable bonds) on 01.10.2014 for working capital requirement. The Bonds of Rs15000 lakhs are shown under current liabilities, being 'current maturities of long term borrowings'(maturing on 28.9.2017). | | |
| iv) In the absence of profit during the year and due to accumulated losses, Bond redemption reserve has not been created against the bonds raised during earlier year under series XXI for Rs. 15000 lakhs. | | |
| v) There is a continuing default in repayment of loan from Government of India by Holding Company since the year 2002-03 and the overdue amount towards principal is Rs. 7644.20 lakhs (previous year Rs.6800 lakhs) and for interest accrued is Rs.8587.20 lakhs (previous year Rs. 7379.15 lakhs). These amounts are shown under 'Other Current Liabilities'. Further an amount of Rs.1336.40 lakhs (previous year Rs.844.20 lakhs) maturing in next 12 months is shown under Other Current Liabilities as 'current maturity of long-term borrowings'. | | |
| vi) During the year the Holding Company has made a provision in the books for penal interest on Gol loan payable amounting to Rs.1682.00 lakhs (Previous year Nil). | | |
| 5B The other loans shown above is taken by the Holding company from Canara Bank towards housing finance for employees. The loans from Canara Bank Rs.175.53 (Previous year Rs.152.41) are secured by way of mortgage assignment of rights available to the Company on the housing properties. The amounts re-payable to Canara Bank within one year amounting to Rs.175.53 (previous year Rs.46.04) is shown under other 'as 'current liabilities' 'current maturity of long-term borrowings'. | | |



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(₹ lakhs)

| Note No. | As at 31.03.2017 | As at 31.03.2016 |
|---|------------------|------------------|
| 6 LONG-TERM PROVISIONS : | | |
| For Employee's Benefits (Refer note - 29) | 3220.56 | 8484.16 |
| For Others | | |
| Difference in Fixed Assets | 2.07 | 10.77 |
| Statutory Claims | 0.00 | 18.05 |
| TOTAL | 3222.63 | 8512.98 |

- i) The difference in Fixed assets of Holding Company amounting to Rs.10.77 lakhs found during earlier years has been written off during the year. Further during the year an additional provision of Rs.2.77 lakhs has been created for differences in fixed assets.
- ii) The Statutory claims on Holding Company is on account of demand from PF authorities on account of damages/penalties towards delayed payment of pension contribution during earlier years settled during the year.

| Note No. | As at 31.03.2017 | As at 31.03.2016 |
|--|------------------|------------------|
| 7 SHORT-TERM BORROWINGS : | | |
| Secured Loans | | |
| Cash Credit from State Bank of India | 4141.83 | 4041.39 |
| Cash credit from State bank of Hyderabad | 337.29 | 446.83 |
| TOTAL | 4479.12 | 4488.22 |

- 7A Cash Credit from State Bank of India in the books of the Holding Company is secured by :
- i. Hypothecation of the Company's entire stock of raw materials, finished goods, stock-in-process, consumable stores and spares and book debts in favour of the bank.
- ii. Equitable mortgage conveying First charge over all immovable assets at factory and township situated at Ambalamugal, Dist: Emakulam in the state of Kerala and over the immovable properties situated at village Deolali, Posari, Wasambe, Parade, Savale, Turade, Dapivali and Ambivali of Panvel and Khalapur talukas, District Raigad in the State of Maharashtra and plant and machinery, equipments, fixtures and fittings, movable machinery, spares, articles and things in the State of Maharashtra (excluding current assets).
- iii. Mortgage has been created against the company owned 10 flats at Nestle, PB Marg, Worli, towards the Corporate loan of Rs.30 crore sanctioned (current outstanding Rs.12 crore).

| Note No. | As at 31.03.2017 | As at 31.03.2016 |
|---|------------------|------------------|
| 8 TRADE PAYABLES : | | |
| Sundry Creditors | | |
| Dues to Micro, Small and Medium Enterprises (Refer note - 30) | 46.01 | 95.51 |
| Dues to Others | 19352.61 | 14499.32 |
| TOTAL | 19398.62 | 14594.83 |

NOTE 12 - FIXED ASSETS

(₹ lakhs)

| Sl.No. Item | Description | GROSS BLOCK | | | | DEPRECIATION / AMORTISATION / IMPAIRMENT | | | | NET BLOCK | | |
|-----------------------------|--------------------------------------|------------------|--------------|------------------|------------------|--|----------------|--------------------------|----------------------------|------------------|------------------|------------------|
| | | As at 01.04.2016 | Additions | Deletions / Adj. | As at 31.03.2017 | Up to 01.04.2016 | Deletions | Provided during the year | Impairment during the year | Up to 31.03.2017 | As on 31.03.2017 | As on 01.04.2016 |
| A. TANGIBLE ASSETS | | | | | | | | | | | | |
| 1. | Land and Land Development | 728.62 | 0.00 | 0.00 | 728.62 | - | - | 0.00 | - | - | 728.62 | 728.62 |
| 1a | Land Revaluation | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| 2. | Leasehold Land | 336.93 | 0.00 | 0.00 | 336.93 | 54.57 | 0.00 | 5.29 | 0.00 | 59.86 | 277.07 | 282.36 |
| 3. | Buildings | 3923.35 | 0.00 | -75.17 | 3848.18 | 2457.93 | -57.98 | 88.78 | 22.97 | 2511.70 | 1336.48 | 1465.42 |
| 4. | Plant and Equipment | 52614.65 | 38.59 | -8259.39 | 44393.85 | 44164.60 | -7435.88 | 559.55 | 49.23 | 37337.50 | 7056.35 | 8450.05 |
| 5. | Furniture and Fixtures | 2242.23 | 1.62 | -171.29 | 2072.56 | 2076.32 | -161.41 | 136.44 | 6.89 | 2058.24 | 14.32 | 165.91 |
| 6. | Vehicles | 187.94 | 0.00 | -34.59 | 153.35 | 155.04 | -32.90 | 14.35 | 0.01 | 136.50 | 16.85 | 32.90 |
| 7. | Office Equipment | 738.36 | 0.24 | 0.00 | 738.60 | 628.06 | 0.00 | 73.43 | 0.19 | 701.68 | 36.92 | 110.30 |
| 8. | Library Books | 77.45 | 0.00 | 0.00 | 77.45 | 74.21 | 0.00 | 0.00 | 0.00 | 74.21 | 3.24 | 3.24 |
| 9. | Railway Sidings | 35.53 | 0.00 | 0.00 | 35.53 | 33.76 | 0.00 | 0.00 | 0.00 | 33.76 | 1.77 | 1.77 |
| 10. | Plants held for disposal | 11378.62 | 0.00 | 8348.40 | 19727.02 | 10346.40 | 7507.13 | 0.00 | 433.99 | 18287.52 | 1439.50 | 1032.22 |
| | Total | 72263.68 | 40.45 | -192.04 | 72112.09 | 59990.89 | -181.04 | 877.84 | 513.28 | 61200.97 | 10911.12 | 12272.79 |
| | Previous year | 70980.38 | 1288.62 | 0.00 | 72269.00 | 57495.64 | 0.00 | 901.52 | 1593.69 | 59990.85 | 12278.15 | 13484.74 |
| B. INTANGIBLE ASSETS | | | | | | | | | | | | |
| 11. | Computer Software | 410.77 | 8.99 | 0.00 | 419.76 | 401.39 | 0.00 | 9.36 | 0.00 | 410.75 | 9.01 | 9.38 |
| | M-PTFE | 219.25 | 0.00 | 0.00 | 219.25 | 8.65 | 0.00 | 10.93 | 0.00 | 19.58 | 199.67 | 210.60 |
| | Total | 630.02 | 8.99 | 0.00 | 639.01 | 410.04 | 0.00 | 20.29 | 0.00 | 430.33 | 208.68 | 219.98 |
| | Previous Year | 569.74 | 60.28 | 0.00 | 630.02 | 318.51 | 0.00 | 91.52 | 0.00 | 410.03 | 219.99 | 251.23 |
| | TOTAL (Tangible + Intangible) | | | | | | | | | | | |
| | Current year | 72893.70 | 49.44 | -192.04 | 72751.10 | 60400.93 | -181.04 | 898.13 | 513.28 | 61631.30 | 11119.80 | 12492.77 |
| | Previous Year | 71550.12 | 1348.90 | 0.00 | 72899.02 | 57814.15 | 0.00 | 993.04 | 1593.69 | 60400.88 | 12498.14 | 13735.97 |

