

Chairman-cum-Managing Director
& Director (Finance)

Shri. P. Jagadeeswaran (Till 19.10.2011)
Shri. S. Girish Kumar (From 19.10.2011)

Directors

Shri Shashank Goel (Till 24.3.2011)
Shri Manjit Kumar (From 4.5.2011)
Shri G.R.Sundaravadivel
(Nominee Director – UTI AMC Pvt. Ltd)
Shri Gautam Basu
Shri R.Subburathinam

Company Secretary

Ms. M. Gita (Till 1.4.2011)
Shri. S.B. Ravindra (From 1.4.2011)
Senior Manager Finance & Company Secretary i/c

Auditors

M/s Padmanabhan Prakash & Co.
Chartered Accountants

Bankers

State Bank of India
Indian Overseas Bank
Syndicate Bank
State Bank of Patiala
State Bank of Travancore
Indian Bank
Canara Bank

Registered Office

Indunagar
Ootacamund
Tamil Nadu - 643 005

HINDUSTAN PHOTO FILMS MFG. CO.LTD.

NOTICE TO SHARE HOLDERS

Telegram : PHOTOFILM
Telephone : 0423-2444020-2444026
Fax : 0423-2442556

Registered Office
Indunagar
Ootacamund-643005

15.12.2011

NOTICE

Notice is hereby given that the Fiftieth Annual General Meeting of the Shareholders of Hindustan Photo Films Manufacturing Company Limited will be held at the Registered Office of the Company at Indunagar, Ootacamund-643 005 on 28th Dec 2011 to transact the following business:

ORDINARY BUSINESS:

1. To consider and adopt the Directors' Report and Audited Accounts of the Company for the year ended 31st March 2011.
2. To fix remuneration of the Auditors for the year 2011-12.

(BY ORDER)

(S.B. Ravindra)
Senior Manager Finance &
Company Secretary i/c

To: All Members

Cc: M/s Padmanaban Prakash & Co
Chartered Accountants
5, Smith Road, II Floor
Chennai – 600 002

Note: A Shareholder entitled to attend and vote is entitled to appoint a proxy to attend and vote instead of himself and the proxy need not be a member.

DIRECTORS' REPORT

Dear Shareholders,

Hindustan Photo Films has completed 50 years of service to the Nation and has completed its Golden Jubilee. Your Directors present the Fiftieth (50th) Annual Report on the working of the Company along with the audited accounts for the year ended 31st March 2011, report of the Statutory Auditors and the comments thereon by the Comptroller and Auditor General of India.

Corporate Performance

The audited financial data for the last ten years are summarised below along with the Cash flow statement for 2010-11.

Share Capital

The Authorised and Paid up Capital of the Company as on 31st March 2011 stood at Rs. 210 Crores and Rs. 204.87 Crores respectively.

Fixed Deposit

No deposit has been received by the Company during the year under report.

Corporate Results

Production

The production during the year was 1.61 M.Sq.m valued at 4077.59 Lakhs as against 0.961 valued at Rs. 2625 Lakhs achieved during the previous year. The itemwise production is given below:

	(In Million Sq.m)	
	2010-11	2009-10
Cine Products	---	0.004
X-Ray (Incl. Incl. X-Ray)	1.153	0.810
Graphic Arts	0.446	0.135*
Others (Miscellaneous)*	0.345	0.012
Total	1.944	0.961
*Includes job order production	0.331	0.023

Though production in the current year shows an improved trend as compared to the previous years, the low volume of production is attributable to increased raw material cost and lack of orders due to stiff competition from MNCs in the domestic market. The Company continues to explore areas for diversifying its activities. The amount of Rs. 30 Crores received towards Working Capital as a part of the fund infusion for Revival was ploughed into operations fully and it has helped in the increased turnover.

Financial Data for the last ten years

Year ending 31st March

	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Production	2978.36	2667.32	2746.66	1519.52	1536.95	1768.22	1761.53	2409.93	2549.80	3992.46
Sales	2895.03	2697.80	2778.39	1738.56	1461.41	1459.34	1716.53	2618.48	2625.01	3718.32
Net Profit /Loss	-35371.86	-38539.24	-44302.47	-49641.27	-56090.18	-65305.92	-78949.15	-89026.05	-100921.51	-115665.42
Growth Rate (%)										
- Turnover	13.89	-6.81	2.99	-37.43	-15.94	-0.14	17.62	52.54	0.25	41.64
- Production	25.82	-10.44	2.97	-44.68	1.15	15.05	-0.38	36.81	5.80	56.55
Net profit(As a % of)										
- Turnover	-1221.81	-1428.54	-1594.54	-2855.32	-3838.09	-4475.03	-4599.35	-3399.91	-3844.61	-3110.69
- Capital employed*	-69.91	-79.77	-101.67	-124.68	-150.50	-192.51	-269.87	-338.11	-418.00	-552.81
Networth	-161088.24	-199518.26	-243506.90	-293148.16	-349138.34	-414444.27	-493093.42	-582019.47	-682840.98	-798406.40
Inter Corporate loan	3607.00	3607.00	3607.00	3607.00	3607.00	3607.00	3607.00	3607.00	3607.00	3607.00
Gross Block (Excluding Capital WIP)	71504.98	71506.72	72062.52	72063.41	72063.70	72065.78	72078.91	71552.47	71566.57	71566.75
Gross Block (Including Capital WIP)	71513.18	71514.92	72062.52	72063.41	72063.70	72065.78	72078.91	71552.47	71566.57	71566.75
Inventories	1683.23	1526.90	1415.02	1113.41	1201.94	1617.27	1607.00	1411.14	1396.93	1541.50
Depreciation	3289.70	3288.33	3386.32	3354.04	3328.61	3323.37	3315.40	3241.61	3212.35	3166.17
Interest	29024.34	33649.46	38835.10	44698.45	51595.13	60230.85	71820.89	83014.38	95498.84	111525.07

Note: Figures for the current year have been re-grouped wherever necessary

* Capital employed represents Net Fixed Assets (Excluding Project(under Construction)and Net Current Assets)

Turnover and Loss

During the year under review, the Company achieved a turnover of Rs. 37.18 Crores as against Rs. 26.25 Crores in the previous year. The Company's operations resulted in a net loss of Rs. 1156.65 Crores for the year as compared to a net loss of Rs. 1009.21 Crores in the previous year. The operating loss during the year was Rs. 11.84 Crores as against Rs. 13.46 Crores during the previous year. Low capacity utilisation and the prevailing market scenario besides heavy interest burden continue to be the major factors affecting the financial position of the Company. The Company adopted various strategies to improve its operations and effected cuts in its administrative expenses. These processes would be pursued vigorously to improve its financial position and bring down the operating loss further in the coming year.

MOU 2010-11

We are to inform that during the year 2010-11, the Company had entered into a MOU with the DHI, envisaging achievement of Production of Rs. 77.84 Crores and Sales of Rs.73.51 Crores . Amidst various constraints, the Company has significantly achieved production and sales of Rs. 39.92 Crores and Rs. 37.18 Crores respectively which is 56.55 % and 41.64 % growth over the previous year.

Polyester Base Medical X-Ray, Industrial X-Ray and Graphic Arts Films Plant

The Plant has produced 1.50 M.sq.m of Films during the year under report as against 0.923 M.sq.m during the previous year. The performance of the Plant is expected to improve in the coming year.

Research and Development

Specific Areas in which R&D was carried out by this Company

R&D activities were carried out on New Product Development, Product/Process Improvement, Technology Up gradation, Import Substitution , Cost Reduction and Production Trouble Shooting works.

Benefits derived as a result of the above R&D

Company's requirements with respect to 13 Specialty Chemicals were met by manufacturing the same at Organic Synthesis Unit resulting in cost savings of Rs. 30.88 Lakhs.

Following products, for which Plant Trials are in progress, will soon be commercialized.

- ⇒ Graphic Arts Red Laser Scanner Film/Image Setter Film
- ⇒ Inkjet Paper
- ⇒ Subbing of polyester X-ray Base
- ⇒ Digital X-ray Film
- ⇒ Medical Imaging Film (Panchromatic)
- ⇒ Laser Printer Film
- ⇒ Acid Violet dye and KF 508 dye (import substitution)

Future Plan of Action

Future R & D program covers Development / implementation of know-how for the following:

- a) Improvement/Cost reduction on the following products:
 1. Medical X-ray Film
 2. Graphic Arts Red Laser Film/Image Setter Film
 3. Industrial X-ray Film

 4. Medical X-ray (Ortho) Film
 5. Processing Chemicals –Developer and Fixer
- b) Developmental Work on following Products

1. Low Speed Industrial X-ray Film (IRF 100 and IRF 50)
2. Indigenization and Manufacturing of Fine Chemicals
3. Acid Violet Dye(Import Substitution) for Graphic Arts Gel backing
4. KF 508 Dye (Import Substitution) for Graphic Arts Products
5. Silk Screen Printing Film
6. Thermal Imaging Film
7. Thermal Paper

c) Non Silver Digital Imaging Technology

New Product for Non Silver Digital Imaging Technology works in association with M/s Technova Imaging Systems (P) Ltd., Mumbai, progressed well and the Company could generate job order revenue of several lakhs rupees

Production trial of Non Silver Screen printing Film was successfully carried out and Non-Silver Medical Imaging Film production trial will be taken in association with M/s Technova

R&D Expenditure (Rs. In lakhs)

a) Capital	:	Nil
b) Recurring	:	83.12
c) Total	:	83.12
d) Total R&D expenditure as a % of total turnover	:	2.24 %

Technology absorption, adaptation and Innovation:

Information regarding imported technology

⇒ Collaboration agreement if any	}	NIL
⇒ Technology import		
⇒ Year of import		
⇒ Has technology been fully absorbed		
⇒ If not fully absorbed, areas where it has not taken place, reasons therefore		

Quality Assurance

HPF an ISO 9001:2000 Company has now been accredited with ISO 9001:2008 certification by the British Certifications INC under JAS-ANZ and has taken various steps to maintain the quality standard of its products.

The Quality Assurance Department checks all incoming raw materials and packing materials for their suitability for use in production. Raw materials from new sources are also developed. Annual vendor rating analysis are carried out to study the performance of suppliers of raw materials, chemicals and packing materials. Sensitivity of the fresh and aged photographic goods are measured. All finished goods are checked by QA as a first customer to see that no defective material is passed on to the customer. QA has addressed the concern of the customer at the point of usage. Analysis on production/rejection performance are done and circulated to production division, as feedback information.

QA guides Production in online corrective and preventive action, to realise quality target. Statistical sampling plans are being suggested for new products. QA carries out the task of updating testing methods and revising specifications for existing products and drawing specifications for new products. QA has Radiographic testing facilities, facilities for testing of waste water, drinking water and process water.

To keep track of performance of our products in the market, customer complaint details are studied periodically. The quality performance index was within the target level of 6 sigma.

Energy Conservation

Electrical Energy conservation

The power factor was always maintained well above 0.95 by power capacitors according to the requirement. Energy efficient copper chokes were installed and maintained. Heater and lighting loads were regulated. Power transformers were utilised to the optimum level. Preventive maintenance schedule was strictly followed to improve efficiency of motors and other equipments. Optimum utilization of process equipment was made based on production schedule. The cold storage compressor was effectively operated with the help of Automatic Control Circuit. The Plant operations were sustained with reduced level of maximum demand. Street lights and security lights were effectively utilised with the help of timer circuits.

Thermal Energy Conservation

Combustion control in Boiler and in Hot Water Generator was maintained at reduced level of excess air. The blow down level was optimized by monitoring the feed water and blow down water quality. The Boilers and Hot water generator operation was optimised by staggered production schedules. Strict follow-up of preventive maintenance activities was done.

As a result of the above measures, savings to the tune of Rs. 22 Lakhs was achieved.

Personnel

The total number of permanent employees as on 31st March 2011 stood at 731. Based on the order of the Supreme Court and approval of DHI vide Order No. 19(10)/2009-PE.III dt 20th Oct 2010, 56 persons working as casual workers/ NMRs were appointed as regular employees. The representation of SC and ST categories in the total employees' strength was as follows:

Representation of SC category :	130 (17.78%)
Representation of ST category :	42 (5.75%)

The Company continued to follow the reservation policies in respect of scheduled caste and scheduled tribe communities in accordance with the directives issued by the Government of India from time to time.

The total strength of ex-servicemen employed by the Company as on 31st March 2011 stood at 16 representing 2.19 % of the total strength. The number of physically handicapped employees stood at 22 as on 31st March 2011 consisting of 3 blind, 9 ortho-handicapped and 10 deaf and dumb employees.

With the trend of manpower rationalization continuing, 45 persons have been relieved on VRS during the year and the available manpower is being put to the best possible use.

Training and Development

The Company has a full-fledged Training and Development Department to take care of the training needs of the employees. Internal training programmes were conducted.

Industrial Relations

By and large, the Industrial Relation scenario remained cordial. The Industrial Relations Committee comprising of Management and Trade Unions representatives met and discussed from time to time to resolve various industrial problems.

Environment

For maintaining ecological balance, the Company has done some conservation programmes. Effluent treatment and disposal systems have been fine-tuned in compliance with all the statutory rules and regulations. During the year under report, the Company has spent Rs. 5.57 Lakhs in this regard.

Insurance

Assets of the Company were generally insured.

Implementation of official language

The Company continued to take effective steps for implementation of the provisions of the Official Language Act and the instructions received from the Central Government in this regard from time to time.

Development of Ancillaries

During the year under report, the Company purchased materials to the tune of Rs. 195.03 Lakhs from Ancillary and SSI Units for its production requirements.

Contribution to Exchequer

During the year under review, the contribution made by the Company to the Exchequer - both central and State has been of the order of Rs. 572.73 Lakhs by way of Sales tax, Octroi, Customs duty and Excise duty etc.

Vigilance Activities

Vigilance Department continued to keep strict vigil within the Organization. The Department was engaged in activities like investigation of complaints from various sources, conducted surprise inspections and detailed inspections of transactions. To improve Vigilance administration and to ensure transparencies all open/limited tenders were put on the website of the company. Purchase manual and Marketing Manual was updated in accordance with CVC guidelines. A compendium of vigilance guidelines framed by Chief Vigilance Officer has been forwarded to Head of Departments for adherence. Interactive sessions on vigilance with Head of Departments were also conducted by CVO. Deficiencies with regard to systems and procedures were pointed out for necessary remedial actions. The practice of opening of tenders in the presence of trade representatives was introduced to bring out more transparency in the organizational transactions. The department recommended for introduction of Electronic Fund transfer and e-tendering. Vigilance Awareness Week was observed from 25.10.10 to 01.11.10 in a befitting manner.

