

Chairman-cum-Managing Director
& Director (Finance)

Shri. S. Girish Kumar

Directors

Shri.Manjit Kumar till 25.8.2015
Shri A.K. Deori from 26.8.2015
Shri. G.R.Sundaravadivel
(Nominee Director – UTI AMC Pvt. Ltd)
Smt. Meera Saksena I.A.S. (Retd)

Asst. Company Secretary

Smt. R. Ushakumari

Auditors

M/s A. Giri & Co
Chartered Accountants
Coimbatore

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 : 0423-2444020-2444025
Fax : 0423-2442556

Registered Office
Indunagar
Ootacamund-643005

3.11.2016

NOTICE

Notice is hereby given that the 55th Annual General Meeting of the Shareholders of Hindustan Photo Films Manufacturing Company Limited will be held at Hotel Alankar Grande, Coimbatore , Tamilnadu on 25th November 2016at 10.00 Hrs to transact the following business:

ORDINARY BUSINESS:

- To consider and adopt the Directors' Report and Audited Accounts of the Company for the year ended 31st March 2016.
- To fix remuneration of the Auditors for the year 2016-17.

(BY ORDER)

(Philip John)
General Technical Manager

To: All Members

R. GIRI & CO
CHARTERED ACCOUNTANTS
Bashyakaralu Road (East)
R.S. Puram
Coimbatore 641 002

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,

Your Directors present the 55th Annual Report on the working of the Company along with the audited accounts for the year ended 31st March 2016, report of the Statutory Auditors and the comments thereon by the Comptroller and Auditor General of India.

Share Capital

The Paid up and Authorized Capital as on 31.3.2016 stood at ₹206.87Crores and ₹210 Crores respectively.

Fixed Deposit

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

Corporate Performance

The audited financial data for the last ten years are summarized below.

Corporate Results

Production, Turnover and Loss

As the operations of the Company have come to a standstill, the turnover during the year was Nil . The Company's operations resulted in a net loss of ₹2527.92Crore for the year as compared to a net loss of ₹ 2162.77Crore in the previous year. The Company has incurred a cash loss of ₹54.58Crore during the year before interest and prior period adjustments as against ₹55.51Crore during the previous year.

Quality Assurance

Activities of the Quality Assurance department were restricted due to non-production activities.

The incoming raw materials received during the period were checked and cleared. Samples of drinking water, treated water, process raw water and process treated water were tested regularly to maintain the quality. Treatment of effluent was carried out as per the norms.

R&D and Quality Control

Activities could not be carried out as there was no production

Personnel

The total number of permanent employees as on 31st March 2016 stood at 217. The representation of SC /ST, and Physically handicapped employees was as follows:

SC category	:	59
ST category	:	7
Physically handicapped:		5

During the year 130 employees were relieved under 2007 Notional VRS .

Industrial Relations

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

Financial Data for the last ten years										
Year ending 31 st March 2016										
(₹ in lakhs)										
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Production	1768.22	1761.53	2409.93	2549.80	3992.46	760.94	360.60	15.09	---	---
Sales	1459.34	1716.53	2618.48	2625.01	3718.32	1256.38	373.81	124.86	---	---
Net Profit /Loss	-65305.92	-78949.15	-89026.05	-100921.51	-115665.42	-135238.95	-156531.99	-182042.26	-216276.71	-252791.86
Growth Rate (%)										
- Turnover	-0.14	17.62	52.54	0.25	41.64	-66.21	-70.25	-66.60	---	---
- Production	15.05	-0.38	36.81	5.80	56.55	-80.94	-52.61	-95.82	---	---
Net profit (As a % of)										
- Turnover	-4475.03	-4599.35	-3399.91	-3844.61	-3110.69	-10764.18	-41874.75	-145797.10	---	---
Networth	-414444.27	-493093.42	-582019.47	-682840.98	-798406.40	-933645.35	-1090177.34	-1272219.61	-1488496.32	-1741287.04
Inter Corporate loan	3607.00	3607.00	3607.00	3607.00	3607.00	3607.00	3607.00	3607.00	3607.00	3607
Gross Block (Excluding Capital WIP)	72065.78	72078.91	71552.47	71566.57	71566.75	71585.22	71596.58	71577.15	71577.15	71577.59
Gross Block (Including Capital WIP)	72065.78	72078.91	71552.47	71566.57	71566.75	71585.22	71596.58	71577.15	71577.15	71577.59
Inventories	1617.27	1607.00	1411.14	1417.60	1541.50	942.24	891.17	763.05	748.40	740.67
Depreciation	3323.37	3315.40	3241.61	3212.35	3166.17	3146.92	3147.82	3141.13	3141.13	3141.38
Interest	60230.85	71820.89	83014.38	95498.84	111525.07	130242.70	151703.19	177238.16	207584.49	244192.14

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

Environment

For maintaining ecological balance, the Company has taken steps in compliance with all the statutory rules and regulations.