Note : For Fixed Assets, Capital Work In Progress, Assets held for disposal and provision for impairment of Assets refer note No - 32.

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

| Note No. | As at 31.03.2017 | As at 31.03.2016 |
|--|------------------|------------------|
| 9 OTHER CURRENT LIABILITIES : | | |
| Current Maturity of Long Term Borrowings | | |
| 1 Loan from Government of India (Refer note - 5A(v)) | 9888.60 | 8316.20 |
| 2 Term Loan from Bank (Refer note - 5A(i)) | 1214.47 | 1124.29 |
| 3 Other Loans - (Refer note - 5B) | 175.53 | 46.04 |
| 4 Interest accrued but not due | 2404.12 | 1904.06 |
| 5 Interest accrued and due (Refer note - 5A(v)) | 8587.20 | 7379.32 |
| 6 Advances from customers | 1432.23 | 540.49 |
| 7 Deposits from Vendors / Customers | 792.22 | 443.14 |
| 8 Statutory dues | 3670.12 | 1967.48 |
| 9 Employee related liabilities | 20477.96 | 12288.42 |
| 10 Payroll Recoveries Payable | 554.91 | 459.57 |
| 11 Other Liabilities | 6451.98 | 5858.01 |
| TOTAL | 55649.34 | 40327.02 |

| Note No. | As at 31.03.2017 | As at 31.03.2016 |
|--|------------------|------------------|
| 10 SHORT-TERM PROVISIONS : | | |
| For Employee Benefits (Refer note - 29) | 6975.21 | 1423.82 |
| For Employees Remuneration (Refer note - 31) | 156.06 | 156.99 |
| For Interest to others | 225.23 | 225.23 |
| For Damages/Penalty/Penal Interest | 6473.69 | 0.00 |
| TOTAL | 13830.19 | 1806.04 |

- During the year the Holding Company has made provision in respect of Damages/Penalty/Penal interest as below.
- a. Interest, Damages, Penalties, for default in payment of CPF, Gratuity, and other recoveries. Rs. 1837.28 lakhs
- b. Penal Interest on Gol loan Rs.1682 lakhs
- c. Interest (1.5 %) on Preference Share (Rs.270 Crore) postponement of redemption by 4 years Rs.1620 lakhs.
- d. Interest on default in repayment of Preference Share Capital by 2 years Rs.540 lakhs.
- e. Penalty for non-payment of Guarantee fee on government guaranteed bonds Rs.734 lakhs
- f. Loss on account of Mis-appropriation of company's fund amounting to Rs.60.41 Lakhs, pending final report from CBI and outcome of the Civil suite.
- Total impact on account of the above is Rs.6473.69 Lakhs.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(₹ lakhs)

| Note No. | As at 31.03.2017 | As at 31.03.2016 |
|---|------------------|------------------|
| 12 CAPITAL WORK-IN-PROGRESS : | | |
| 1. J.N.P.T. Tank Terminals Project (Refer note - 32E) | 2978.91 | 2978.91 |
| Less: Provision for impairment | 2634.54 | 2634.54 |
| | 344.37 | 344.37 |
| 2. Captive Power Plant Project (Refer note - 32F) | 25.41 | 25.41 |
| Less: Provision for impairment | 25.41 | 25.41 |
| | 0.00 | 0.00 |
| 3. Khargar Project | 83.20 | 83.20 |
| 4. Others | 8.59 | 14.63 |
| TOTAL | 436.16 | 442.20 |

| Note No. | As at 31.03.2017 | As at 31.03.2016 |
|---|------------------|------------------|
| 13 NON CURRENT INVESTMENTS : | | |
| TRADE INVESTMENTS (AT COST) | | |
| Investments in Equity instruments in Subsidiary - Company - Quoted: | | |
| 11060000 (previous year 11060000) Equity Shares of Rs. 10 each fully paid in Hindustan Fluorocarbons Ltd. | 0.00 | 0.00 |
| (Refer note - 34(a)) | | |
| Less: Provision for diminution of investment | 0.00 | 0.00 |
| | 0.00 | 0.00 |
| Investments in Equity instruments in Joint Venture Subsidiary - Unquoted: | | |
| 30000 (previous year 30000) Equity Shares of Rs. 10 each fully paid in HOC-Chematur Ltd., (Refer note - 33) | 3.00 | 3.00 |
| Less: Provision for diminution of investment | 3.00 | 3.00 |
| | 0.00 | 0.00 |
| Investments in Unquoted Equity Shares of Kerala Enviro Infrastructure Ltd. | | |
| 50000 (previous year 50000) Unquoted Equity Shares of Rs. 10 | 5.00 | 5.00 |
| TOTAL | 5.00 | 5.00 |

| Note No. | As at 31.03.2017 | As at 31.03.2016 |
|--|------------------|------------------|
| 14 LONG-TERM LOANS AND ADVANCES : | | |
| (Unsecured, considered good unless otherwise stated) | | |
| Security Deposits | 189.38 | 192.00 |
| Less : Provision for doubtful deposits | 3.06 | 3.06 |
| | 186.32 | 188.94 |
| Staff Loans (Secured) | 2.85 | 5.65 |
| TOTAL | 189.17 | 194.59 |

| Note No. | As at 31.03.2017 | As at 31.03.2016 |
|----------------------------------|------------------|------------------|
| 15 INVENTORIES : | | |
| 1. Raw Materials | 341.56 | 310.90 |
| Materials-in-transit | 6.34 | 44.72 |
| | 347.90 | 355.62 |
| Less: Provision for obsolescence | 0.00 | 26.31 |
| | 347.90 | 329.31 |
| 2. Work in Progress : | 1066.04 | 783.80 |
| 3. Finished Products | | |
| i) For Captive Consumption | 232.66 | 113.01 |
| ii) Main Products for sale | 1129.86 | 349.35 |
| iii) By-Products | 14.01 | 4.90 |
| | 1376.53 | 467.26 |
| 4. Stores and Spares | 2946.82 | 2972.67 |
| Less: Provision for obsolescence | 808.58 | 679.89 |
| | 2138.24 | 2292.78 |
| TOTAL | 4928.71 | 3873.15 |

15A Excise duty provided on goods manufactured but not removed Rs. 135.32 lakhs (previous year Rs.37.90 lakhs).