RTI Act

The Company has implemented the provisions of the RTI Act 2005 and has nominated the following officials:

Public Information Officer	:	Mr. A.B. Kumar
Assistant Public Information Officer	:	Ms. M. Gita
Appellate Authority	:	Mr. P. Jagadeeswaran, CMD

All applications and first appeals received under RTI during the year 2010-11, have been addressed.

Particulars of Employees

Information as per Sub-section 2(A) of Section 217 of the Companies Act 1956, read with Companies (Particulars of Employees) Rules 1975, and forming part of Directors' Report for the year ended 31st March 2011 - Nil.

Directors

Shri. P. Jagadeeswaran, Director (Finance) continued to hold additional charge of the post of Chairman-cum-Managing Director-HPF.

Audit Committee

As on 31.3.2011, the Audit Committee comprised of the following members:

Shri R.Subburathinam	:	Independent Director	:	Chairman
Shri Gautam Basu	:	Independent Director	:	Member
Shri G.R.Sundaravadivel	:	Nominee Director	:	Member

Shri. Shashank Goel, Government Director resigned from the Board of the Company with effect from 24.3.2011.

Directors' Responsibility Statement

As per requirements of Section 217 (2AA) of the Companies Amendment Act 2000, your Directors hereby declare that:

- (i) In the preparation of the annual accounts, the applicable accounting standards have been followed along with proper explanation relating to material departures.
- (ii) The Directors have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of 31st March 2011 and of the profit or loss of the Company for that period.
- (iii) The Directors have taken proper and sufficient care 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.
- (iv) The Directors have prepared the annual accounts on a going concern basis.

Auditors

M/s. Padmanabhan Prakash & Co., Chartered Accountants, Chennai have been appointed by the Government of India as Auditors of the Company for the financial year 2010-11.

Corporate Governance

In compliance with the requirements of Clause 49 of the Listing Agreement with the Stock Exchanges, the following are annexed to this report:-

- The Management Discussion and Analysis Report
- A report on Corporate Governance
- The Certificate of the Auditors on Corporate Governance

Status before BIFR / AAIFR / Revival

Consequent upon recommendations of BIFR and AAIFR for winding up of HPF, in the year 2005, the Unions, Officers Association and the Company had approached the Madras High Court and has obtained a stay on further proceedings of BIFR and AAIFR. In the meanwhile, with the approval of the Government, a Revised Revival Strategy for HPF was drawn up by Consultants, M/s Ernst & Young. The Ministry of Heavy Industries, after consideration of the report had forwarded the same to the BRPSE in Apr 2008.

The Revival proposal of HPF has been considered by BRPSE and recommended for approval to the Govt. A CCEA note was circulated by DHI and the recommendations were put up to the Cabinet for consideration. The Cabinet secretariat has reviewed the note and referred it to a committee of Secretaries for their views. The Company now awaits final nod of the Cabinet to the Restructuring Proposal, as approved by BRPSE.

The Company has entered into a MOU with the Govt. for the year 2011-12 involving production/ sales target of Rs. 81.50 Crores each. In anticipation of Revival, the Company is committed to achieve these targets in the coming year.

Acknowledgement

Your Directors wish to place on record their sincere thanks to the Government of India, particularly the Department of Heavy Industry, the Bankers, valued customers, for their co-operation and support. Your Company sincerely appreciates the valuable services rendered by the employees of the Company. Their efforts and support for the cause of revival was commendable.

For and on behalf of the
Board of Directors

S. Girish Kumar
Chairman-cum-Managing Director

Management Discussion and Analysis Report

Industry Structure and Developments:

The Photographic Products Market in India is controlled by the Indian Front Companies (IFCs) of MNC giants like KODAK, FUJI, KONICA & AGFA, which are involved only in Conversion of Imported Coated wide stock of Photographic Products. Products of China Lucky Film Corporation too are available in the Market. HPF is the only Company having integrated manufacturing facility with Government investment of about Rs. 700 Crores.

Photographic Product Market in India is estimated to be about Rs. 1663 Crores including Colour Products with Annual Compounded Growth Rate of 10%. For the Black & White Products manufactured by HPF there is a market of about Rs. 412 Crores. With technological advancements, Digital Products have taken a Lion's Share in the Consumer Imaging Segment. But in the Health Sector the pace of Digitalization is not that steady resulting in continuous generation of demand for conventional Health Imaging Products where HPF has a strong & notable presence. HPF has also made progress in Digital products. HPF has a strong presence in the Government Sector where the requirement is about 100 Crores. The Company plays an importance role in controlling the selling price

Opportunities and Threats:

Opportunities:

- Growth of Indian Economy and growing Photographic Market with positive growth rate
- Steep increase in price of important raw materials
- Increased Health Awareness
- Increased Government allocations to Health, Infrastructure & Heavy Industries, Defence etc. wherein HPF's products are patronized
- Closing of operations in Black & White Photographic Products by MNCs
- Existence of Export potential for Black & White products.
- Development of Digital Media Products
- Customer preference for INDU Products

Threats:

- Government Policy in favour of traders and against indigenous manufacturer
- Gradual invasion of Digital Products in Health Sector
- Unfair Competition in the Market Place
- Existence of Grey markets and irregular imports
- Technological obsolescence

Outlook:

- The Company has reoriented its strategies to keep pace with Technological advancements by introducing advanced products like Red Scanner Films, Digital Imaging Films etc.
- Improvements in Production Operations and R&D efforts to result in Low Coating Weight of Silver in Medical X-ray & Industrial X-ray Films giving better yield
- Reduction in expenditure through introduction of Industrial Automation
- Efforts to enter into Joint Ventures for marketing digital products

Risks & Concerns:

Risks:

- Age of Plant & Machineries and Technology gap
- Digital Innovations
- Continuous reduction in import duties for finished films
- Ageing manpower without fresh recruitment

Concerns:

- Non level playing field conditions against MNCs due to lowering of duties
- Tax holidays availed by MNCs operating in Tax free zones
- Lowering of Selling Prices by MNCs beyond realistic level
- Steep escalation in Silver prices which has a direct impact on profitability
- Lack of policy support for HPF, the only domestic Integrated Manufacturing Plant in the Country
- Lack of specialized manpower

Future Prospects:

- Future prospects of the Company largely depend on implementation of financial restructuring and revival through fund infusion by Government
- Policy support requested from the Government, if given, for creating a level playing field in the market will improve the future prospects of the Company
- The products of the Company have enough demand in the market for some more years to come
- In the scenario where MNCs are switching over to Digital Products, HPF being the only manufacturer has a good opportunity for survival with the existing products.
- With introduction of new products, indigenisation of base and reduction in coating weight, the Company can take up challenges thrown by the Competitors in terms of quality, price and supplies

Productwise performance – 2010-11

Product	Volume : Lakh Sq.m		Value : Rs. In Lakhs	
	Production (own)		Sales	
	Volume	Value*	Volume	Value
Medical X-ray	10.42	2730.88	8.497	2187.92
Graphic Arts	1.15	199.01	1.373	236.56
Industrial X-ray	1.11	961.62	1.361	1137.63
B&W Films incl. Cine Films	0.15	67.82	0.148	69.31
Processing Chemicals(Tonnes)	48.61	60.45	68.413	84.41
Others	3.31	51.46	0.012	2.49
Total				
Lakh Sq.m	16.13		11.393	
Tonnes	48.61	4071.24	68.413	3718.32

* Sale value of production

Internal Control Systems

The Company has an adequate system of Internal Control for safeguarding its assets. This is supplemented by periodical audits conducted by the Internal Auditors M/s Karthikeyan & Jayaraman. The Audit Committee regularly reviews the significant findings of the internal audit department.

Discussion on Financial Performance with respect to Operational Performance

Operational Performance

The Company has been facing severe working capital shortage over the past many years and this has resulted in declining capacity utilization. Non-level playing conditions and increased cost of Raw materials has resulted in the capacity utilization dropping to just around 2-3% during the past few years.

During the year 2010-11 too, the Company was constrained to plan operations with limited resources and has lost some orders due to inconsistency in supplies. Consistency in supplies will enable HPF to regain its market share. It is relevant to note that inspite of these constraints, the Company achieved. Production and Sales of Rs. 40.78 Crores and Rs. 37.18 Crores as against the MOU target of Rs. 73.51. Crores .

Financial performance

In view of the Company's continuing sickness, there has not been any material change with regard to the Company's financial position. Steep escalation in the price of silver added to the increase in the price of other major inputs has led to substantial increase in material cost.

Interest and depreciation continue to be the major components contributing to the net loss. The Company looks forward to financial restructuring by way of One Time settlement of its dues and revaluation of its assets, which are otherwise over-capitalized. In spite of the increasing trend of net losses, the Company has reduced its operational losses to around Rs. 11.84 Crores.

Major portion of the accumulated losses comprise of accumulated interest and unabsorbed depreciation. The Networth of the Company remains negative on account of these factors. The financial condition of the Company can improve only with implementation of financial restructuring. The Company is taking all out efforts to improve operational as well as financial performance in the coming year and has entered into a MOU with the Govt. involving Production / Sales target of Rs. 81.50 Crs. each, among other parameters.

The summarized financial performance of 2010-11 compared with 2009-10 is given below (Rs. In Crs.):

Particulars	2009-10	2010-11
Sales and Other Income excl. provisions	26.25	42.11
Expenditure excl. Interest, Depreciation and provisions	39.71	53.94
Operating Loss	13.46	11.84
Interest	954.99	1115.25
Depreciation	32.12	31.66
Net Loss after prior period adjustments	1009.22	1156.65

Material developments in Human Resource/Industrial Relations

In continuance of its exercise of manpower rationalization, the Company relieved 45 employees on VRS during the year 2010-11. In the scenario, the available manpower is being put to the best possible use through retraining and re-deployment. Emphasis has been laid on avoiding 'Denuding of Talent' at all levels. The employees were well informed on the precarious financial position of the Company and the efforts of revival being made.

Future Prospects

The Company is gearing up to face challenges posed by the liberalized economy. All out efforts are being made to achieve higher productivity, reduction in expenditure. Consequent upon the Revival plan having been favourably recommended by the BRPSE, the Company awaits early adoption of the same by the Cabinet.

REPORT ON CORPORATE GOVERNANCE

Company's Philosophy on Code of Governance

HPF recognises its responsibilities as the trustee of its stakeholders and believes in fair and transparent Governance. This has been strengthened by adoption of requirements of Clause 49 of Listing Agreement of Stock Exchanges.

I. Board of Directors

a. Composition

As on 31.3.2011, the composition of the Board was as follows:

Name of Director (S/Shri.)	Designation	Executive / Non-Executive	Category	No. of other director-ships held	No. of Committee positions held in other companies
P.Jagadeeswaran	CMD (Addl.Ch) & Dir (Fin)	Executive	Official	--	--
Shashank Goel	Govt. Director	Non-Executive	Part time Govt. Director	5	4
G.R.Sundaravadivel	Nominee Director	Non Executive	Nominee Director (UTI AMC)	1	5
Gautam Basu	Independent Director	Non Executive	Independent Director	1	---
R.Subburathinam	Independent Director	Non Executive	Independent Director	1	1

- Shri Shashank Goel Government Director resigned from the Board of the Company on 24.3.2011.
- None of the Directors of the Company is related to any other Director of the Company
- None of the Directors has any business relationship with the Company

b. Directors' Attendance

During the year 2010-11, 4 Board Meetings were held. Attendance of Directors at the meetings of the Board held during the year and at the Annual General Meeting was as follows:

Name of Director S/Shri.	No. of Board Meetings held	No. of Board Meetings held during tenure	No. of Board meetings attended	Attended at Last AGM
P.Jagadeeswaran	4 Meetings : held on 25.6.2010, 25.9.2010, 23.12.2010 & 28.3.2011	4	4	Yes
Shashank Goel		4	3	No
G.R.Sundaravadivel		4	3	No
Gautam Basu		4	4	No
R.Subburathinam		4	4	No

c. Non-Executive Directors compensation and Disclosure:

The Whole Time Directors of the Company are appointed by the Government of India and are being paid remuneration as per the terms of their appointment. The Nominee Directors are being paid Sitting Fee of Rs. 600/- for every meeting of the Board and Rs. 300/- for every sub-committee meeting attended by them.

d. Board procedure

Board meetings are held at least once in every quarter and more often, if considered necessary, focusing on strategy formulation, policy and control, reviewing performance of the Company, quarterly results, annual accounts, and annual operating plans and for considering statutorily required matters. In case of exigencies, resolutions are passed by circulation and are placed at the next meeting of the Board.

The agenda for the meetings is prepared by the Company Secretary in consultation with the CMD and the Board papers are circulated to the Directors in advance. As and when required, senior executives of the Company are also invited to attend Board Meetings and provide clarifications. The part-time directors play an important role in the deliberations of the Board and bring to the Company, their wide expertise in various fields.

Also there is a proper system of recording minutes of meetings and follow up on the same.

e. Code of conduct

The Board of Directors has laid down a Code of conduct for all Board members and Senior Management personnel of the Company. The Code of Conduct is uploaded on the website of the Company 'www.hpf-india.com'. For the year ended 31.3.2011, all Board members and Senior Management personnel have affirmed compliance with the Code of Conduct

II. Audit Committee

An Audit Committee has been formed in the Company in accordance with Section 292A of the Companies Act 1956 and Clause 49 of the Listing Agreement.

a. Composition

The details of the Audit Committee in existence during the year was as under:

- The Audit committee consisted of four Directors
- All Independent Directors are members of the Audit Committee
- The Govt. Director is also a member of the Audit Committee
- None of the Directors had any other interest in the Company
- All members of the Audit Committee were financially literate. Directors Shri. R. Subburathinam and Shri. G.R. Sundaravadivel have the requisite financial expertise.
- Director (Finance) / Senior Manager (Finance), the Internal Audit Head and Statutory Auditors were invited to attend the Audit committee Meetings as and when required.
- The Company Secretary acted as Secretary to the Committee

b. Meetings of the Audit Committee

During the year 2010-11, four Audit Committee meetings were held. The attendance of Directors at the Audit Committee meetings held during the year was as follows:

Name of Director S/Shri	Audit Committee Meetings held	No. of Audit Committee Meetings held during tenure	No. of Audit Committee meetings attended
G.R.Sundaravadivel	4 Meetings : held on 25.6.2010, 25.9.2010, 23.12.2010 & 28.3.2011	4	3
R.Subburathinam		4	4
Shashank Goel		4	3
Gautam Basu		4	4

c. Powers of Audit Committee

The Audit Committee is vested with powers as specified under Clause 49 of the Listing Agreement with Stock Exchanges.

d. Role of Audit Committee

Audit Committee is assigned role as specified under Clause 49

e. Review of information by Audit Committee

The Audit Committee reviews periodically, financial statements of the Company, observations of internal Audit and other matters under its purview as per Clause 49 of the Listing Agreement.

III. Shareholders'/ Investors' grievance Committee

A Shareholders' / Investors' Grievance Committee comprising of all Non-executive Directors has been formed to resolve the grievances of the Shareholders / Investors. Ms. M. Gita, Company Secretary was the Compliance Officer of the Committee. During the year, no complaints have been received from the Shareholders.

IV. Share Transfer Committee

The process of Share Transfer has been delegated to a Committee comprising of the CMD and two Senior Officers of the Company. No Share transfers are pending as on date. As on 31.3.2011, about 90.633% of the Share Capital was held by the President of India and only the remaining 9.367% was held by others. The only Share Transfers that have been taking place are those amongst the nominees of the President of India.

V. Subsidiary Companies

The Company does not have any subsidiaries

VI. General Body Meetings

Location and time of General Body Meetings held during the previous three years:

Nature of Meeting	Date and Time	Special Resolutions passed	Location
47 th AGM	7-11-2008 1030 HRS	---	Registered Office of the Company at Ootacamund
28 th EGM	7-11-2008 1200 HRS	1	
48 th AGM	26-10-2009 1100 HRS	---	
29 th EGM	26-10-2009 1200 HRS	1	
49 th AGM	3-12-2010 1600 HRS	---	

No resolution was passed through postal ballot last year. As and when need arises, postal ballot shall be implemented.

VII. Disclosures

▪Basis of Related party transactions - Nil

During the year 2010-11, the Company has not entered into any transaction of material nature with its Promoters, Directors or the Management, their subsidiaries or relatives etc. that may have potential conflict with the interest of the Company at large. Also there were no transactions with related parties.

▪Disclosure of Accounting treatment

During the year there has been no change in the Accounting Standards

▪Board disclosure on Risk Management

The Company has laid down procedure to inform the Board members about risk assessment and minimization procedures.

▪Proceeds from public issues, rights issues and preferential issues

During the year 2010-11, the Company has not made any public issues, rights issues and preferential issues

▪ **Non-executive Directors / Remuneration of Directors**

- There have been no pecuniary relationships or transactions of the non-executive Directors vis-à-vis the Company during the year under review.
- The Whole Time Directors of the Company are appointed by the Government of India and are being paid remuneration as per the terms of their appointment. Hence, the Company has not constituted a remuneration committee. The Nominee Directors are being paid Sitting Fee of Rs. 600/- for every meeting of the Board and Rs. 300/- for every sub-committee meeting attended by them.
- During the year sitting fee of Rs. 3600/- was paid to each Independent Director and Rs. 2700 to Nominee Director for attending Board / Audit Committee Meetings.
- During their tenure, each Official Director and Director representing the DHI held 100 Equity Shares in the Company as Nominees of the President of India. Directors have also disclosed their Share holding in other Companies.

▪ **Management**

The Management Discussion and Analysis Report has been included separately in the Annual Report to the shareholders.

g) **Report on Corporate Governance**

The quarterly compliance report has been submitted to the Stock Exchange where the Companies Equity Shares are listed.

h) **CEO and CFO Certification**

The Director (Finance) and Chairman-cum-Managing Director (Addl. Ch.) has certified to the Board of Directors of the Company that:

- a. He has reviewed financial statements and the cash flow statement for the year and that to the best of his knowledge and belief
 - i. These statements do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading
- b. nsactions entered into by the Company during the year which are fraudulent illegal or violate the Company's code of conduct.
- c. He accepts responsibility for establishing and maintaining internal controls for financial reporting and that he has evaluated the effectiveness of internal control systems of the Company pertaining to financial reporting and he has disclosed to the Auditors and the Audit Committee deficiencies in the design or operation of such internal controls if any of which he is aware and the steps he has taken or propose to take to rectify these deficiencies.
- d. He has indicated to the auditors and the Audit Committee
 - i. Significant changes in internal control over financial reporting during the year
 - ii. Significant changes in accounting policies during the year and that the same have been disclosed in the notes to the financial statements and

- iii. Instances of significant fraud of which they have become aware and the involvement therein if any of the management or an employee having a significant role in the Company's internal control system over financial reporting.

VIII. Means of Communication

The Company communicates with the Shareholders at large through its Annual Report and publication of financial results in leading dailies. As per the requirements of Clause 41 of the Listing Agreement, the quarterly results as approved by the Board of Directors are announced to the Stock Exchanges and published in the dailies viz; Financial Express in English and Dinamani in Tamil. The results are also published through the Company's website: hpf-india.com.

IX. General Shareholder information

- **AGM** : Hindustan Photo Films Mfg. Co. Ltd., Indunagar – Ootacamund – 643 005
- **Financial Calendar** : 1st Apr 2011 - 31st Mar 2012
 - Board Meeting to consider Annual Report for 2010-11 : Nov 2011
 - Submission of audited accounts to the C&AG of India : Nov 2011
 - Board Meeting for considering:
 - Financial results for First quarter : Sep 2011
 - Financial results for Second quarter : Nov 2011
- **Date of Book closure** : 7 days before AGM
- **Dividend payment date** : Not applicable as Company is incurring losses
- **Listing on Stock Exchanges**

The Company's Shares were listed on the Madras and Bombay Stock Exchanges. Its bonds are listed on the Madras, Bombay and Calcutta Stock Exchanges. Due to the severe financial crunch being faced by the Company, it had arrears of listing fee as follows:

Chennai Stock Exchange	:	2002-03 onwards
Bombay Stock Exchange	:	2000-01 onwards
Calcutta Stock Exchange	:	1997-98 onwards
Stock Code	:	Madras Stock Exchange : HPF Mumbai Stock Exchange: 524316

Though the Company had initiated the move to voluntarily delist its securities from the stock exchanges, it has not been able to complete the process since such delisting is subject to condition of settlement of arrears of listing fees, which Company cannot afford at this stage.

- Market price data : Securities of Company are not being quoted in the Market at present
- Performance in comparison to broad-based indices : Not Applicable
- Registrar and Transfer Agents : Nil
- Share Transfer system : The Company has an in-house share transfer facility
- Distribution of Shareholding as on 31.3.2011:

Category	No. of Shares (Equity Shares of Rs.10/-)	%
Promoters (President of India & his nominees)	185674600#	90.633
GIC & its subsidiaries	19187800	9.366
Indian Public (By transfer)	2600	0.001
Total	204865000	100

Excluding Share Capital deposit: 10 Lakh Shares

- Dematerialization of shares and Liquidity : Securities not dematerialized
- Outstanding GDRs/ADRs/ Warrants or any convertible Instruments conversion date and likely impact on equity : Nil
- Statutory Defaults : The Company has not been imposed with any penalty / stricture by the Stock Exchange / SEBI, on any matter related to capital market during the past three years

- Plant locations:

Plant	Situation	Details
Unit I	Ootacamund Tamilnadu	Fully integrated Production Unit for B&W Photographic Products and for Conversion of imported coated wide stock (colour products)
Unit - III		Magnetic Tape Division
Unit - IV		State of the Art Polyester X-ray Plant
Unit – II	Ambattur, Chennai Tamilnadu	Conversion Unit & Processing Chemicals Unit

- Address for correspondence : The Company Secretary
Hindustan Photo Films Mfg. Co. Ltd.
Indunagar, Ootacamund - 643 005

X. Compliance with non-mandatory requirements:

- The whole time directors of the Company are appointed by the Government of India and are being paid remuneration as per their terms of appointment. Hence the Company has not constituted any remuneration committee.
- The post of Chairman-cum-Managing Director was being looked after by the Director (Finance) for which no additional remuneration is paid
- The quarterly declaration of financial performance is made known to the shareholders through press advertisement. Half yearly results including summary of significant events is not being sent to shareholders currently.
- No Directors' training programme was conducted during the year ended March 2011.
- The Company does not have any whistle blower policy as of now.

XI. Declaration of the Chairman-cum-Managing Director

This is to certify that the Company has laid down Code of Conduct for all Board Members and Senior Management of the Company and the copies of the same are uploaded on the website of the Company – www.hpf-india.com

Further certified that the Members of the Board of Directors and Senior Management personnel have affirmed compliance with the Code applicable to them during the year ended 31st March 2011.

Date : Chennai
Place: 25.11.2011

S.Girish Kumar
Chairman-cum-Managing Director



PADMANABHAN PRAKASH & CO
CHARTERED ACCOUNTANTS
5, SMITH ROAD, SECOND FLOOR
CHENNAI 600002
Ph: 28523905, 28410458
e-mail: padmanabb@vsnl.net
padmanabhan_prakash@yahoo.com

Certificate on Corporate Governance

To
The Members of Hindustan Photo Films Mfg. Co. Ltd.

We have examined the compliance conditions of Corporate Governance by M/s. Hindustan Photo Films Mfg. Co. Ltd for the year ended March 31, 2011 as stipulated in Clause 49 of the Listing Agreement of the said Company with stock Exchange(s).

The compliance of 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.

In our opinion and to the best of our information and according to the explanations given to us, we certify that the Company has complied with the conditions of Corporate Governance subject to the following:

- On one instance during the year, the time gap between the Board meetings exceeded three months.

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

For Padmanabhan Prakash & Co.
Chartered Accountants
FRN 029509S

E. Prakash
Partner
M.No. 019388

Date: 25.11.2011
Place: Chennai

ADDENDUM TO DIRECTORS' REPORT

	AUDITORS' REPORT	COMPANY'S REPLY
4d	In our opinion, the Balance Sheet and the Profit and Loss Account comply with the requirements of the Accounting Standards referred to in sub-section 3(C) of Sec. 211 of the Companies Act, 1956 except non compliance of Accounting Standard (AS) 28 – “Impairment of Assets”, the impact of which is not ascertainable.	The Company has been operating at below 6% capacity utilization and continues to be sick. In view of the difficult conditions, it is not possible to assess the impairment of assets and its impact at this stage. The situation will be reviewed at a later date.
4g	During the year the company has not made provisions for debtors and for obsolete/non-moving stock for Rs.25.61 lakhs and 17.74 lakhs respectively.	The Audit committee and the Board were of the opinion that it is not appropriate to make a general provision for doubtful debts above three years and non-moving inventory above five years. Instead it was decided that the Debtors and Inventory should be analyzed in detail and provisions should be specifically made for only those items which are non-recoverable debts and obsolete inventory. Hence the Accounting policy has been suitably modified and provisions have not been made for the said items during the current year.
4h (i)	As stated in the Schedule No. 4 of the Balance Sheet of the Company and the foot note to the Schedule, the secured "A" Series Bonds and secured loans amount to Rs. 6508.30 Crore (including interest). Of this total amount, only Rs. 539.99 Crore has been secured by fixed and current assets. The classification of the balance of Rs.5968.31 Crore as “Secured” in our opinion is not correct.	Adequate disclosure has been made by way of footnote to Schedule No.4 of the Balance Sheet.
(ii)	The Company, as stated in Note No. 7 of Schedule 23, has not obtained confirmation of Balances in respect of unsecured loans from Govt. of India, Inter Corporate Deposits, Sundry Debtors, Loans & Advance, Sundry Creditors and Current Liabilities. Hence the consequential effect, if any, on the financial statements, on account of not obtaining the Confirmation of Balances is not ascertainable.	Adequate disclosure has been made in Note No.7 of Schedule No.23, Notes on Accounts.
(iii)	Note No.13 of Schedule 23 regarding non-payment of insurance premium to cover the Company’s assets against risks	The Company has insured the inventory, money in transit and Ambattur buildings. It was not possible to insure the other assets, since the premium payable is very high and the Company is unable to afford the high expenditure due to financial constraints. Efforts towards insurance of other assets would be made in due course.
(iv)	Note No.15 of Schedule 23 regarding the loss that may arise on disposal of certain Plant & Machinery included in Fixed Assets which are no longer required and steels, valves and pipe fittings relating to Polyester Plant identified as surplus.	The referred assets have been identified as surplus at the time of completion of the Polyester X-Ray Plant and the same has been retained for use wherever possible since the disposal value is very low compared to the replacement cost.
(v)	Note No. 24 of Schedule 23 regarding non availability of information of outstandings, interest paid/payable/accrued/unpaid for disclosures under the Micro, Small and Medium Enterprises Development Act, 2006.	In spite of efforts by oral requests to Micro, Small and Medium Enterprises dealing with the Company, we were unable to get the relevant information in making suitable disclosures.
(vi)	Note No.25 of Schedule 23 regarding the amount that may be payable consequent upon the suit filed by HPF Officers Association for wage revision that is pending in Supreme Court.	The current status of the case is yet to be known and its impact is not assessable at this stage. However Gol has not sanctioned wage revision for sick industries yet.