15B In the books of the Holding Company, Stores and Spares include items not moved for more than five years Rs.1052.41 lakhs (previous year Rs.1057.93 lakhs) and obsolete items of Rs.94.80 lakhs (previous year Rs. 4.02 lakhs). An adhoc provision of Rs.808.58 lakhs (previous year Rs.679.89 lakhs) has been made for obsolescence.

(₹ lakhs)

| Note No. | As at 31.03.2017 | As at 31.03.2016 |
|---|------------------|------------------|
| 16 TRADE RECEIVABLES : | | |
| Debts overdue for a period exceeding six months | 2739.98 | 2840.79 |
| Other Debts | 683.81 | 618.71 |
| | 3423.79 | 3459.50 |
| Less: Bills Receivables Discounted | 0.00 | 66.59 |
| Less: Provision for Doubtful Debts | 2524.66 | 2522.88 |
| | 899.13 | 870.03 |

NOTE:

| | | |
|--|---------|---------|
| Considered good, in respect of which Company holds Bank Guarantees/Letters of Credit | 0.74 | 376.40 |
| Unsecured considered good | 898.39 | 560.21 |
| Unsecured considered Doubtful | 516.98 | 2522.88 |
| | 1416.11 | 3459.49 |
| Less: Bills Receivables Discounted | 0.00 | 66.59 |
| Less: Provision for Doubtful Debts | 516.98 | 2522.88 |
| | 899.13 | 870.02 |

| Note No. | As at 31.03.2017 | As at 31.03.2016 |
|--|------------------|------------------|
| 17 CASH AND BANK BALANCES : | | |
| 1.CASH AND CASH EQUIVALENTS : | | |
| Balance with Banks | | |
| In Current Account | 218.52 | 62.22 |
| In Saving Bank Account | 125.66 | 119.58 |
| | 344.18 | 181.80 |
| In Fixed Deposit | 128.43 | 269.46 |
| Cash in hand | 3.20 | 11.27 |
| | 475.81 | 462.53 |
| 2.OTHER BANK BALANCES | | |
| In Term Deposit Account | | |
| With original maturity period not exceeding 12 months | 13.56 | 12.64 |
| With original maturity period exceeding 12 months | 0.00 | 0.00 |
| (The Term Deposits with the bank has been encashed during the year.) | 13.56 | 12.64 |
| TOTAL | 489.37 | 475.17 |

| Note No. | As at 31.03.2017 | As at 31.03.2016 |
|--|------------------|------------------|
| 18 SHORT-TERM LOANS AND ADVANCES: | | |
| (Unsecured, Considered Good unless otherwise stated) | | |
| Loans to Public Sector Undertaking (Considered doubtful) | | |
| Loans | 171.08 | 171.08 |
| Less: Provision for doubtful recovery | 171.08 | 171.08 |
| | 0.00 | 0.00 |
| Balances / Deposits with Excise, Customs and Statutory Authorities | 877.24 | 832.48 |
| Less : Provision for Doubtful Deposits | 2.90 | 2.90 |
| | 874.34 | 829.58 |
| Other Loans and Advances | | |
| Advance to Suppliers (including Rs.85.01 lakhs, previous year Rs.85.01 lakhs, considered doubtful) | 442.14 | 199.39 |
| Loans and Advances to Employees | 112.11 | 46.64 |
| Claims Receivable from Employees | 0.00 | 1.84 |
| Other Receivable(SRO)(Refer Note No.4A) | 0.00 | 176.49 |
| Duties and Taxes Receivable (Includes doubtful advance Rs. 5.00 lakhs, previous year Rs. 5.00 lakhs) | 2936.31 | 2572.12 |
| Miscellaneous advance recoverable | 175.87 | 197.11 |
| Less: Provision made for doubtful recovery | -60.41 | |
| Others Deposits | 1.55 | 0.55 |
| Prepaid Expenses | 112.98 | 173.91 |
| | 3720.55 | 3368.05 |
| Less : Provision for doubtful advances | 90.92 | 90.92 |
| | 3629.63 | 3277.13 |
| TOTAL | 4503.97 | 4106.71 |



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

- 18A a)** Duties and Taxes Receivable includes an amount of Rs.381.22 lakhs (PY Rs.381.22 lakhs) being KVAT refund due from year 2005-06 to 2012-13 recovered from the input tax refunds by Commercial Taxes dept. (This has been challenged by the Holding Company by filing appeals with Dy. Commissioner (Appeals). The said disputed VAT refund will have to be written off in the event of the Holding Company losing the appeal before the Appellate authorities. So it included in the contingent Liabilities).
- b)** Balances of short term Loans and advances in the books of Holding Company are subject to confirmation/reconciliation and subsequent adjustments.

| Note No. | As at 31.03.2017 | As at 31.03.2016 |
|---------------------------------------|-------------------------|-------------------------|
| 19 OTHER CURRENT ASSETS : | | |
| Accrued Interest on Employee Advances | 105.63 | 138.86 |
| Accrued Interest on Deposits | 26.25 | 17.12 |
| Accrued Income from Township | 70.31 | 69.43 |
| Less: Provision for Doubtful Recovery | 7.25 | 63.06 |
| | <u>194.94</u> | <u>218.16</u> |
| Note No. | As at 31.03.2017 | As at 31.03.2016 |

20 REVENUE FROM OPERATIONS

1. Sale of Products (Manufactured)

| | | |
|--|-----------------|-----------------|
| Nitroproducts | 414.83 | 382.94 |
| Acids | 347.50 | 92.88 |
| Spent Acid | 2.24 | 4.73 |
| Dinitrogen Tetroxide (N2O4) | 2904.53 | 1820.63 |
| Phenol | 5102.94 | 4350.75 |
| Acetone | 2530.93 | 1756.93 |
| Hydrogen Peroxide (H2O2) | 2683.13 | 2200.90 |
| Heavy Ends of Cumene | 255.53 | 198.32 |
| Cumox Oil | 88.88 | 104.97 |
| Polytetrafluoroethylene | 276.71 | 375.15 |
| Application Development Customer Support | 9.65 | 36.96 |
| CFM - 22 | 3014.41 | 3039.12 |
| Tetrafluoroethylene | 47.77 | 59.88 |
| Hydrogenchloride | 29.32 | 9.66 |
| | <u>17708.37</u> | <u>14433.82</u> |
| Add: Excise Duty | 1913.07 | 1601.58 |
| | <u>19621.44</u> | <u>16035.40</u> |