(vii)	Confirmation of Balance for Loans obtained from Banks is not available in respect of 11 Accounts, and in respect of one case confirmation is available for interest only.	Requests have been sent to the banks to send confirmation to the auditors directly as per guidelines. It is informed that only a few have responded.
4 i)	<p>Attention is also invited to item No.1 of Statement of Accounting Policies wherein it is stated that the Company's financial statements have been prepared on "GOING CONCERN BASIS". We are unable to express our opinion in view of the following:</p> <p>i) The company has incurred a net loss of Rs.1156.65 Crore and a cash loss of Rs. 1124.99 Crore in the current year.</p> <p>ii)The accumulated losses as on 31.03.2011 stand at Rs.8213.04 Crore as against the net owned shareholders funds of Rs.228.98 crore.</p> <p>iii) The net worth has been fully eroded and the company has been consistently making significant losses for the past several years.</p> <p>iv) The Company has been referred to BIFR in terms of Sick Industrial Companies (Special Provisions Act 1985) and the BIFR has confirmed its opinion for winding up the Company under section 20(1) of the SICA vide order date 30.01.2003. The Company's appeal to the AAIFR against the order of BIFR has also been rejected. The Company in turn has obtained a stay in the Madras high Court against the order of AAIFR and the matter is pending in the High Court.</p> <p>v) The Company's Current liabilities has exceeded its current assets by Rs. 21.99 crore.</p> <p>vi) Though the Company has negotiated its borrowings with its bankers and financial institutions and arrived at a 'One Time Settlement' package which involves waiver of accrued interest and payment of principal @ 40 % and below based on secured and unsecured creditors as part of the Revival Proposal submitted to the Government, the proposal is yet</p>	<p>The accounts of the Company have been prepared on a "Going Concern Basis".</p> <p>Even though the Company has incurred a high net loss of Rs.1156.65 Crore, the actual operating cash loss is much lower at around Rs.11.84 Crore only. The Company's Revival Plan is under active consideration. In the event of One Time Settlement and Financial Restructuring, the Company is expected to become viable in the future.</p> <p>The accumulated loss include more than Rs. 7364 crore of accrued interest and Rs. 468 Crore of accrued unabsorbed depreciation, which would be withdrawn and written back in the books during the Revival exercise.</p> <p>The net worth of the Company is fully eroded mainly due to the accrued interest and depreciation which are notional expenditure. At the time of implementation of the revival plan with financial restructuring, it is expected that the net worth will become positive.</p> <p>The Company has obtained a stay on the order of AAIFR at the Madras High Court. The revival proposal formulated by the Consultants has been considered at the Ministry of Heavy Industries and Public Enterprises and a Restructuring Proposal based on the same has been put up to the Board for Reconstruction of Public Sector Enterprises (BRPSE). The BRPSE has recommended HPF's Restructuring Proposal in Mar 2010 and based on its recommendations, a CCEA Proposal was circulated and out up to Cabinet for approval. The Proposal has been referred to a Committee of Secretaries for their views. The First Meeting of the CoS was held on 1.9.2011 and adjourned seeking some additional details.</p> <p>The current liabilities mainly consist of past dues of suppliers, various demands raised on the Company, interest accrued on dues etc. and provisions made for such dues. All these liabilities will be addressed individually and reviewed during financial restructuring at the time of revival and it is expected that the current liabilities would come down substantially after implementation of revival.</p> <p>The Approval by Government for the Revival Proposal including the OTS is expected shortly.</p>

	to be approved by the Govt.	
	<p>vii)The Company's key financial ratios are quite adverse and there are substantial negative cash flows from operations</p> <p>viii) The viability of the Company appears to be doubtful as the Company is not in a position to recover even the variable cost in respect of products manufactured by it.</p> <p>The cumulative effect of our observation in para 4 d) (i), h (i) , h(ii), h(iv), h(vi) and h(vii) on the loss for the year and the accumulated losses and net worth of the company is not ascertainable.</p>	<p>The financial ratios of the Company are adverse due to the huge depreciation and interest burden. However, the Company is able to manage the regular cash flow out of financial support provided by the Government. The Company is able to sustain regular operations and supply finished goods to the market. The main suppliers and customers are intact.</p> <p>The Company is of considered view that, it is at the threshold of revival and implementation of financial restructuring. Once this is done, the Company would become viable. With the introduction of imported coated Medical X-ray jumbos, the Company is able to recover variable cost and have marginal contribution. With increased turnover the idling cost and fixed cost is also expected to be absorbed. The post-revival projections show break even within a short time and the Company is confident of achieving viability.</p>
j)	<p>In our opinion and to the best of our information and according to the explanations given to us, in view of our observations in para (g) and (h) above, we are unable to express our opinion as to whether the said accounts give the information required by the Companies Act,1956 in the manner so required and also give a true and fair view in conformity with the accounting principles generally accepted in India:</p> <p>a) In the case of Balance Sheet, the state of affairs of the Company as at 31st March 2011</p> <p>b) In the case of Profit & Loss Account, of the loss of the Company for the year ended on that date; and</p> <p>c) In the case of Cash flow statement of the cash Flows for the year ended on that date.</p>	<p>As stated above, the Company has taken maximum efforts to sustain operations and achieve revival through financial restructuring. The Revival Proposal is under active consideration of the Government, which is the promoter of the Company. In view of the above, it is appropriate for the Company to be considered as a Going Concern till date.</p> <p>Hence the financial statements, reflect the true and fair view of the status of the Company as on date.</p>

QUALIFICATIONS IN REPORT ON CORPORATE GOVERNANCE

On one instance during the year, the time gap between the Board Meetings exceeded three months	Board/audit Committee Meeting could not be convened in the interim period due to unavoidable administrative reasons.
--	--

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

**S.Girish Kumar
Chairman-cum-Managing Director**

**HINDUSTAN PHOTO FILMS MANUFACTURING COMPANY LIMITED
UDHAGAMANDALAM**



BALANCE SHEET AS AT 31st MARCH 2011

(₹ in Thousand)

	Schedule	AS AT 31.03.2011	AS AT 31.03.2010
SOURCES OF FUNDS			
Share Holders' Funds :			
Share Capital	1	2048650	2048650
Share Capital Deposit	2	20000	10000
Reserves and Surplus	3	221132	221132
Loan Funds :			
Secured Loans	4	65083015	55612929
Unsecured Loans	5	16849955	15085579
TOTAL		84222752	72978290
APPLICATION OF FUNDS			
Fixed Assets			
Gross Block	6		
Less: Depreciation		7156675	7156657
Net Block		4844440	2312235
Investments	7	6	6
Current Assets, Loans And Advances			
Inventories	8	154150	141760
Sundry Debtors	9	144129	111403
Cash and Bank Balances	10	233131	330160
Loans and Advances	11	142971	132681
Other Current Assets	12	613	1171
		674994	717175
LESS :			
Current Liabilities and Provisions			
Current Liabilities	13	835206	873329
Provisions		59699	58276
		894905	931605
Net Current Assets +/-		(219911)	(214430)
Profit and Loss Account	14	82130422	70563880
TOTAL		84222752	72978290
Notes On Accounts	23		
Accounting Policies	24		

Schedules 1 to 14, 23 and 24 form part of this Balance Sheet

S.B.RAVINDRA
Senior Manager Finance &
Company Secretary i/c.

S.GIRISH KUMAR
Director Finance &
Chairman-cum-Managing Director

MANJIT KUMAR
Director

Vide our report of even date attached
For Padmanabhan Prakash & Co., Chartered Accountants

Place: Chennai
Date : 25.11.2011

E.Prakash
Partner, Membership # 019388

**HINDUSTAN PHOTO FILMS MANUFACTURING COMPANY LIMITED
UDHAGAMANDALAM**



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

		(₹ in Thousand)	
	SCHEDULE	THIS YEAR	PREVIOUS YEAR
INCOME			
Sales Less Returns		371832	262501
Less: Excise duty / CVD		35974	20535
		335858	241966
Increase[+] / Decrease[-] in Stocks produced	15	27414	(-) 7521
Other Income	16	22260	18834
		385532	253279
LESS : EXPENSES			
Material Cost	17	294216	191243
Employee cost	18	183188	191753
Other Cost	19	97323	91315
Interest	20	11152507	9549884
Depreciation/Amortization	21	316617	12043851
		321235	10345430
LOSS FOR THE YEAR		11658319	10092151
Add (-)/Less (+): Prior Period Adjustment (net)	22	91777	---
		11566542	10092151
NET LOSS CARRIED OVER TO BALANCE SHEET		11566542	10092151
Basic and Diluted earnings per share of face value of ₹10 each (in ₹)		(-) 56.46	(-) 49.26
Notes on Accounts	23		
Accounting Policies	24		

Schedules 15 to 22, 23 and 24 form part of this Profit and Loss Account

S.B.RAVINDRA
Senior Manager Finance &
Company Secretary i/c.

S.GIRISH KUMAR
Director Finance &
Chairman-cum-Managing Director

MANJIT KUMAR
Director

Vide our report of even date attached
For Padmanabhan Prakash & Co., Chartered Accountants

Place: Chennai
Date : 25.11.2011

E.Prakash
Partner, Membership # 019388

**HINDUSTAN PHOTO FILMS MANUFACTURING COMPANY LIMITED
UDHAGAMANDALAM**

SCHEDULES FORMING PART OF THE BALANCE SHEET

(₹ in Thousand)

1 SHARE CAPITAL	As at 31.03.2011	As at 31.03.2010
AUTHORISED		
21,00,00,000 Equity shares of ₹ 10/- each	2100000	2100000
ISSUED, SUBSCRIBED AND PAID UP		
20,48,65,000 (20,48,65,000) Equity Shares of ₹ 10/- each fully paid-up (including 1,05,00,000 shares issued as paid up converting Government of India Loans into Equity)	2048650	2048650
2 Share Capital Deposit		
Amount sanctioned/received towards equity shares pending allotment	20000	10000
3 RESERVES AND SURPLUS *		
Export Profit Reserve	11	11
Bond Redemption Reserve	221121	221121
TOTAL	221132	221132

* Including capital reserve of ₹ 1 towards land transferred/leased to the Company free of cost has been taken at a nominal value of ₹ 1 with a corresponding capital reserve of ₹ 1

**HINDUSTAN PHOTO FILMS MANUFACTURING COMPANY LIMITED
UDHAGAMANDALAM**

SCHEDULES FORMING PART OF THE BALANCE SHEET

(₹ in Thousand)

	As at 31.03.2011		As at 31.03.2010	
4 SECURED LOANS				
1. HPF Bonds (Refer Note 9)				
(i) 12,11,103 (12,11,103) - 13% Secured redeemable non-convertible HPF Bonds 'A' Series of ₹ . 1000 each	1211103		1211103	
Interest Accrued and due	3181302		2976181	
(ii) UTI Funded Interest Loan	85398		85398	
Interest accrued and due	335923	4813726	313809	4586491
2. FROM BANKS				
(i) CASH CREDIT				
State Bank of India	1370815		1370815	
ADD : Interest accrued and due	25369899	26740714	21260739	22631554
Syndicate Bank	104703		104703	
ADD: Interest accrued and due	2405218	2509921	2013374	2118077
Indian Overseas Bank	239464		239464	
ADD : Interest accrued and due	4481181	4720645	3778106	4017570
State Bank of Patiala	99129		99129	
ADD : Interest accrued and due	1984524	2083653	1697124	1796253
State Bank of Travancore	201177		201177	
ADD : Interest accrued and due	2638101	2839278	2215230	2416407
Indian Bank	20085		20085	
ADD : Interest accrued and due	165770	185855	136754	156839
Canara Bank	35892		35892	
ADD : Interest accrued and due	913555	949447	745759	781651
		40029513		33918351
(ii) LETTERS OF CREDIT				
Canara Bank	28036		28036	
ADD : Interest accrued and due	733684	761720	598926	626962
Indian Bank	15556		15556	
ADD : Interest accrued and due	397887	413443	333341	348897
(Against hypothecation of raw material, finished goods, work-in-progress, stores and spares and book debts, etc.,)		1175163		975859

**HINDUSTAN PHOTO FILMS MANUFACTURING COMPANY LIMITED 16220584
UDHAGAMANDALAM**

SCHEDULES FORMING PART OF THE BALANCE SHEET

(₹ in Thousand)

(iii) BRIDGE LOAN	As at 31.03.2011		As at 31.03.2010	
FROM BANKS	769657		769657	
ADD: Interest accrued and due	14671892	15441549	12309847	13079504
<p>(Secured by first charge against all the stock of Raw Materials, Work-in-Progress, Finished Goods and Stores, Book debts, both present and future except properties effectively otherwise hypothecated, charged or mortgaged to banks. Further secured by way of second charge on the Fixed Assets of the Polyester X-ray Plant)</p>				
(iv) DPG LOAN:				
State Bank of India	191425		191425	
ADD: Interest accrued and due	3431639	3623064	2861299	3052724
<p>(Secured in favour of Guarantor, State Bank of India Overseas Branch, Madras, by a first charge on Plant and Machinery acquired out of the loan together with pari-passu charge on the other Fixed Assets along with the Trustees to Bond Holders - Canara Bank)</p>				
TOTAL	65083015		55612929	

* Principal amount of loans of ₹ 437.24 Crore and interest accrued ₹ 6071.06 Crore Amounting to ₹ 6508.30 Crore has been secured to the extent of ₹ 539.99 Crore consisting of fixed assets ₹ 486.85 Crore (based on 1997 market valuation) and current assets of ₹ 53.14 Crore as on 31.3.2011

**HINDUSTAN PHOTO FILMS MANUFACTURING COMPANY LIMITED
UDHAGAMANDALAM**

SCHEDULES FORMING PART OF THE BALANCE SHEET

(₹ in Thousand)

	As at 31.03.2011		As at 31.03.2010	
5 UNSECURED LOANS				
(i) From Government of India	3577772		3445072	
ADD : Interest accrued and due	7545844	11123616	6644691	10089763
(ii) Term Loans				
From Canara Bank	8648		8648	
ADD: Interest accrued and due	367176	375824	298147	306795
From State Bank of India	108972		108972	
ADD : Interest accrued and due	2048358	2157330	1716681	1825653
Letters Of Credit Dues to Citibank	36303		36303	
ADD : Interest accrued and due	161775	198078	132274	168577
From Others	360700		360700	
ADD : Interest accrued and due	2634407	2995107	2334091	2694791
TOTAL		16849955		15085579

6. In the last page

**HINDUSTAN PHOTO FILMS MANUFACTURING COMPANY LIMITED
UDHAGAMANDALAM**

SCHEDULES FORMING PART OF THE BALANCE SHEET

(₹ in Thousand)

		As at 31.03.2011	As at 31.03.2010
7	INVESTMENTS	Face Value	Cost
	[Long Term - at Cost]		
	Non - Trade		
	- Unquoted		
	600 Shares in Hindustan Photo Films Employees Co-operative Stores of ₹ 10/- each	6	6

**HINDUSTAN PHOTO FILMS MANUFACTURING COMPANY LIMITED
UDHAGAMANDALAM**

SCHEDULES FORMING PART OF THE BALANCE SHEET

(₹ in Thousand)

	As at 31.03.2011		As at 31.03.2010	
8 INVENTORIES				
(As valued, verified and certified by the Management)				
a) Stores and Spares etc. , including goods -in -transit of Nil Lakh (₹ Nil Lakh)	61164		64968	
LESS : Provision for obsolete / surplus items	41517	19647	41517	23451
b) Loose Tools		13		16
c) Raw Materials – including goods- in transit of ₹ 193.69 Lakh (₹ 20.88 Lakh)	76908		88099	
LESS: Provision for obsolete / Surplus items	25329	51579	25329	62770
d) Reclaimable scrap materials		8997		8831
e) Finished Goods and stock-in-trade including goods - in - transit of ₹ 36.37 Lakh (₹ 0.15 Lakh)		40556		29422
f) Process Stock		33358		17270
TOTAL		154150		141760

**HINDUSTAN PHOTO FILMS MANUFACTURING COMPANY LIMITED
UDHAGAMANDALAM**

SCHEDULES FORMING PART OF THE BALANCE SHEET

(₹ in Thousand)

9	SUNDRY DEBTORS	As at 31.03.2011	As at 31.03.2010
	Trade Debtors		
	Considered Good	143899	111145
	Considered doubtful	89388	89388
	Less : Provision	89388 ---	89388 ---
	Other Debtors		
	Considered Good	230	258
	Considered doubtful	155	155
	Less : Provision	155 ---	155 ---
	TOTAL	144129	111403
	All debts are unsecured.		
	Agewise analysis of Debts :		
	Debts outstanding for the period exceeding six months	50248	27924
	Other Debts	93881	83479
10	CASH AND BANK BALANCES		
	Cash, Cheques and Stamps on Hand	66	348
	Balance with Nationalised/ Scheduled Banks :		
	In Current Accounts	56826	65271
	In Fixed Deposit Accounts/ Margin Money Account	176239	264541
	TOTAL	233131	330160

**HINDUSTAN PHOTO FILMS MANUFACTURING COMPANY LIMITED
UDHAGAMANDALAM**

SCHEDULES FORMING PART OF THE BALANCE SHEET

(₹ in Thousand)

11 LOANS AND ADVANCES	As at 31.3.2011	As at 31.3.2010
Advances recoverable in cash or in kind for value to be received :	8923	9133
(a) Claims recoverable		
Considered Good	336	364
Considered Doubtful	255651	255651
LESS : Provision	255651	255651
(b) Others		
Considered Good	118768	106828
Considered Doubtful	2801	2801
LESS : Provision	2801	2801
Balance with Customs, Port Trust and Excise Authorities	69	106
Prepaid Expenses	748	896
Deposits	11380	13619
Tax deducted at source	2747	1735
TOTAL	142971	132681
of the above :		
Secured	8923	9133
Unsecured	134048	123548
Due from Chairman-cum-Managing Director at the end of the year	---	----
Maximum Amount due during the year from Chairman-cum-Managing Director	---	----
Due from Directors at the end of the year	---	----
Maximum amount due during the year from Directors	---	----
Due from Officers at the end of the year	---	----
Maximum amount due during the year from the Officers:	---	----

**HINDUSTAN PHOTO FILMS MANUFACTURING COMPANY LIMITED
UDHAGAMANDALAM**

SCHEDULES FORMING PART OF THE BALANCE SHEET

(₹ in Thousand)

	As at 31.03.2011		As at 31.03.2010	
12 OTHER CURRENT ASSETS				
Interest accrued on deposits		613		1171
13 CURRENT LIABILITIES AND PROVISIONS				
a) Current Liabilities				
Sundry Creditors :				
SSI Units	---		---	
Others	185046	185046	183649	183649
Trustees of Employees' Contributory Provident Fund		23391		19522
Advances from Customers		10845		11436
Unpaid HPF Bonds "A" Series/ Fixed Deposit with Interest		3596		3596
Other Liabilities		579109		619868
Interest accrued but not due on Unsecured loans from GOI		33219		35258
For Contingencies		15543		15907
For Leave Encashment		44156		42369
TOTAL		894905		931605
14 PROFIT AND LOSS ACCOUNT				
Balance as per last Balance Sheet		70563880		60471729
ADD : Loss transferred from				
Profit and Loss Account		11566542		10092151
TOTAL		82130422		70563880

Note: Micro and Medium Enterprises not ascertainable

**HINDUSTAN PHOTO FILMS MANUFACTURING COMPANY LIMITED
UDHAGAMANDALAM**

**SCHEDULES FORMING PART OF THE PROFIT AND LOSS ACCOUNT FOR
THE YEAR ENDED 31st MARCH 2011**

(₹ in Thousand)

15 INCREASE / (DECREASE) IN	This Year		Previous Year	
STOCKS PRODUCED				
Opening Stock				
Finished Goods	29230		29208	
Process Stock	17270	46500	24813	54021
Closing Stock				
Finished Goods	40556		29230	
Process Stock	33358	73914	17270	46500
TOTAL		27414		(-)7521
16 OTHER INCOME				
Income on Job work		5174		1084
Insurance claim		170		---
Other sundry receipts		3270		4618
Township rent receipts		846		848
Credit balance no longer payable		2954		---
Exchange Fluctuation		333		---
Interest receipts		9440		4862
Provision no longer required written back- Gratuity		---		7367
Provision no longer required written back- Bonus		73		55
TOTAL		22260		18834

**HINDUSTAN PHOTO FILMS MANUFACTURING COMPANY LIMITED
UDHAGAMANDALAM**

**SCHEDULES FORMING PART OF THE PROFIT AND LOSS ACCOUNT FOR
THE YEAR ENDED 31st MARCH 2011**

(₹ in Thousand)

	This Year		Previous Year	
17 MATERIAL COST				
Raw Materials Consumed				
Opening Stock	88099		80049	
ADD: Purchase	278986	367085	196628	276677
LESS: Closing Stock		76908		88099
		290177		188578
LESS / ADD: (Increase) / Decrease in Stock of reclaimable scrap		166		105
		290011		188683
Finished Goods for Sale				
Opening Stock	192		192	
Purchases	---		---	
	192		192	
LESS : Closing Stock	---	192	192	---
Stores and Spare parts consumed		4013		2560
TOTAL		294216		191243
18 EMPLOYEE COST				
Salaries, Wages, Bonus etc.,		126841		114798
VRS payments		44457		62277
Contribution to Provident Fund		8536		8017
Contribution to Group Insurance Scheme		378		296
Contribution to ESI		119		238
Staff Welfare Expenses		7681		10924
		188012		196550
LESS: Transferred to R&D Expenditure		4824		4797
TOTAL		183188		191753

**HINDUSTAN PHOTO FILMS MANUFACTURING COMPANY LIMITED
UDHAGAMANDALAM**

**SCHEDULES FORMING PART OF THE PROFIT AND LOSS ACCOUNT FOR
THE YEAR ENDED 31st MARCH 2011**

(₹ in Thousand)

	This Year			Previous Year
19 OTHER COST				
Power and Fuel		42496		30993
Repairs and Maintenance				
Buildings	1383		874	
Machinery	9209		5951	
Others	16274	26866	11117	17942
Rent		3808		3687
Lease Rent- Project Land		1193		793
Insurance		624		434
Rates and Taxes		1300		1264
Traveling and Conveyance including Directors expenses of ₹ 1.83 Lakh (₹ 2.39 Lakh)		2812		2517
Administration and Office Expenses		2579		2506
Auditor's Remuneration :				
For Audit [incl. Service Tax]	66		66	
For Traveling and out-of-pocket expenses	22	88	28	94
Directors' Sitting Fees		10		9
Miscellaneous Expenses *		3194		20467
Provision for doubtful debts and advances		---		---
Provision for contingencies and obsolescence		---		---
Advertisement and Publicity		338		395
Selling Expenses		7190		5417
Material for Internal Consumption		1		---
		92499		86518
LESS : Expenses transferred to R&D		3488		3050
		89011		83468
R & D Expenditure		8312		7847

TOTAL

97323

91315

*including Tax Audit fee of ₹11 Thousand (₹ 11 Thousand)

HINDUSTAN PHOTO FILMS MANUFACTURING COMPANY LIMITED
UDHAGAMANDALAM

SCHEDULES FORMING PART OF THE PROFIT AND LOSS ACCOUNT FOR
THE YEAR ENDED 31st MARCH 2011

(₹ in Thousand)

	This year	Previous Year
20 INTEREST		
Fixed Loans		
Government Loans	905392	847486
Other Loans		
Bank Borrowings and Others	10247115	8702398
TOTAL	11152507	9549884
21 DEPRECIATION/AMORTIZATION		
Buildings	7257	7263
Machinery	299163	303634
Others	10197	10338
TOTAL	316617	321235
22 PRIOR PERIOD ADJUSTMENTS (NET)		
Interest	74014	---
Other Cost	17763	---
Total	91777	---

**HINDUSTAN PHOTO FILMS MANUFACTURING COMPANY LTD
UDHAGAMANDALAM**



SCHEDULES FORMING PART OF THE BALANCE SHEET AS AT 31.03.2011

6 FIXED ASSETS

PARTICULARS	COST				DEPRECIATION/AMORTISATION				NET BOOK VALUE	
	As at 01-04-10	Additions	Deductions/Transfers	Upto 31.03.11	As at 01-04-10	For the year	Deductions/Transfers	Upto 31.03.11	As at 31.03.11	As at 31-03-10
Land-Free Hold & Lease Hold *	1118	---	---	1118	---	---	---	---	1118	1118
Roads & Approaches										
- Freehold	2315	---	---	2315	925	22	---	947	1368	1390
- Leasehold	239	---	---	239	62	4	---	66	173	177
Buildings	249159	---	---	249159	125926	7257	---	133183	115976	123233
Water works	58561	---	---	58561	37064	2653	---	39717	18844	21497
Plant and Machinery @	6627606	---	---	6627606	4212742	299162	---	4511904	2115702	2414864
Electrical Installations	149499	16	---	149515	95545	6303	---	101848	47667	53954
Laboratory Equipments	29634	---	---	29634	23976	396	---	24372	5262	5658
Furniture, Fixtures, Fittings	31508	2	---	31510	25203	746	---	25949	5561	6305
Motor Vehicles	5075	---	---	5075	4569	30	---	4599	476	506
Sub Total	7154714	18	---	7154732	4526012	316573	---	4842585	2312147	2628702
Intangible Assets										
Patents#	1943	---	---	1943	1811	44	---	1855	88	132
Sub Total	1943	---	---	1943	1811	44	---	1855	88	132
Current Year's Total	7156657	18	---	7156675	4527823	316617	---	4844440	2312235	2628834
Previous Year's Total	7155247	1412	2	7156657	4206588	321235	---	4527823	2628834	2948659

* The value of rent free leasehold land of 28.01 acres from Govt. of Tamil Nadu has been taken at a nominal value of ₹ 1 in the Books of Account.

Patents are regrouped under intangible assets

@ Includes ₹ 1478 thousand assets being kept for disposal.

23. NOTES ON ACCOUNTS

1. Contingent Liabilities

- i. Demands against the Company not acknowledged as debts since the same are Under appeal.

Municipal Tax for prior years ₹ 5.34 Lakh (₹ 5.34 Lakh)

- ii. Others:

₹ in lakh

a) Sales tax on silver purchase from Govt of India Mint	297.46	(297.46)
b) Claim by Kanj Biheri Sangli stockist not acknowledged as Debt	160.49	(160.49)
c) OD Interest - Govt. Mint	1634.17	(1545.76)
d) OD Interest - Hindustan Zinc	2722.38	(2578.41)
Total	4814.50	(4582.12)

- iii. Against the Claim of ₹ 569.06 Lakh by Blue Star Ltd, and the Company's counter claim of ₹ 248.36 Lakh, the Arbitration Award settlement was for Rs.569.06 Lakh payable to Blue Star Ltd and ₹ 25.91 Lakh receivable from Blue Star Ltd. The net amount payable by the Company was ₹ 543.15 Lakh as on 31.03.07. The appeal against the order by the company to the Madras High court and Supreme Court were dismissed. Further claim based on the order has not been made on the Company yet.

2. Estimated amount of contracts remaining to be executed on Capital Accounts and not provided for ₹ Nil (₹ Nil).
3. As per the guidelines / terms for issue of bonds the Company has to create Bond Redemption Reserve equivalent to 50% of the amount of bonds issued before redemption commences. In view of losses incurred, the Company could not comply with creating the required Reserves.

4. The Company holds 173.16 acres of land transferred by the Government of Tamilnadu free of cost. In addition, the Company has also taken 28.01 acres of land on rent-free lease from the Government of Tamilnadu upto 1989 and the Company has filed necessary application with the Government of Tamilnadu for renewal of lease on rent free basis. In addition, the Company has also taken 90 acres (approximately 36 hectares) of land leased out by the Government of Tamilnadu in lieu of 120 acres surrendered for setting up of expansion Project vide order No. G.O. Ms. No.95 dated 12.02.1987. The transferability of free hold / leasehold land to any third party is subject to the approval of the Government of Tamilnadu.

23. NOTES ON ACCOUNTS (Continued)

5. Material-in-transit (Stores, Spare Parts, Raw Materials and Finished Goods) ₹ 230.06 Lakh (₹ 21.03 Lakh) comprises of materials:
 - i) In Transit: ₹ 230.06 Lakh (₹ 0.15 Lakh)
 - ii) In Bonded Warehouse: ₹ Nil (₹ 20.88 Lakh)
6. The Silver content in silver bearing materials like sludge etc., included under "Reclaimable Scrap Materials" is assessed by the Quality Control Laboratory of the Company by applying SQC Techniques is reflected in the inventory.
7. Balances under unsecured loan from Government of India, Inter Corporate Deposits, Sundry Debtors, Loans & Advances, Sundry Creditors and Current Liabilities are subject to confirmation.
8. The 13% Secured Redeemable Non-Convertible Bonds ("A" Series) of ₹ 1000/- each issued in terms of the Prospectus dated 6th November 1987 have been secured by mortgage in a form and substance satisfactory to the Trustees M/s. Canara Bank over all the immovable properties of the Company, wherever situate including fixed Plant and Machinery and first charge by way of hypothecation of all moveable assets of the Company (save and except book debts), both present and future.

Provided, the mortgage / charge shall be subject to prior charges created and/ or to be created in favour of Company's Bankers on the stock of raw materials, semi-finished goods, consumable stores for securing the borrowing for working capital requirements in the ordinary course of business.

The Trustees to Bond Holders namely Canara Bank have ceded a first charge to State Bank of India, Overseas Branch, Chennai, Guarantor towards the loan obtained from State Bank of India, Singapore, on the Plant and Machinery acquired out of the Foreign Currency Loan together with pari-passu charge on the other fixed assets along with Trustees. The Foreign Currency Loan had been converted into DPG Loan.

The Bond amounts of ₹ 88 Crores were collected from the Public and ₹ 40 Crores through private placement with Unit Trust of India, under the consent of the Controller of Capital Issues. The Bonds are to be redeemed at par after the expiry of 7 years from the date of allotment i.e.30-01-1988 and the Unit Trust of India had extended the date of redemption upto 30-01-1998 with interest, at a rate of 18% p.a. for the extended period for ₹ 45 Crores.

Pending arrangements with Financial Institutional Bond holders/UTI, for rollover, the interest on these bonds amount were charged at 13% / 18% of original contract rate beyond the maturity date as the case may be.

Since the validity of HPF Bonds "A" Series expired on 29-01-95, the company proposed to redeem the individual Bond holders to the extent of ₹ 6.08 Crores. Out of this, ₹ 5.88 Crores(₹ 5.88 Crores) was redeemed upto 31st March 2011. No redemption was made in the recent past.