2. Sale of Products - Traded

| | | |
|--------------------------|-----------------|-----------------|
| Toluene | 0.00 | 0.00 |
| Gross Sales | <u>19621.44</u> | <u>16035.40</u> |
| Other Operating Revenues | 13.63 | 8.33 |
| | <u>19635.07</u> | <u>16043.73</u> |
| Less : Excise Duty | 1913.07 | 1601.58 |
| | <u>17722.00</u> | <u>14442.15</u> |

| Note No. | As at 31.03.2017 | As at 31.03.2016 |
|----------|------------------|------------------|
|----------|------------------|------------------|

21 OTHER INCOME

INTEREST:

| | | |
|---|--------------|--------------|
| On Call and Term Deposits (Gross) | 11.95 | 15.01 |
| On Advances and Deposits with MIDC,MSEB and others | 18.69 | 37.25 |
| Delayed Payment and Finance Charges from Sundry Debtors | 0.82 | 31.46 |
| | <u>31.46</u> | <u>10.42</u> |

OTHER NON-OPERATING INCOME:

| | | |
|---|---------------|---------------|
| Estate Rent | 165.63 | 172.90 |
| Transport, Water, Electricity,etc. recoveries | 55.96 | 71.84 |
| Miscellaneous Income | 305.06 | 178.94 |
| Profit on Sale of Assets | 1.63 | 528.28 |
| | <u>559.74</u> | <u>486.36</u> |

(₹ lakhs)

| Note No. | As at 31.03.2017 | As at 31.03.2016 |
|----------|------------------|------------------|
|----------|------------------|------------------|

22 COST OF MATERIALS CONSUMED

A. RAW MATERIALS

| | | |
|-------------------------|----------------|----------------|
| Benzene | 1837.13 | 1205.75 |
| Methanol | 1.38 | 1.57 |
| Nitric acid | 338.54 | 258.65 |
| Ammonia | 216.58 | 94.65 |
| Liquefied Petroleum Gas | 3787.58 | 2165.50 |
| Hydrogen | 0.00 | 11.52 |
| Caustic Soda Lye | 40.42 | 22.45 |
| Sulphuric Acid | 36.83 | 26.43 |
| Nitrogen | 85.49 | 72.63 |
| Other Raw Materials | 1334.33 | 1705.99 |
| | <u>7678.28</u> | <u>5565.14</u> |

Above purchases includes opening stock of raw-materials transferred to stock-in-trade for sale.

| Note No. | As at 31.03.2017 | As at 31.03.2016 |
|----------|------------------|------------------|
|----------|------------------|------------------|

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

OPENING STOCK

| | | |
|-------------------------------|----------------|----------------|
| Stock-in-Process | 783.80 | 1006.08 |
| Stock for Captive Consumption | 113.01 | 52.93 |
| Finished Products (Main) | 349.35 | 2047.53 |
| By-Products | 4.90 | 88.92 |
| | <u>1251.06</u> | <u>3195.46</u> |

CLOSING STOCK

| | | |
|-------------------------------|-----------------|----------------|
| Stock-in-Process | 1066.04 | 783.80 |
| Stock for Captive Consumption | 232.66 | 113.01 |
| Finished Products (Main) | 1129.86 | 349.35 |
| By-Products | 14.01 | 4.90 |
| | <u>2442.57</u> | <u>1251.06</u> |
| Decrease / (Increase) | <u>-1191.51</u> | <u>1944.40</u> |

| Note No. | As at 31.03.2017 | As at 31.03.2016 |
|----------|------------------|------------------|
|----------|------------------|------------------|

23A Closing Inventory - Finished Goods

| | | |
|-----------------------------|----------------|---------------|
| Nitroproducts | 9.82 | 10.28 |
| Dinitrogen Tetroxide (N2O4) | 12.88 | 6.81 |
| Phenol | 712.28 | 7.68 |
| Acetone | 308.16 | 36.55 |
| Hydrogen Peroxide (H2O2) | 12.00 | 48.76 |
| Polytetrafluoroethylene | 74.72 | 239.27 |
| | <u>1129.86</u> | <u>349.35</u> |

Opening Inventory - Finished Goods

| | | |
|-----------------------------|---------------|----------------|
| Nitroproducts | 10.28 | 24.10 |
| Dinitrogen Tetroxide (N2O4) | 6.81 | 0.00 |
| Other chemicals | 0.00 | 23.36 |
| Phenol | 7.68 | 1201.96 |
| Acetone | 36.55 | 282.91 |
| Hydrogen Peroxide (H2O2) | 48.76 | 93.83 |
| Polytetrafluoroethylene | 239.27 | 421.37 |
| | <u>349.35</u> | <u>2047.53</u> |



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(₹ lakhs)

| Note No. | As at 31.03.2017 | As at 31.03.2016 |
|---|------------------|------------------|
| 24 EMPLOYEE BENEFITS EXPENSES | | |
| Salary, Wages, Bonus, Incentives and Allowances | 8625.42 | 8814.06 |
| Company's contribution to Provident Fund | 842.59 | 874.62 |
| Family Pension Fund and other Funds | | |
| Gratuity payments including premium for Group | 1010.04 | 436.75 |
| Gratuity-cum-Life Insurance Scheme | | |
| Provision for leave encashment | 1.20 | 0.00 |
| Staff Welfare Expenses | | |
| Medical Amenities | 209.83 | 217.66 |
| Educational Amenities | 54.33 | 57.85 |
| Canteen and Nutrition Amenities | 452.32 | 520.34 |
| Other Welfare Expenses | 70.34 | 88.52 |
| | 786.82 | 884.37 |
| TOTAL | 11266.07 | 11009.80 |

| Note No. | As at 31.03.2017 | As at 31.03.2016 |
|--------------------------|------------------|------------------|
| 25 FINANCE COSTS | | |
| Interest Expenses | | |
| On Fixed Loans | 4086.24 | 3791.75 |
| On Other Loans | 1651.41 | 1497.34 |
| Interest - Others | 3912.07 | 1503.57 |
| Other Borrowing Cost | 97.18 | 99.99 |
| | 9746.90 | 6892.65 |