23. NOTES ON ACCOUNTS (Continued)

9. Employee cost for the year ended 31st March 2011 includes ₹ 444.57 Lakh (₹ 622.77 Lakh) incurred towards compensation and other related payments under Voluntary Retirement Scheme.

10. The Company has been referred to BIFR in terms of the provisions of Sick Industrial Companies (Special provisions) Act, 1985 on 14.10.1995. The BIFR has confirmed its opinion for winding up the Company under Section 20(1) of the SICA vide order dated 30.1.2003. The Company's appeal to the AAIFR against the order of the BIFR was dismissed confirming the BIFR opinion for winding up of the Company. The Company has obtained a stay in the Madras High Court against the order of AAIFR in orders No: 21816 of 2005 dated 27.06.2005.

The case came up for hearing during October 2009 and the High Court of Madras granted eight weeks time to report about the Revival status of the company. The Revival proposal/Business Plan based on the report of consultants M./s.Ernst & Young was considered by DHI through an Inter Departmental Committee and recommended to the BRPSE for approval. The BRPSE recommended release of Rs.30 crores towards Working Capital in February 2010 to meet pending orders and the amount was received in the same month. The BRPSE finally recommended the Restructuring proposal of HPF favourably in its 5th meeting held on 5.3.2010. The BRPSE has advised DHI to obtain sanction of the Government at the earliest and the proposal to CCEA in this regard is in progress.

A CCEA note was circulated by DHI and the recommendations were put up to the Cabinet for consideration. The Cabinet Secretariat has reviewed the note and referred it to a Committee of Secretaries for their views. The company now awaits final nod of the Cabinet to the Restructuring Proposal as approved by BRPSE.

11. The petition filed by Maruti Udyog Ltd., in Madras High Court against the Company under Sec 433(e) & (f) of The Companies Act, 1956 has been suspended by the High Court because the Company has been referred to BIFR.

12. Employee benefits: Gratuity liabilities of the company are provided on the basis of Actuarial Valuation done by LIC of India as per AS 15 revised.

a) Gratuity : The desired level of the fund for the LIC Group Gratuity Policy of the Company as at 31st March 2011 as per actuarial valuation works out to ₹ 919.11 Lakh (₹ 810.68 Lakh). The fund available as on 31.3.2011 with LIC is ₹ 1127.57 Lakh (₹ 828.20 Lakh). Provision of AS15(R) has been complied.

Actuarial assumptions:

Valuation method	Project Unit Credit Method
Mortality table	LIC (1994-96) Ultimate
Discount rate (per annum)	8%
Rate of escalation in salary (per annum)	6.5%
Withdrawal rate	1% to 3% depending on age

b) The amount due to HPF ECPF Trust as on 31.3.2011 is ₹ 233.91 Lakh (₹ 195.22 Lakh as on 31.3.2010). A sum of ₹ 270.51 Lakh (₹ 240.00 Lakh) was paid to the Trust.

23. NOTES ON ACCOUNTS (Continued)

Leave Encashment actuarial valuation:

Expected rate of return	Nil
Attrition rate	1%
Proportion of leave availment	10%
Proportion of encashment during service	10%
Proportion of encashment on separation	80%

13. The annual Insurance Premium on major fixed assets could not be paid and consequently the major assets remained uncovered against risks. However stock at Branches, Ambattur plant & machinery, money in transit, finished goods stock in transit have been covered by insurance.
14. An amount of ₹ 49.79 Crores being the total value of various Central Excise refund claims filed by HPF for the period 1975 to 1992 on the ground that cutting, slitting and perforation of Duty paid jumbos would not amount to a process of manufacturing u/s 2(f) of the CE Act 1944 and which is allowed on merits. The High Power Committee constituted by Government of India (GoI) for clearance of appeals between Government bodies i.e. the Committee of Disputes (COD), after having heard the case had vide their order no. COD/55/2007 on minutes dated 09.01.2008 allowed the company to pursue the case before CESTAT. The company has filed the required papers on the question of unjust enrichment and the case is presently high on board and listed for final hearing before CESTAT (bench) Chennai. The case was heard by CESTAT on 10.02.2011 and orders passed dismissing company's claim on 4.3.2011 vide Order No.395-398/11. The company has filed an appeal at the Madras High Court on 27.09.2011 vide SR No.25131.

The refund claim amount is due and expected from the Government, as Doctrine of Unjust Enrichment is not applicable to the amount due. From the time of filing the refund claim the company has firmly considered that the amount is due and receivable from the Government of India. An amount of ₹ 5.6 crores was sanctioned and received by the company against other refund claims under similar grounds vide Order in Appeal No.145/97 dated 30.09.1997 of the Central Excise Department.

15. (a) A sum of ₹ 14.78 Lakh (₹18.65 Lakh) being the book value of certain Plant and Machinery included in the fixed assets which are no longer required and kept for disposal for which realisable value is not determinable.

b) Steels, valves and pipe fittings value of which is ₹ 20.72 Lakh (₹ 21.38 Lakh) relating to Polyester Plant, were identified as surplus and held for disposal. The realisable value is not yet determinable.

Accordingly the loss if any which may arise on disposal cannot be assessed at this stage and hence not considered in the accounts.

16. Photographic goods manufacturing being the only main segment and there being no other reportable segments, there is no segment reporting as per Accounting Standard 17 issued by the Institute of Chartered Accountants of India.
17. a) For Current Tax: The Company is not liable for payment of Income tax for Current Year considering the current year and carried forward losses and allowances available for setoff and hence no provision is made for current year tax.

23. NOTES ON ACCOUNTS (Continued)

b) In view of the losses incurred by the Company and the rehabilitation program pending before the Central Govt., deferred tax liability as per Accounting Standard 22 issued by Institute of Chartered Accountants of India has not been considered.

18. Income tax deducted at source (TDS) and related interest provided in the Books of Accounts in respect of inter-corporate loans from NMDC, KIOCL, BEL, PHL aggregate of ₹ 1186.47 Lakh and ₹ 546.10 Lakh respectively, have been reversed during the year 2001 - 02 consequent to revision order u/s 154 of the Income Tax Act 1961 dt. 28.11.2001 for the assessment year 1994-95. In respect of loan from Maruti Udyog Ltd., as no TDS was accounted during the assessment year 1994-95 and as there was no rectification order for the same for the subsequent years, the TDS deductible in respect of MUL is retained in the Books of Accounts.

19. As part of the incentive package for Revival of HPF the Government of Tamilnadu has waived the accumulated Forest Lease Rent upto 31.03.2010 amounting to Rs.920.53 Lakhs and also issued G.O. that the accumulated consent fee for Air & Water due to TNPCB of Rs.23.13 lakhs will not be insisted upon. Based on the G.O. the amount has been reversed as prior period income.

20. The company had initiated proceedings before the Estate Officer on recovery of outstanding Licence fees from Hotel Siddarth Nilgiris (HSN), for occupying the Guest House from 1998 to 2004. The proceedings was completed and order passed by Estate officer in favour of the company that HSN is directed to pay the outstanding licence fee amounting to Rs.56.50 lakhs within 3 months of the order.

21. Disclosure on related party transactions as per Accounting Standard 18 issued by Institute of Chartered Accountants of India

- | | |
|---|--|
| (i) Key Management Personnel | - Shri P.Jagadeeswaran
Director Finance &
Chairman cum Managing Director
(Addl. Charge) upto 19.10.2011

Shri S.Girish Kumar
Director Finance &
Chairman cum Managing Director
(Addl. Charge) from 19.10.2011

Shri. A. Gnanasekaran
Chief Vigilance Officer upto 31.12.2010
(Addl. Charge)

Shri H.S. Nagabhushana
Chief Vigilance Officer From 07.03.2011
(Addl. Charge) |
| (ii) Details of transactions with Key Management Personnel Remuneration | - ₹ 4.79 Lakh (₹ 4.50 Lakh) |

22. NOTES ON ACCOUNTS (Continued)

23. Earnings per share (EPS) as per AS 20 :

Details	20010-11	2009-10
Net Loss	11566542	10092151
No. of shares outstanding of Rs. 10 each	204865	204865
Earnings per share - Basic and diluted	(-) 56.46	(-) 49.26

24. The names of the Small Scale Industrial Undertakings to whom the Company owes a sum which is outstanding for more than 30 days: NIL

25. a. Disclosures under the Micro, Small and Medium Enterprises Development Act 2006. The due outstanding to suppliers at the end of the accounting year on account principal and interest respectively is not ascertainable in the absence of relevant information.

b. The amount paid towards interest during the year is not ascertainable in the absence of relevant information.

c. The amount payable towards interest during the year is not ascertainable in the absence of relevant information.

d. The amount of interest accrued and unpaid at the end of the accounting year is not ascertainable in the absence of relevant information.

26. A suit has been filed by Hindustan Photo Films Officers Association for wage Revision ref. WP 15060 of 1996 and WMP 20654 of 1996 and the matter is pending before the Supreme Court. The amount is not quantifiable at this stage.

27. Loans and advances - Others includes ₹ 10.84 Crores (₹ 9.18 Crores) paid to the employees of the company. This represents the advance recoverable from the employees who are continuing in service as on 31.3.2011.

28. The company has been sick for many years with capacity utilization below 5%. The company is unable to assess the loss due to impairment of fixed assets in view of the high cost involved for such an exercise. Hence loss due to impairment of assets has not been assessed as per AS 28.

29. a. The details with respect to provision as per AS 29 is as follows:

Details	Opening balance	Provision for the year	Withdrawals for the year	Closing balance
Debtors	895.43	---	---	895.43
Claims	2584.53	---	---	2584.53
Stock	668.46	---	---	668.46
Liabilities	582.76	44.27	30.04	596.99

b. Consequent to the change in Accounting Policy, the Company has not made provision for Bad & Doubtful debts and for obsolete items for the current year.

23 NOTES ON ACCOUNTS (Continued)

29. (a) Particulars of Capacity, Production, Raw Material Consumed, Turnover etc.,

Capacity and Production :

S. No.	Class of Goods	2010-11			2009-10		
		Licensed *	Installed **	Production @@	Licensed *	Installed **	Production @@
1	Cine Film (Positive and Negative including Sound and Colour Films and Photo Paper) M.Sq.m	12.347	15.260	0.000	12.347	15.260	0.004
2	X-Ray Film - M.Sq.m	13.668	11.820	1.042	13.668	11.820	0.733
3	Roll Films – M.Sq.m	1.010	0.310	0.015	1.010	0.310	0.008
4	Graphic Arts – M.Sq.m	3.000	#2.250	0.776	3.000	#2.250	0.135
5	Industrial X-ray – M.Sq.m	0.750	#0.510	0.111	0.750	#0.510	0.077
6	Processing Chemicals – Tonnes	NA	400	48.605	NA	400	66.509
7	Silver Nitrate – Tonnes	90@	120	4.898	90@	120	3.516
8	Magnetic Tape – MRM	1500	550	0.000	1500	550	0.713

NA Not Applicable

* Revised as per re-endorsed license

** Represents total integrated/conversion capacity of the plant as re-assessed and approved by the Board in 1981 [including the capacity of the additional Coating Plant for X-ray which needs to be assessed technically after stabilization of production].

@ Includes licensed capacity of refined silver of 81 MT as supporting facility

@@ Includes job order conversion of 0.331 M.Sq.m. [0.023 M.sq.m] imported jumbo rolls.

Installed Coating capacity in New Polyester based project as per approved RCE-II is Medical X-ray 15.03 M.Sq.m., Graphic Arts 2.25 M.sq.m., Industrial X-ray 0.51 M.Sq.m. [ie., Total of 17.79 M.sq.m. p.a.], but constraint factor for these products is given below:

Medical X-ray : 11.82 M.sq.m. [Conversion including at Ooty and Ambattur]

Graphic Arts : 2.25 M.sq.m. [Coating]

Industrial X-ray : 0.51 M.Sq.m. [Conversion including Ooty and Ambattur]

23 Notes on Accounts (Continued)

29 (b) RAW MATERIALS CONSUMED

VALUE : ₹ In. Lakh

	UNIT	2010-11		2009-10	
		QUANTITY	VALUE	QUANTITY	VALUE
CELLULOSE TRI ACETATE	KG	0.00	0.00	4	0.01
SILVER	KG	2937.22	892.15	1632	394.82
METHYLENE CHLORIDE	KG	0.00	0.00	3075	0.90
METHANOL	KG	10404.00	2.04	6210	1.43
TRIPHENYL PHOSPHATE	KG	0.00	0.00	0	0.00
GELATINE	KG	4906.00	14.79	3561	10.79
ACETONE	KG	1640.00	0.93	1240	0.70
BARYTA COATED PAPER	SQM	0.00	0.00	0	0.00
POLYESTER BASE	SQM	373624.15	209.41	169603	92.64
COATED JUMBO	SQM	975246.10	1452.67	738231	1156.75
OTHER MATERIALS			329.78		227.74
TOTAL			2901.77		1885.78

23. Notes on Accounts (continued)

29 (c). Turnover and Stock of Goods Produced and bought out items

Value : ₹ in Lakh :: Quantity : In Lakh Sq.M.

CLASS OF GOODS	YEAR ENDED 31-03-2011				YEAR ENDED 31-03-2010			
	TURNOVER		Closing stock		TURNOVER		Closing stock	
	Qty	Value	Qty	Value	Qty	Value	Qty	Value
Cine Film Produced	0.00	0.61	0.00	0.08	0.06	15.65	0.005	0.85
X-Ray : Produced :	8.50	2187.92	1.79	321.28	7.91	1812.56	0.09	17.33
Roll Film : Produced	0.14	68.70	0.00	0.30	0.08	55.00	0.00	0.00
Photo Paper: Produced	0.00	0.03	0.02	2.75	0.00	0.60	0.16	21.39
Bought out Items	0.00	0.00	0.00	0.00	0.00	0.00	0.00	1.92
	0.00	0.03	0.02	2.75	0.00	0.60	0.16	23.31
Gr. Arts : Produced	1.37	236.56	0.06	9.82	1.05	171.74	0.29	45.50
Indl X-Ray-Produced	1.36	1137.63	0.02	17.02	0.60	480.81	0.28	172.73
Magnetic Tape : Produced	0.01	1.30	0.07	3.10	0.01	2.30	0.08	4.05
Chemical Produced (in Tons)	68.41	84.41	10.29	49.58	69.446	86.07	29.98	28.19
Misc : Produced	0.00	0.18	0.00	1.64	0.00	0.28	0.00	2.26
TOTAL		3718.32		405.56		2625.01		294.22

23 Notes on Accounts (Continued)

29 (d) Information regarding Remuneration

(₹ in Lakh)

	2010-11	2009-10
i. Director Finance, Chairman-cum- Managing Director(Addl.Charge)- Salary	4.79	4.50
ii. Chief Vigilance Officer	---	---
Provident Fund and Other Funds	0.45	0.43

29 (e) Particulars of Imports, Expenditure /Earnings in Foreign Currencies/ Exchange etc.,

(₹ in Lakh)

	2010-11	2009-10
i. Value of imports (CIF) Basis		
Raw Materials	1471.78	1193.55
Components and Spare Parts	---	---
ii. Value of Raw Materials, Stores and Spare Parts Consumed		

	2010-11		2009-10	
	₹ in Lakh	Percentage of Consumption	₹ in Lakh	Percentage of Consumption
Raw Materials				
- Imported	1810.24	62.38	1351.14	71.65
- Indigenous	1091.53	37.62	534.64	28.35
Stores and Spare Parts				
- Imported	7.90	19.68	4.01	15.66
- Indigenous	32.23	80.32	21.59	84.34

(Rs. in Lakh)

	2010-11	2009-10
iii. Expenditure in Foreign Currencies (Cash Basis)	---	---
iv. Earnings in Foreign Exchange Export of Goods (FOB)	---	---

30. Figures for the previous year have been regrouped/reclassified wherever necessary.

31. Figures in the brackets in accounts reflect negative balance.

24. ACCOUNTING POLICIES

1. GENERAL:

The Financial statements are prepared under the historical cost convention and ongoing concern basis. These Statements have been prepared in accordance with applicable mandatory Account Standards and relevant presentational requirements of Companies Act 1956.

2. FIXED ASSETS :

- 1.Fixed Assets are valued on historical cost.
- 2.Land

The expenditure on development of land including leasehold land is capitalised as part of the cost of land.

3. INTANGIBLE ASSETS:

Patents are stated at cost of acquisition less accumulated amortization. Patents are amortised over a period not exceeding ten years on straight line basis.

4. DEPRECIATION:

- i. Depreciation is provided on straight line basis with regard to assets existing as on 31.03.1987, at the rates specified in the Income Tax Act, 1961 and in respect of assets acquired thereafter, at the rates prescribed in the Schedule - XIV of the Companies Act, 1956. Depreciation is charged on pro-rata basis in respect of additions.
- ii. Asset costing less than ₹5000/- are depreciated at 100%.
- iii. Extra shift depreciation is charged on different departments / units working extra shifts in respect of old plant and on single shift basis on polyester plant.

5. INVESTMENTS :

Investments are valued at Cost.

6. CURRENT ASSETS, LOANS AND ADVANCES:

a. Valuation of Inventories

Stores and Spares	:	At Cost
Loose tools	:	At Cost Less Depreciation
Raw Materials	:	At Cost
Imported jumbo raw materials	:	At Cost or Net Realisable Value whichever is lower
Reclaimable scrap/Anode slime	:	At Net Realisable Value
Process stock	:	At Cost or Market value whichever is lower
Finished goods	:	At Cost or Net Realisable Value whichever is lower

b. Closing stock of Raw materials are valued by including all direct cost incurred in connection with bringing it to the present location. Selling prices (net of discount) as reduced by costs to completion have been adopted in arriving at "net realisable values".

c. Finance charges and administrative overheads are excluded in computing the cost of finished goods and work-in-progress.

d. i. The inventories are valued on FIFO basis except silver content of work-in progress and scrap which are valued on Quarterly moving average method.

ii. The finished goods as at the end of the year have been taken into account as per the physical verification and the excess / shortage between the physical inventory and the stock records have been suitably adjusted in the accounts. Provision for non-moving materials (obsolete/surplus items, Stores & Spare Parts and Raw Materials) have been made for more than five years old.

iii. The Octroi Duty paid on finished goods is treated as recoverable i.e. as deferred charges in as much as it has not been included in the selling price or in the value of inventories. The Octroi Duty recoverable on duty paid goods lying as Closing Stock is calculated by applying the rate of duty and price prevailing as at the end of the year.

7. SUNDRY DEBTORS:

Sundry Debtors include Trade Debtors for goods supplied and services rendered.

8. CLAIMS:

- i. Sums paid on account of statutory requirements or otherwise but are under dispute are treated as claims recoverable from the concerned authorities on the merits of each case.
- ii. Insurance and other claims are treated as recoverable when the claim is preferred and the same is adjusted in the year of settlement

9. RETIREMENT BENEFITS:

- i. The company contributed an amount equal to the premium for the policy taken with Life Insurance Corporation, to the Gratuity Trust for onward payment to the Life Insurance Corporation. The Company has taken a policy with LIC of India to cover the Gratuity liability.
- ii. Leave Encashment benefit on retirement of employees is accounted on actuarial basis, as per Accounting Standard (AS.15) prescribed by the Institute of Chartered Accountants of India.
- iii. Since the Government has suspended the facility of LTC for the employees of Central Government Public Sector Enterprises where wage revision is still pending from 1.1.1992 or 1.1.1997, provision for LTC has not been made during the year.

10. EXCHANGE DIFFERENCES:

- i. Foreign Currency Balances (Revenue & Capital) / Loans have been realigned on the basis of exchange rate prevailing as on the date of Balance Sheet.
- ii. The exchange differences arising out of current liabilities and current assets are recognized in the Revenue Account

11. MATERIAL COST:

- i. The import duty payable on imported materials is accounted on accrual basis.
- ii. The Excise Duty and Modvat Relief are considered as elements of cost.

12. EMPLOYEE COST:

The Company recognises the liability towards revision or raise in the pay and allowance of its employees in the year in which the government approves the same or notifies to the company.

13. PRIOR PERIOD ITEM:

Expenditure / Income pertaining to prior year(s) is classified as prior period item, only in case where the amount exceeds ₹ 1,00,000/-.

14. EXCISE DUTY:

Excise Duty is accounted for, on clearance of goods and sales includes Excise duty. Such treatment does not affect profitability.

15. REVENUE RECOGNITION:

- i. Revenue is recognised on sale of goods, provided the property in the goods is transferred for a price and all significant risks and ownership have been transferred to the buyer and no effective control is retained over the goods transferred, and no significant uncertainty exists regarding collection of consideration that would be derived.
- ii. Revenue is recognised in respect of rendering of services provided no significant uncertainty exists regarding the collectability of consideration that would be derived.
- iii. Revenue arising from the use of Company's resources by others is recognised provided no significant uncertainty exists regarding collectability of the consideration that would be derived.
- iv. The sales value includes discount and commissions based on the total realization value. The discount and commissions are booked as expenditures separately.

S.B.RAVINDRA
Senior Manager Finance &
Company Secretary i/c.

S.GIRISH KUMAR
Director Finance &
Chairman-cum-Managing Director

MANJIT KUMAR
Director

Vide our report of even date attached
For Padmanabhan Prakash & Co.,Chartered Accountants

Place: Chennai
Date : 25.11.2011

E.Prakash
Partner, Membership # 019388

CASH FLOW STATEMENT FOR THE YEAR ENDED 31st MARCH 2011

(₹ in Thousand)

	This year	Previous Year
<u>A. Cash Flow from Operating Activities</u>		
Net Loss before tax and extra ordinary items	(11566542)	(10092151)
Adjustments for :		
Depreciation	316617	321235
Extra-ordinary items	44457	62277
Cash from extra-ordinary items	(333)	---
Interest	11152507	9549884
Operating Loss before Working Capital changes	11513248	9933396
Adjustments for:	(53294)	(158755)
(Increase)/Decrease in Trade and other receivables	(42458)	(13845)
(Increase)/Decrease in Inventories	(12390)	(646)
Increase/(Decrease) in Trade Payables	(36700)	66875
	(91548)	52384
Cash used for Operations	(144842)	(106371)
Interest	(50745)	(57017)
Net cash used before extra-ordinary items	(195587)	(163388)
Extra-ordinary items	(44457)	(62277)
Net Cash used after extraordinary items	(240044)	(225665)
Non-Cash extra-ordinary items	333	---
Net Cash used for Operating Activities (A)	(239711)	(225665)
<u>B. Cash Flow from Investing Activities</u>		
Increase in Fixed Assets	(18)	(1410)
Net Cash used in Investing Activities (B)	(18)	(1410)

CASH FLOW STATEMENT FOR THE YEAR ENDED 31st MARCH 2011 (CONTINUED)

(₹ in Thousand)

	This Year	Previous Year
C. Cash Flow from Financing Activities		
Proceeds from issue of Share Capital	----	10000
Proceeds from Share Capital Deposit	10000	----
Net proceeds from Long Term Borrowings	132700	370600
Net Cash used in Financing Activities (C)	142700	380600
Net increase /(Decrease in cash and Cash Equivalents (A+B+C))	(97029)	153525
Cash and Cash Equivalents (Opening Balance)	330160	176635
Cash and Cash Equivalents (Closing Balance)	233131	330160

S.B.RAVINDRA
Senior Manager Finance &
Company Secretary i/c.

S.GIRISH KUMAR
Director Finance &
Chairman-cum-Managing Director

MANJIT KUMAR
Director

Vide our report of even date attached
For Padmanabhan Prakash & Co.,Chartered Accountants

Place: Chennai
Date :25.11.2011

E.Prakash, Partner
Membership # 019388

HINDUSTAN PHOTO FILMS MANUFACTURING COMPANY LIMITED
UDHAGAMANDALAM



Balance Sheet Abstract and Company's General Business Profile

I. Registration Details

Registration No.

181	-	000	3	7	9
-----	---	-----	---	---	---

 State Code

1	8
---	---

Balance Sheet Date

3	1
---	---

 Date

0	3
---	---

 Month

2	0	1	1
---	---	---	---

 Year

II. Capital Raised during the Year (Amount in ₹ Thousands)

Public Issue							Rights Issue / Share Capital Deposit								
					N	I	L				2	0	0	0	0
Bonus Issue							Private Placement								
					N	I	L						N	I	L

III. Position of Mobilization and Deployment of Funds (Amount in ₹ Thousands)

Total Liabilities								Total Assets							
8	4	2	2	2	7	5	2	8	4	2	2	2	7	5	2

Sources of Funds

Paid-Up Capital									Reserves and Surplus								
		2	0	4	8	6	5	0				2	2	1	1	3	2
Secured Loans									Unsecured Loans								
	6	5	0	8	3	0	1	5		1	6	8	4	9	9	5	5

Application of Funds

Net Fixed Assets									Investments								
		2	3	1	2	2	3	5									6
Net Current Assets									Miscellaneous Expenditure								
		(-)	2	1	9	9	1	1							N	I	L
Accumulated Losses																	
	8	2	1	3	0	4	2	2									

IV. Performance of Company (Amount in Rs Thousands)

Turnover / Other Income									Total Expenditure												
			3	9	4	0	9	2		1	2	0	5	2	4	1	1				
Profit / Loss Before Tax									Profit / Loss After Tax												
	+	-								+	-										
		✓	1	1	5	6	6	5	4	2			✓	1	1	5	6	6	5	4	2
Earning per share in ₹									Dividend												
			(-)	5	6	.	4	6				0									

HINDUSTAN PHOTO FILMS MANUFACTURING COMPANY LIMITED
UDHAGAMANDALAM



Balance Sheet Abstract and Company's General Business Profile (Continued)

V. Generic Names of Three Principal Product / Services of Company
(as per monetary terms)

Item Code No. (ITC Code)

3	7	0	1	1	0	.	0	1									
---	---	---	---	---	---	---	---	---	--	--	--	--	--	--	--	--	--

Product Description

X	-	R	A	Y		F	I	L	M	S							
---	---	---	---	---	--	---	---	---	---	---	--	--	--	--	--	--	--

Item Code No.

3	7	0	2	9	2	.	0	0									
---	---	---	---	---	---	---	---	---	--	--	--	--	--	--	--	--	--

Product Description

C	I	N	E	M	A	T	O	G	R	A	P	H	I	C		F	I	L	M	S
---	---	---	---	---	---	---	---	---	---	---	---	---	---	---	--	---	---	---	---	---

Item Code No.

3	7	0	3	1	0	.	0	0									
---	---	---	---	---	---	---	---	---	--	--	--	--	--	--	--	--	--

Product Description

P	H	O	T	O	G	R	A	P	H	I	C		F	I	L	M	S
---	---	---	---	---	---	---	---	---	---	---	---	--	---	---	---	---	---

S.B.RAVINDRA
Senior Manager Finance &
Company Secretary i/c.

S.GIRISH KUMAR
Director Finance &
Chairman-cum-Managing Director

MANJIT KUMAR
Director

Vide our report of even date attached
For Padmanabhan Prakash & Co.,Chartered Accountants

Place: Chennai
Date : 25.11.2011

E.Prakash
Partner, Membership # 019388



**HINDUSTAN PHOTO FILMS MANUFACTURING COMPANY LIMITED
UDHAGAMANDALAM**

1. SOCIAL OVERHEAD EXPENDITURE - : (Including Expenditure on township)*

(₹ In Lakh)

	2010-11	2009-10
Salaries and Allowances, Bonus and Other Employee benefits including Transport	27.39	29.66
Administrative and other Expenses	61.84	60.72
Electricity Charges	5.03	5.10
Depreciation	2.26	2.26
	96.52	97.74
* Expenditure on Township		
Salaries and Allowances, Bonus and Other Employee Benefits	9.91	10.50
Administrative and Other Expenses	58.76	58.24
Electricity Charges	5.03	5.10
	73.70	73.84
Depreciation and Capital Expenditure on Township	2.26	2.26
Expenditure on Publicity and Public Relations:		
Salaries and Allowances, Bonus and Other Employee Benefits	10.57	9.77
Advertisement, Publicity and Other Expenses	3.22	3.94

S.B.RAVINDRA
Senior Manager Finance &
Company Secretary i/c.