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

| Note No. | As at 31.03.2017 | As at 31.03.2016 |
|---|------------------|------------------|
| 26 OTHER EXPENSES: | | |
| Consumption of Stores and Spares | 499.19 | 389.01 |
| (Including catalyst consumed) | | |
| Utilities: | | |
| Power and Fuel | 4562.58 | 3772.25 |
| Water | 340.53 | 381.50 |
| Repairs & Maintenance | | |
| Repairs to Buildings | 69.33 | 80.19 |
| Repairs to Machinery | 150.03 | 140.01 |
| Repairs to Other Assets | 174.57 | 193.52 |
| Administration Expenses: | | |
| Rent | 18.09 | 39.10 |
| Insurance | 92.51 | 74.25 |
| Rates and Taxes | 100.13 | 121.48 |
| Consultancy Charges | 75.33 | 72.72 |
| Payment to Auditors: | | |
| As Auditors | 4.38 | 4.82 |
| For Taxation Matters | 1.34 | 1.34 |
| For Other Services | 1.83 | 2.11 |
| For Reimbursement of Expenses | 0.40 | 0.40 |
| Power for Township | 136.98 | 129.39 |

| Note No. | As at 31.03.2017 | As at 31.03.2016 |
|--|------------------|------------------|
| Water for Township | 90.33 | 116.13 |
| Security Expenses | 202.91 | 213.06 |
| Advertisement Expenses - Tenders, Recruitment etc. | 7.52 | 4.89 |
| Hire of Vehicles Expenses | 92.64 | 120.23 |
| Miscellaneous Expenses | 353.41 | 337.19 |
| Bad Debts Written-off | 12.98 | 0.00 |
| Selling and Distribution Expenses: | | |
| Cash Discount | 133.68 | 120.32 |
| Publicity Expenses | 9.86 | 7.80 |
| Other Selling Expenses | 8.60 | 0.40 |
| Provisions: | | |
| Provision for Doubtful Debts | 1.78 | 0.19 |
| Provision for Doubtful Advances | 60.41 | 0.00 |
| Provision for Stock Obsolescence | 102.39 | 184.84 |
| For Long term agreements | 299.04 | 203.09 |
| Provision for Penalty | 4793.28 | 0.00 |
| TOTAL | 12396.05 | 6710.23 |

26A At Kochi unit of the Holding Company, SPA1 Catalyst of 76.330 MT valuing Rs.333.41 Lakhs was charged to the reactor in Cumene plant in the month of May 2013. The estimated life of the Catalyst is to achieve a production of 1100 MT of Cumene per MT of Catalyst under good operating conditions. During the period from May 2013 to March 2017 the Holding Company has produced 43298.82 MT of Cumene. Due to intermittent shutdown of Cumene plant during the period which affects the life of Catalyst, the Holding Company may fall short of achieving guarantee norms.

| Note No. | As at 31.03.2017 | As at 31.03.2016 |
|--|------------------|------------------|
| 27 PRIOR YEAR ADJUSTMENTS: | | |
| INCOME | | |
| Income Pertg. To Past Period (General) | 0.00 | 0.06 |
| Income Pertg. To Past Period (N2O4 Sales 2015-16) | 4.35 | 0.00 |
| Others Bldg tax and GPA | 6.55 | 0.00 |
| Others - MSEB | 15.00 | 0.00 |
| EXPENDITURE | | |
| JNPT Rent Escalation | 0.00 | -532.88 |
| Wage Revision Arrears (1997 & 2007) | 2207.60 | |
| Gratuity & Leave encashment diff. of retired employees | 150.03 | |
| Sales Tax | 24.79 | |
| Industrial safety and Health | 0.37 | |
| Interest / DPC payable to BPCL | 116.09 | |
| Interest on water charges (MIDC) | 264.29 | |
| Gratuity for School teachers | 56.06 | |
| Other Raw Materials | 53.03 | |
| Employees Remuneration | 4.36 | |
| General Expenses | 101.34 | 6.61 |
| Others - overtime & SAP-AMC | 0.00 | 28.69 |
| Net Prior Period Expenditure | 2952.06 | (497.64) |
| EXCESS PROVISION WRITTEN BACK | | |
| Provision for Leave Encashment written back | 0.00 | 539.19 |
| Stores & Spares | 0.00 | 1.28 |
| Reversal of Provision for Incentive to Employees | 18.05 | 0.00 |
| NET PRIOR YEAR ADJUSTMENTS: | 2934.01 | (1038.11) |



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

- 28 i. The Government of India has approved the restructuring plan of the Holding Company which includes closure of all plants at Rasayani unit except the Conc. Nitric Acid / N2O4 Plant (which is to be handed over to ISRO) and VRS to the employees (Direct and Indirect) rendered surplus due to shutting down of all plants at Rasayani except those employees associated with operation of CNA/N2O4 plant at Rasayani and the skeletal staff required to implement the proposed restructuring.
- ii) The Holding Company had introduced a VRS Scheme on 12.09.2013 and was open for 1 month upto 12.10.2013 and further re-opened from 11.11.2013 to 18.11.2013. The Company received 151 applications in total out of which 15 applicants were relieved, one applicant was expired. Further 99 applicants have been superannuated in the normal course on attaining the retirement age during the last four years. The balance 36 (previous year 69) applications are kept pending for want of funds and the VRS Compensation of Rs.536.46 lakhs (previous year Rs.856 lakhs has been shown under Other Commitments. (refer note-42).
- iii. The Holding Company has announced a VRS Scheme on 20.02.2017 to 21.03.2017 which was kept open for one month initially and further extended by another 15 days. The company has received 409 applications from the employees (including the 36 employees opted in 2013). The fund required for relieving 373 employees (409 - 36) works out to Rs. 6836.55).
- iv) The Board also approved a Voluntary Separation Scheme (VSS) for the indirect employees (canteen, Adhoc and Mathadi workers) of Rasayani Unit. The estimated liability on account of VSS to the Indirect employees works out to Rs.1073.01 lakhs included in the Other commitments (refer note-42(ii)).

29 EMPLOYEES BENEFIT PLAN:

29A Provision for leave encashment

The Holding Company has made provision of Rs.1.20 lakhs (previous year Rs.Nil) for leave encashment as per revised AS-15 issued by Institute of Chartered Accountants of India based on Actuarial Valuation and the unpaid amount of leave encashment claims submitted by the employees. As per the restructuring plan submitted to government all the employees of Rasayani unit except those employees being taken over by ISRO are being given VRS and based on the actuarial assessment of the accumulated liabilities, the leave encashment liability of Rasayani unit is being shown under current liabilities.

29B Employees receive benefits from the provident fund managed by the Holding 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.

29C Gratuity

The Employees' Gratuity Fund Scheme, which is a defined benefit plan, is managed by the Trust through an Annuity Scheme maintained with Life Insurance Corporation of India (LIC). The present value of obligation is determined based on actuarial valuation of liability done by using Projected Unit Credit Method, which recognises each period of service as giving rise to additional unit of employee benefit entitlement and measures each unit separately to build up the final obligation. The gratuity liability of Rasayani unit employees has been included in the short term provision since all employees except those who are required for CNA/N2O4 plant will be relieved on VRS.

The ceiling of gratuity has been enhanced from Rs.3.50 lakhs to Rs.10 lakhs with effect from 1st January, 2007. The gratuity liability as on 31st March, 2017 includes the provision towards arrears for the retired employees on above account amounting to Rs.187.54 lakhs (previous year Rs. 187.54 lakhs).