S.GIRISH KUMAR
Director Finance &
Chairman-cum-Managing Director

MANJIT KUMAR
Director



PADMANABHAN PRAKASH & CO
CHARTERED ACCOUNTANTS
5, SMITH ROAD, SECOND FLOOR

CHENNAI 600002

Ph: 28523905, 28410458

e-mail: padmanabb@vsnl.net

padmanabhan_prakash@yahoo.com

AUDITORS' REPORT TO THE MEMBERS OF HINDUSTAN PHOTO
FILMS
MANUFACTURING COMPANY LIMITED

1. We have audited the attached Balance Sheet of HINDUSTAN PHOTO FILMS MANUFACTURING COMPANY LIMITED as at 31st March 2011, the Profit and Loss Account and the Cash Flow Statement of the Company for the year ended on that date, annexed thereto. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditor's Report) Order, 2003 issued by the Government of India in terms of sub-section (4A) of section 227 of the Companies Act, 1956, we enclose in the Annexure 'A' a statement on the matters specified in Paragraphs 4 and 5 of the said Order.
4. Further to our comments in the Annexure 'A' referred to in paragraph 3 above:
 - a) We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit.
 - b) In our opinion, proper books of account as required by law have been kept by the company so far as appears from our examination of those books.
 - c) The attached Balance Sheet and the Profit and Loss Account dealt with by this report are in agreement with the books of account.
 - d) In our opinion, the Balance Sheet and the Profit and Loss Account comply with the requirements of the Accounting Standards referred to in sub-section 3(C) of Sec. 211 of the Companies Act, 1956 ***except non compliance of Accounting Standard (AS) 28 – "Impairment of Assets", the impact of which is not ascertainable.***
 - e) As the Company is a Government Company, the reporting requirement under section 227(3)(f) of the Companies Act, 1956 is not applicable in view of Circular No. GSR 829(E) dated 21st October 2003 issued by the Central Government.
 - f) In the absence of any mechanism to determine the liability for making provision, and pending notification by the Government u/s 441 A, the Company has not made provision for cess payable. Hence, we are not in a position to make any observation under Section 227 (3) (g) of the Companies Act, 1956.
 - g) ***During the year the company has not made provisions for debtors and for obsolete/non-moving stock for Rs.25.61 lakhs and Rs.17.74 lakhs respectively.***
 - h) **Attention is invited to the following:**

- (i) *Schedule No. 4 of the Balance Sheet of the Company and the foot note to the Schedule, the secured "A" Series Bonds and secured loans amount to ₹6508.30 Crore (including interest). Of this total amount, only ₹539.99 Crore has been secured by fixed and current assets. The classification of the balance of ₹5968.31 Crore as "Secured" in our opinion is not correct.*
 - (ii) *The Company, as stated in Note No. 7 of Schedule 23, has not obtained confirmation of Balances in respect of unsecured loans from Govt. of India, Inter Corporate Deposits, Sundry Debtors, Loans & Advance, Sundry Creditors and Current Liabilities. Hence the consequential effect, if any, on the financial statements, on account of not obtaining the Confirmation of Balances is not ascertainable.*
 - (iii) *Note No.13 of Schedule 23 regarding non payment of insurance premium to cover the Company's assets against risks.*
 - (iv) *Note No.15 of Schedule 23 regarding the loss that may arise on disposal of certain Plant & Machinery included in Fixed Assets which are no longer required and steels, valves and pipe fittings relating to Polyester Plant identified as surplus.*
 - (v) *Note No. 24 of Schedule 23 regarding non availability of information of outstandings, interest paid/payable/accrued/unpaid for disclosures under the Micro, Small and Medium Enterprises Development Act, 2006.*
 - (vi) *Note No.25 of Schedule 23 regarding the amount that may be payable consequent upon the suit filed by HPF Officers Association for wage revision that is pending in Supreme Court.*
 - (vii) *Confirmation of Balance for Loans obtained from Banks is not available in respect of 11 Accounts and in respect of one case confirmation is available for interest only.*
- i) *Attention is also invited to item No.1 of Statement of Accounting Policies wherein it is stated that the companies financial statements have been prepared on "GOING CONCERN BASIS" .We are unable to express our opinion in view of the following:*
- (i) *The company has incurred a net loss of ₹1156.65 crore and a cash loss of ₹ 1124.99 crore in the current year.*
 - (ii) *The accumulated losses as on 31.03.2011 stand at ₹8213.04 crore as against the net owned shareholders funds of ₹228.98 crore*
 - (iii) *The net worth has been fully eroded and the company has been consistently making significant losses for the past several years.*
 - (iv) *The company has been referred to BIFR in terms of Sick Industrial Companies (Special Provisions Act 1985) and the BIFR has confirmed its opinion for winding up the company under section 20(1) of the SICA vide order dated 30.01.2003. The company's appeal to the AAIFR against the order of BIFR has also been rejected. The Company in turn has obtained a stay in the Madras high Court against the order of AAIFR and the matter is pending in the High Court.*
 - (v) *The company's Current Liabilities has exceeded its Current Assets by ₹21.99 crore.*
 - (vi) *Though the company has negotiated its borrowings with its bankers and financial institutions and arrived at a 'One Time Settlement' package which involves waiver of accrued interest and payment of principal @ 40% and below based on Secured and Unsecured Creditors as part of the Revival Proposal submitted to the Government, the proposal is yet to be approved by the Govt.*
 - (vii) *The company's key financial ratios are quite adverse and there are substantial negative cash flows from operations.*
 - (viii) *The viability of the company appears to be doubtful as the company is not in a position to recover even the variable cost in respect of products manufactured by it.*
- j) *The cumulative effect of our observation in para 4 d, h (i), h(ii),h (iv),h (vi) and h (vii) on the loss for the year and the accumulated losses and net worth of the company is not ascertainable.*
- k) *In our opinion and to the best of our information and according to the explanations given to us, in view of our observations in para (g) and (h) above we are unable to express our opinion as to whether the said accounts give the information required by the Companies Act,1956 in the manner*

so required and also give a true and fair view in conformity with the accounting principles generally accepted in India:

- (a) *In the case of Balance Sheet, the state of affairs of the company as at 31st March 2011*
- (b) *In the case of Profit & Loss Account, of the **LOSS** of the company for the year ended on that date; and*
- (c) *In the case of Cash Flow statement of the Cash Flows for the year ended on that date.*

**FOR PADMANABHAN PRAKASH & CO
CHARTERED ACCOUNTANTS**

Date: 25.11.2011

Place: Chennai

E.PRAKASH

Partner

M. No.019388



PADMANABHAN PRAKASH & CO
CHARTERED ACCOUNTANTS
5, SMITH ROAD, SECOND FLOOR
CHENNAI 600002
Ph: 28523905, 28410458
e-mail: padmanabb@vsnl.net
padmanabhan_prakash@yahoo.com

ANNEXURE 'A'

Referred to in paragraph 3 of the Auditors' Report of even date to the members of
HINDUSTAN PHOTO FILMS MANUFACTURING COMPANY Limited on the financial statements
for the year ended 31st March 2011

1. (a) The Company has maintained proper records showing full particulars including quantitative details and situation of fixed assets.
(b) As explained to us, the management, during the year, has physically verified the fixed assets partially. We understand that there is a phased program designed to cover all the items over a period of three years, which in our opinion, is reasonable having regard to the size of the company and the nature of its assets. No material discrepancies were noticed on such verification, to the extent verified during the year, as claimed by the Company.
(c) In our opinion and according to the information and explanations given to us, no substantial part of the fixed assets has been disposed off by the Company during the year.
2. (a) The inventory has been physically verified by the management during the year. In our opinion, the frequency of verification is reasonable.
(b) In our opinion, the procedures of physical verification of inventory followed by the management are reasonable and adequate in relation to the size of the Company and the nature of its business.
(c) On the basis of our examination of the inventory records, in our opinion, the Company is maintaining proper records of inventory. The discrepancies noticed on physical verification of inventory as compared to book records, which has been properly dealt with in the books of account, were not material.
3. The Company has neither granted nor taken any loans, secured or unsecured, to/from Companies, Firms or other parties covered in the register maintained under Section 301 of the Companies Act, 1956. As the Company has not taken any loans from parties covered in the register maintained under section 301 of the Companies Act, 1956, Clauses (iii)(f) & (iii)(g) of the order are not applicable.
4. In our opinion and according to the information and explanations given to us, there are internal control procedures commensurate with the size of the company and the nature of its business for the purchase of inventory, fixed assets and for the sale of goods and services. Further, on the basis of our examination of the books and records of the company and according to the information and explanations given to us, we have neither come across nor have been informed of any continuing failure to correct major weaknesses in the aforesaid internal control procedures.
5. In our opinion and according to the information and explanations given to us, there are no transactions made, in pursuance of contracts or arrangements referred to in section 301 of the Companies Act 1956 and hence entering of particulars of such contracts or arrangements in the register required to be maintained under that section does not arise. In the absence of transactions as aforementioned, information regarding whether they have been made at prices which are reasonable having regard to the prevailing market prices at the relevant time is not given.
6. The company has not accepted any deposit from public.
7. During the year the Internal Audit has been carried out by a firm of Chartered Accountants. We are of the opinion that the internal audit coverage needs to be enlarged so as to cover the prime areas.

8. The Central Government has not prescribed the maintenance of Cost Records under clause (d) of Sub section (1) of Section 209 of the Companies Act, 1956 for the goods manufactured by the Company.
9. *(a) As per the records of the Company examined by us, the undisputed statutory dues including Provident Fund, Investor Education and Protection Fund, Customs Duty, Income Tax (T.D.S), Sales Tax, Cess and other material statutory dues, have not been regularly deposited with the appropriate authorities and there have been delays in a number of cases which have been referred to in Annexure '1' along with amounts which were in arrears for a period of more than 6 months from the date they became payable. Statutory Dues such as Employees' State Insurance, Excise Duty, Property Tax and Service Tax as applicable, have generally been regularly deposited during the year.*
(b) According to the information and explanations given to us and the records of the company examined by us, the particulars of dues of Sales Tax, Customs Duty and Excise Duty as at 31st March 2011, which have not been deposited on account of dispute, are furnished in Annexure '2'.
10. *The Company has accumulated losses as at 31st March 2011, which is more than the networth of the Company. It has incurred a cash loss of ₹ 1124.99 Crore in the financial year ended on that date and has incurred cash loss in the immediately preceding three financial year as well.*
11. *According to the records of the Company examined by us, the Company has defaulted in repayment of dues to financial institutions, banks and debenture holders as at the Balance Sheet date. The period and amount of default is reported in Annexure 2.*
12. According to the information and explanations given to us, the Company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
13. The provisions of any special statute applicable to chit fund/nidhi/mutual benefit fund/societies are not applicable to the company.
14. In our opinion, the Company is not a dealer or trader in shares, securities, debentures and other investments.
15. In our opinion, and according to the information and explanations given to us, the Company has not given any guarantee for loans taken by others from banks or financial institutions during the year.
16. In our opinion, and according to the information and explanations given to us, on an overall basis, the term loans obtained have been applied for the purposes for which they were obtained and during the year no new term loan has been taken.
17. On the basis of overall examination of the balance sheet of the company and according to the information and explanations given to us, in our opinion there are no funds raised on a short-term basis, which have been used for long-term investment and vice versa.
18. The Company has not made any preferential allotment of shares to parties and companies covered in the register maintained under section 301 of the Companies Act, 1956 during the year.
19. The company has created the securities for the bonds that were issued in earlier years. No debentures were issued during the financial year covered by our audit.
20. The company has not raised any money by public issues during the year.
21. During the course of our examination of the books and records of the company, carried out in accordance with the generally accepted auditing practices in India, and according to the information and explanations given to us, we have neither come across any instance of material fraud on or by the Company, noticed or reported during the year, nor have we been informed of such case by the management.

**FOR PADMANABHAN PRAKASH & CO
CHARTERED ACCOUNTANTS**

**E.PRAKASH
Partner**

M. No.019388

Date: 25.11.2011

Place: Chennai

ANNEXURE-1

Referred to in clause 9(a) of Annexure 'A' a statement on the matters specified in the Companies (Auditor's Report) Order, 2003 of Hindustan Photo Films Manufacturing Company Limited for the year ended 31st March, 2011.

Name of the Statute	Nature of the Dues	Amount (₹ In lakh)	Period to which the amount relates	Due date for Payment/ remittance	Date of payment
Employees Provident Fund, 1952	P F Contribution	233.91	April 2010 to March 2011	2010-11	₹63.68 Lakh paid during Sept & Oct. 2011
Income Tax Act, 1961	Tax deducted at source (including int)	4618.28	Upto 2009-10	Various dates	None of the Dues has been Remitted
Income Tax Act, 1961	R&D Cess	4.94	1992-93	1992-93	
Companies Act, 1956	Unpaid principal and interest on HPF 'A' series Bonds shown under Investor Education and Protection Fund	35.96	1994-95	30.01.2002	

ANNEXURE-2

Referred to in clause 11 of Annexure 'A' a statement on the matters specified in the Companies (Auditor's Report) Order, 2003 of Hindustan Photo Films Manufacturing Company Limited for the year ended 31st March, 2011.

Names of Lenders / Bond holders	Principal Amount outstanding and overdue as at 31.3.2011 (₹ in lakh)	Interest Amount outstanding and overdue as at 31.3.2011 (₹ in lakh)	Due date for repayment in respect of each borrowing/ debenture holder
HPF Bonds 'A" series	12111.03	31813.02	30 th Jan 1995. In respect of UTI bonds– 30 th Jan 1998.
UTI Funded Interest Loan	853.98	3359.23	The entire amount is over due
Cash Credit-			
State Bank of India	13708.15	253698.99	
Syndicate Bank	1047.03	24052.18	
Indian Overseas Bank	2394.64	44811.81	
State Bank of Patiala	991.29	19845.24	
State Bank of Travancore	2011.77	26381.01	
Indian Bank	200.85	1657.70	
Canara Bank	358.92	9135.55	
Letters of Credit:			
Canara Bank	280.36	7336.84	
Indian Bank	155.56	3978.87	
Citi Bank	363.03	1617.75	
Bridge Loans from banks	7696.57	146718.92	
DPG Loan from SBI	1914.25	34316.39	
Unsecured Loans:			
Term Loans:			
Canara Bank	86.48	3671.76	
State Bank of India	1089.72	20483.58	

COMMENTS OF THE COMPTROLLER AND AUDITOR GENERAL OF INDIA UNDER SECTION 619(4) OF THE COMPANIES ACT, 1956 ON THE ACCOUNTS OF HINDUSTAN PHOTO FILMS MANUFACTURING COMPANY LIMITED FOR THE YEAR ENDED 31 MARCH 2011

The preparation of financial statements of **Hindustan Photo Films Manufacturing Company Limited** for the year ended 31 March 2011 in accordance with the financial reporting framework prescribed under the Companies Act, 1956 is the responsibility of the management of the company. The statutory auditor appointed by the Comptroller and Auditor General of India under Section 619(2) of the Companies Act, 1956 is responsible for expressing opinion on these financial statements under Section 227 of the Companies Act, 1956 based on independent audit in accordance with the auditing and assurance standards prescribed by their professional body, the Institute of Chartered Accountants of India. This is stated to have been done by them vide their Audit Report dated 25 November 2011.

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

(A.ROY CHOUDHURY)
PRINCIPAL DIRECTOR OF COMMERCIAL AUDIT
AND EX-OFFICIO MEMBER AUDIT BOARD

Place: Chennai
Date: 19.12.2011