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

| Particulars | 2016-17 | 2015-16 |
|---|---------|----------|
| Present value of obligation as at the beginning of the year | 5580.19 | 5672.35 |
| Interest Cost | 434.97 | 428.51 |
| Current Service Cost | 166.64 | 219.88 |
| Benefits paid | (5.28) | 66.05 |
| Actuarial (gain)/loss on obligations | 314.12 | (806.59) |
| Present value of obligations at the end of year | 6490.64 | 5580.20 |

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

| Particulars | 2016-17 | 2015-16 |
|--|---------|---------|
| Fair value of plan assets at beginning of year | 43.09 | 120.89 |
| Expected return on plan assets | 2.65 | 5.44 |
| Contributions | 0.00 | 0.00 |
| Benefits Paid | (5.28) | (3.50) |
| Actuarial gain/(loss) on plan assets | 0.86 | (80.04) |
| Fair value of plan assets at the end of year | 44.65 | 42.80 |

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

| Particulars | 2016-17 | 2015-16 |
|---|---------|---------|
| Fair value of Plan Asset at the end of the year | 38.46 | 120.40 |
| Present value of obligations at the end of year | 6310.99 | 5517.86 |
| Liability/(Asset) recognized in the Balance Sheet | 6238.03 | 5537.40 |

- (iv) Expenses recognized during the year:

| Particulars | 2016-17 | 2015-16 |
|--|---------|----------|
| Current Service Cost | 166.64 | 199.51 |
| Interest cost | 434.97 | 448.88 |
| Expected return on plan assets | (2.65) | (5.16) |
| Actuarial (gain)/loss | 313.26 | (660.78) |
| Expenses Recognised in Profit & Loss Account | 912.21 | (17.55) |

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

| Particulars | 2016-17 | 2015-16 |
|--|---------------------------|---------|
| Mortality Table (LIC) (1994-96 Ultimate) Discount rate (p.a) | 6.80% | 8.00% |
| Expected rate of increase in salary (p.a.) | 7.00% | 7.00% |
| Withdrawal rate | 1% to 3% depending on age | |

- 30 Amount due to Micro, Small and Medium enterprises:

| Particulars | 2016-17 | 2015-16 |
|---|---------|---------|
| a) i) Principal amount remaining unpaid as at the end of each accounting year | 46.01 | 95.51 |
| ii) Interest due thereon | 3.70 | 5.72 |
| b) the amount of interest paid in terms of section 16 of the Micro, Small and Medium Enterprises Development Act, 2006 along with the amount of the payment made to the supplier beyond appointed day. | Nil | Nil |
| c) The amount of interest due and payable for the period of delay in making payment (which have been paid but beyond the appointed day during the year) but without adding the interest specified under the Micro, Small and Medium Enterprises Development Act, 2006. | Nil | Nil |
| d) The amount of interest accrued and remaining unpaid at the end of each accounting year | 24.14 | 20.44 |
| 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 |

31 PROVISION FOR EMPLOYEE REMUNERATION

The Holding company has made provision on account of wage revision (1997 & 2007) of Rasayani unit employees amounting to Rs.2207.60 lakhs and Rs.150.03 lakhs on account of Gratuity and Leave encashment difference payable to retired employees as Prior period expenditure.

32 FIXED ASSETS

32A Land in possession of the Holding Company at Rasayani admeasuring 455.69 hectares (previous year 455.69 hectares) is acquired by government of Maharashtra and transferred to HOCL, against which a nominal value of Re.1/- is included in "Land and Land development" by creating "Capital Reserve". Land at Panvel amounting to Rs.80,000 (previous year Rs.80,000) included in "Land and Land development" has been given by the Government of Maharashtra for the business/residential purpose of the company.

32B As per the report of the consultant / valuer appointed by the Holding Company, for assessing the impairment of Fixed Assets, the loss on account of impairment has been worked out, by comparing the fair market value as on date, with the WDV as on 31st March, 2017 and an additional amount of Rs.513.31 lakhs (including Caustic Soda plant Rs.432.05 lakhs) (previous year Rs.1593.70 lakhs) has been provided for during the year.

32C The company has decided to dispose of all non-working plants i.e. Acetanilide, Sulphuric Acid, and Hydrogen-II, Nitrobenzene-II, Nitrobenzene-III, Aniline-II, Aniline-III, Hydrogen-III, Nitrotoluene and Formaldehyde-II plants having WDV (net of impairment) Rs.1438.16 lakhs and accordingly shown as Plants held for Disposal.

32D The Holding company during the year had called tenders, for disposal of Caustic Soda Plant having WDV of Rs.1032.22 lakhs (previous year 1032.22 lakhs), through MSTC E auction and received highest bid of Rs.600.17 lakhs and pending disposal of the plant, additional impairment amounting to Rs.432.05 lakhs has been provided as on 31.3.2017.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

32E i) In the books of the Holding Company, Capital Work-in-Progress and Expenditure during Construction includes Rs.2978.91 lakhs (previous year Rs.2978.91 lakhs) towards cost of JNPT Tank Terminal project wherein management had decided to suspend further construction. Eventhough the lease period has expired in June 2010, the Company has written to JNPT authorities for extension of the lease period. The company has gone into arbitration along with other Liquid Berth Users Association against JNPT for various issues including lease period issue. Provision for Impairment amounting to Rs.2634.54 lakhs has been made based on the valuer report during earlier year.

ii) As per Lease Agreement with JNPT, the Lease Rentals provide for escalation @ 10% on Lease Rent payable to JNPT. The Holding Company had provided for Lease Rentals with old rates upto 31.03.2014 without considering the escalation @ 10% per annum as the matter is under arbitration.

32F An amount of Rs. 25.41 lakhs (previous year Rs. 25.41 lakhs) incurred by the Holding Company towards feasibility study of captive power plant was carried forward as Capital WIP from the previous year. The project is on hold now due to high gas prices and may be taken up at a later date only. Full impairment provision has been recognised for the same in earlier year.

32G With respect to the Holding Company's leased land at Kharghar, the commencement of construction certificate issued by CIDCO was valid upto 29.12.2012. Further the Company paid a premium of Rs.15.41 lakhs and got extension for commencement of construction upto 25.05.2013. For further extension for a period of one year upto 25.05.2014 the agreement provides for an additional premium payment of Rs.30.81 lakhs failing which CIDCO reserves the right for taking back the possession of the land. Since the Company was facing financial crunch the payment has not been made to CIDCO.

33 The Holding Company had invested Rs.3 lakhs in the Equity of M/s. HOC-Chematur Ltd. by way of joint venture as a co-promoter. The Holding 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 Holding Company had fully provided for the losses against the investment. Since the project has been abandoned, the board of directors have decided to wind up the Company under the early exit scheme of Ministry of Corporate Affairs.

34 a) The Holding Company has an investment of Rs.1106 lakhs (previous year Rs.1106 lakhs) in the equity share of subsidiary company M/s. Hindustan Fluorocarbons Ltd. (HFL) which is under BIFR since 1994. HFL had made profits in the 4 financial years prior to financial year 2013-14. During the financial year 2013-14, 2014-15, 2015-16 and 2016-17 HFL has incurred a loss. The shares are traded below nominal value since Dec 2012 and the net worth of the Company based on its latest audited balance sheet as at 31st March, 2017 is negative. Hence provision has been made during earlier year towards diminution in the value of these investments amounting to Rs.221.20 lakhs. No provisions are made during the year. As per the decision of the Government of India, the Holding Company has decided to divest the entire stake in the Subsidiary for which the Transaction and Legal Advisors have been appointed.

b) During the year 2007-08, the Modified Draft Rehabilitation Scheme (MDRS) for revival of subsidiary - Hindustan Fluorocarbon Ltd. (HFL) was approved by BIFR for implementation. As part of implementation of MDRS, HOCL had waived interest of Rs.2260.26 lakhs accumulated on loan given to HFL and converted the unsecured loan amounting to Rs.2744.06 lakhs as Zero Coupon Loan (ZCL), into secured loan by creating first charge on HFL immovable property (land 81.31 acre valued to the extent of Rs. 4046.88 lakhs) in favour of HOCL. This loan was payable in 7 equal annual instalments commencing from 2010-11. HFL has not paid the instalments for the year 2010-11, 2011-12, 2012-13, 2013-14, 2014-15, 2015-16 and 2016-17 aggregating to Rs.2744.06 lakhs (previous year Rs.2352.05 lakhs). Further, the Holding Company had given loans to HFL aggregating to Rs. 453.01 lakhs (previous year Rs.453.01 lakhs) bearing interest ranging from 10.25% to 14.50% out of which Rs.743.80 lakhs (previous year Rs.445.20 lakhs) being the instalments due from financial year 2010-11 to 2016-17 remains unpaid. This loan is also secured by first charge on the HFL immovable property (land valued to the extent of Rs.4046.88 lakhs).

35 During the year 2001-2002, a case of misappropriation of Holding Company's funds to the tune of Rs. 64.81 lakhs (net and to the extent identified) by an official of the Company, involving fraudulent / fake payments / withdrawals under various heads of accounts including sales tax, debtors etc. had been detected. The case is at present under investigation of CBI. In the meantime, based on the report of the Vigilance Department, a civil suit has been filed for recovery of the amount involved from the concerned employee who was dismissed from the services of the Company. During the year provision has been made in the books to the extent of Rs. 60.41 lakhs being the amount receivable outstanding in the books as doubtful of recovery.

36 a) The Holding Company has entered into an agreement dt. 16.10.2006 to lease the school infrastructure facilities to M/s. Mahatma Education Society (MES) for managing the school for a period of 30 years. The management of MES in order to start professional courses has constructed new buildings and facilities in the premises in contravention of the terms of agreement. The company has sent a notice for termination as per the terms of the agreement to M/s.MES. M/s.MES has filed a petition challenging the termination notice in the Dist. Magistrates Court Alibag. MES has filed petition in the Bombay High Court for appointment of Arbitrator in the dispute between HOCL and MES. The District Court has granted stay pending the final disposal of the Arbitration petition of MES. Company has filed a petition to vacate the stay granted by the District Court in the Bombay High Court.

b) The Holding Company had entered into long term supply contract with Gas Authority of India (GAIL) at Kochi for supply of Liquefied Natural Gas in 2011 for a period of 15 years ending in 2026. Material foreseeable losses can not be identified in the current scenario.

37 EARNING PER SHARE

| Earnings per share has been calculated as follows: | | |
|--|-------------|-------------|
| | 2016-17 | 2015-16 |
| Net Profit/(Loss) after Tax | (25831.21) | (18018.35) |
| Weighted average number of equity shares | 67173100.00 | 67173100.00 |
| Nominal Value per equity share (Rs.) | 10.00 | 10.00 |
| Basic / Diluted Earning per equity share | (38.45) | (26.82) |

38 SEGMENT REPORTING.

Since the Holding Company is manufacturing only Chemicals, there are no separate reportable primary and secondary segments and all the chemicals manufactured by the Holding 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 Holding Company.

39 RELATED PARTY DISCLOSURE AS PER AS-18

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

b) Key Managerial Personnel

| No. Name | 2016-17 | 2015-16 |
|--|-----------------------------|-----------------------------|
| | Remuneration (Rs. in Lakhs) | Remuneration (Rs. in Lakhs) |
| i) Sri. S.B. Bhide, Chairman and Managing Director | 23.18 | 21.84 |
| ii) Sri. J.N. Suryawanshi, Director (Marketing) (upto 03.08.2016) | 25.76 | 22.60 |
| iii) Sri. V.B. Ramachandran Nair, Chairman and Managing Director (upto 22.02.2016) | 0.00 | 18.33 |
| iv) Sri. R. Suresh Kumar, Director (Finance) (upto 29.02.2016) | 0.00 | 9.05 |
| v) Smt.S.S. Kulkarni, Company Secretary | 16.24 | 14.33 |
| vi) Sri. P.O. Luise, Chief Financial Officer | 17.49 | 18.15 |

40 DEFERRED TAXES

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

41 BALANCE CONFIRMATION

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

42 Contingent Liabilities & Commitments

| i) Contingent Liabilities | 31.03.2017 | 31.03.2016 |
|--|------------|------------|
| a) Claims against the Company not Acknowledged as debts: | | |
| i) Diff. tax on account of forms in respect of concessional sales | 281.92 | 158.32 |
| ii) Income Tax Claims | 672.96 | 1411.37 |
| iii) Sales Tax Claim | 1095.80 | 1095.80 |
| iv) Excise Claims | 633.00 | 628.92 |
| v) Customs duty | 277.18 | 0.00 |
| vi) Rental claim Harchandrai House | 4661.76 | 4403.39 |
| vii) Wage revision employees (Refer note 33) | 0.00 | 2197.60 |
| viii) Other Statutory Claims | 108.35 | 110.52 |
| ix) Delayed Payment Charges claimed by BPCL | 985.25 | 1057.48 |
| xiii) Gratuity for School teachers & PL | 108.81 | 0.00 |
| x) Other Claims | 1544.02 | 929.85 |
| xi) Penal Interest on Government Loan | 0.00 | 1475.52 |
| xii) Claims not acknowledge as debts by suppliers | 0.00 | 51.78 |
| b) Letters of Credit opened, cheques and bills of exchange discounted with the bankers and remaining outstanding | 0.00 | 67.22 |
| c) Bank guarantee given | 145.15 | 3796.15 |
| d) Guarantees given on behalf of the Subsidiary Company HFL | 603.00 | 1103.00 |
| e) Security Bond given to Commercial Taxes Dept., Govt. of Kerala | 3053.30 | 3053.30 |

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

| ii) Commitments | | | | |
|-----------------|--|------------------|----------------------|----------------------|
| i) | Estimated amount of contracts remaining to be executed on capital account and not provided for (Net of advances) | 0.00 | | 0.00 |
| ii) | Commitments (Refer note 28) | 7909.56 | | 1260.00 |
| 43 | Value of Imports (on CIF basis) | 2016-17 | | 2015-16 |
| | Component and Spare Parts | 43.57 | | 0.00 |
| | Raw Materials and Trading Goods | 0.00 | | 74.20 |
| 44 | Consumption of Indigenous/Imported Materials | Rs. lakhs | Consumption % | Rs. lakhs |
| | | | | Consumption % |
| A) | Raw Materials | | | |
| | Imported | 0.00 | 0.00 | 0.00 |
| | Indigenous | 7678.28 | 100.00 | 5565.14 |
| | TOTAL | 7678.28 | 100.00 | 5565.14 |
| B) | Component and Spare Parts | | | |
| | Imported | 85.58 | 17.14 | 32.66 |
| | Indigenous | 413.61 | 82.86 | 356.35 |
| | TOTAL | 499.19 | 100.00 | 389.01 |
| 45 | Earning in Foreign Currency | 2016-17 | | 2015-16 |
| | Earning in Foreign Currency | 0.00 | | 33.03 |

46 Details of Specified Bank Notes (SBN) held and transacted during the period from 8th November, 2016 to 30th December, 2016

| Description | SBNs | Other denomination notes | Total |
|---------------------------------------|-------------|--------------------------|-------------|
| Closing cash in hand as on 8-11-2016 | 9.22 | 0.26 | 9.48 |
| (+) Permitted receipts | 0.61 | 10.24 | 10.85 |
| (-) Permitted payments | 0.00 | 3.54 | 3.54 |
| (-) Amount deposited in Banks | 9.83 | 0.00 | 9.83 |
| Closing cash in hand as on 30-12-2016 | 0.00 | 6.96 | 6.96 |

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

48 Group Information

The Subsidiary considered in these consolidated financial statements is:

| Name of Company | % of Voting power held as on 31.03.2017 | % of Voting power held as on 31.03.2016 |
|---------------------------------|---|---|
| Hindustan Fluorocarbons Limited | 56.43 | 56.43 |

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

For and on behalf of the Board of Directors

As per our report of even date attached

Sd/-
S.B. Bhide
Chairman & Managing Director

Sd/-
Pushpa Trivedi
Director

For P.G. BHAGWAT
Chartered Accountants
Firm's Registration No. 101118W

Sd/-
Susheela S. Kulkarni
Company Secretary

Sd/-
P.O. Luise
Chief Financial Officer

Sd/-
Shriniwas S. Gadgil
Partner
Membership No.120570

Place: Mumbai
Date : 29.05.2017

Place: Mumbai
Date : 29.05.2017



HINDUSTAN ORGANIC CHEMICALS LIMITED

[CIN L99999MH1960GOI011895]

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

Tel No.: 02192 – 258500/501/502; Fax: 02192- 250648.

Email: corporate.cs@hoclindia.com; Website: www.hoclindia.com

ATTENDANCE SLIP

PLEASE BRING THIS ATTENDANCE SLIP TO THE MEETING HALL AND HAND IT OVER AT THE ENTRANCE

I / We hereby record my / our presence at the 56th Annual General Meeting of Hindustan Organic Chemicals Limited held at RASRANG HALL, Dr. Kasbekar Park, Rasayani, Dist. Raigad – 410 207 on Wednesday, 27th September, 2017 at 3.00 p.m.

| | | |
|--|---|--|
| Sr. No./ Sequence No. (for shareholder's use) | : | |
| Name of the Shareholder | : | |
| Registered Address of the Shareholder | : | |
| Ledger Folio No. / Cl. ID / D.P. ID No. if any | : | |
| Number of shares held | : | |
| Name of the Proxy / Representative, if any | : | |
| Signature of the Member(s) / Proxy | : | |
| Signature of the Representative | : | |



FORM NO. MGT-11

PROXY FORM

[Pursuant to Section 105 (6) of the Companies Act, 2013 and rule 19 (3) of the Companies (Management and Administration) Rules, 2014]

| | | | | |
|-----------------------|---|--|----------|--|
| CIN | : | L99999MH1960GOI011895 | | |
| Name of the Company | : | Hindustan Organic Chemicals Limited | | |
| Registered Office | : | P.O. Rasayani, Dist. Raigad, Maharashtra, Pin- 410207. | | |
| Name of the Member(s) | : | | | |
| Registered Address | : | | | |
| Email ID | : | | | |
| Folio No. / Client ID | : | | D.P. ID: | |

I / We, being the member(s) of _____ shares of the above named Company, hereby appoint:

1. Name _____
Address _____
E-mail ID _____
Signature _____ Or failing him
2. Name _____
Address _____
E-mail ID _____
Signature _____ Or failing him
3. Name _____
Address _____
E-mail ID _____
Signature _____

As my / our proxy to attend and vote (on a poll) for me / us and on my / our behalf at the 56th Annual General Meeting of the Company to be held on Wednesday, 27th September, 2017 at 3.00 p.m. at RASRANG HALL, Dr. Kasbekar Park, Rasayani, Dist. Raigad – 410 207 and at my adjournment thereof in respect of such resolutions as are indicated below:

| Resolution No. | Particulars |
|----------------|--|
| 1. | Adoption of Balance Sheet, Statement of Profit & Loss, Directors' Report, and Auditors' Report for the year 2016-17. |
| 2. | Appointment of Director retiring by rotation – Shri Samir Kumar Biswas, J.S., |
| 3. | Appointment of Director retiring by rotation – Ms. Meenakshi Gupta, AS&FA |
| 4. | To authorise and to ratify the actions of the Board of Directors of the Company to fix the remuneration of the Statutory Auditors and Branch Auditors of the Company for the FY 2017-18 appointed by the C&AG . |
| 5 | To ratify the actions of the Board of Directors of the Company for appointment and remuneration of M/s. BBS& Associates, Cost Accountants, Kochi as Cost Auditors of Kochi Unit & Rasayani Unit of the Company for the FY 2017-18 and to pass the resolutions. |

Signed this _____ day of _____, 2017.

Signature of the Share holder: _____

Signature of the Proxy holder: _____

Affix Revenue
Stamp

- Note :
1. This form of Proxy in order to be effective should be duly completed and deposited at the Registered Office of the Company, not less than 48 hours before the commencement of the Meeting.
 2. For the Resolutions, Explanatory Statement and Notes, please refer to the Notice of the 56th Annual General Meeting.

BOOK-POST



HOCL CIN: L99999MH1960GOI011895

If undelivered please return to :

Bigshare Services Pvt. Ltd.,

1st Floor, Bharat Tin Works Building,
Opp. Vasant Oasis, Makwana Road, Marol,
Andheri (East), Mumbai 400059, Maharashtra.

Email: investor@bigshareonline.com;

Tel: 022 62638200, Fax: 022 62638299