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, as there was no production, the procurement of materials from Ancillary and SSI Units was NIL.

Contribution to Exchequer

During the year under review, the contribution made by the Company to the Exchequer - both central and State by way of Sales tax, Octroi, Customs duty and Excise duty etc is NIL .

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, conducting surprise and detailed inspections of transactions. Vigilance Awareness Period was observed from 26.10.2015 to 31.10.2015 in a befitting manner. Vigilance clearance were given for 130 employees as on 31.3.2016

RTI Act

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

Appellate Authority	:	Shri. M. Ramesh	
		Deputy Manager Finance/Unit Head	
Public Information Officer	:	Smt. R. Ushakumari	
		Assistant Company Secretary	

All applications and first appeals received under RTI during the year 2015-16, have been addressed.

Directors

Shri. S. Girish Kumar, MD, HMT (I) & CMD i/c, HMT, Bangalore continued to hold additional charge of CMD and Director Finance of HPF.

Audit Committee

As on 31.3.2016, the Audit Committee comprised of the following members:

Smt. Meera Saksena	:	Independent Director	:	Chairman
Shri. A. K. Deori	:	Part Time Official Director	:	Member
Shri. G.R. Sundaravadivel	:	Nominee Director	:	Member

Directors' Responsibility Statement

Directors' responsibility statement as required under Section 134(3) (c) of the Companies Act, 2013

The financial statements are prepared in accordance with the Generally Accepted Accounting Principles (GAAP) under the historical cost convention on accrual basis except for certain financial instruments, which are measured at fair values. GAAP comprises mandatory accounting standards as prescribed under Section 133 of the Companies Act, 2013 ('the Act'), read with Rule 7 of the Companies (Accounts) Rules, 2014, the provisions of the Act (to the extent notified) and guidelines issued by the Securities and Exchange Board of India (SEBI). There are no material departures from prescribed accounting standards in the adoption of these standards.

The Directors confirm that

- In preparation of the annual accounts for the financial year ended March 31, 2016, the applicable accounting standards have been followed.
- 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 the financial year and of the profit and loss of the Company for that period.
- The Directors have taken proper and sufficient care towards 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 The directors have prepared the annual accounts on a going concern basis.
- The Directors have laid down internal financial controls, which are adequate and are operating effectively.
- The Directors have devised proper systems to ensure compliance with the provisions of all applicable laws and such systems are adequate and operating effectively

Auditors

M/s. Giri& Co., Chartered Accountants, Coimbatore have been appointed by the Government of India as Auditors of the Company for the financial year 2015-16.

Corporate Governance

In compliance with the requirements of Clause 49 of the Listing Agreement with the Stock Exchanges, The Management Discussion and Analysis Report , A report on Corporate Governance and The Certificate of the Auditors on Corporate Governance are annexed to this report

Status before BIFR / AAIFR / Revival

The Company was referred to BIFR in terms of the provisions of Sick Industrial Companies (Special provisions) Act, 1985 on 14.10.1995. The BIFR had 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 had obtained a stay in the Madras High Court against the order of AAIFR in orders No: 21816 of 2005 dated 27.06.2005. A final decision was awaited

In the meantime, based on the recommendations of BRPSE , the CCEA during Feb 2014 had recommended a sum of Rs.181.54 Crores towards implementation of VRS at 2007 notional pay scale for all employees and directed to take further action for closure of the Company .VRS at 2007 Notional pay scale was implemented in the Company from Jan 2015. 416 employees have been relieved on VRS as on 31st Mar 2016.

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.

For and on behalf of the
Board of Directors

S. Girish Kumar
Chairman-cum-Managing Director

Management Discussion and Analysis Report

The operations of the Company have come to a standstill due to disconnection of power to the Polyester X-Ray Plant and R&D from May 2013 and non-availability of funds to procure the raw materials. Based on the recommendation of BRPSE, the CCEA during Feb 2014 has recommended a sum of Rs.181.54 Crores towards implementation of VRS at 2007 notional pay scale for all employees and directed to take further action for closure of the Company .

VRS at 2007 Notional pay scale has been introduced in the Company from Jan 2015. 416 employees have been relieved on VRS as on 31st Mar 2016

Internal Control Systems

The Company has an adequate system of Internal Control for safeguarding its assets.

Discussion on Financial Performance with respect to Operational Performance

As the operations of the Company have come to a standstill and in view of the Company's continuing sickness, there has not been any material change with regard to the Company's financial position. Interest and depreciation continue to be the major components contributing to the net loss. The cash loss is around ₹ 54.58Crore before interest and prior period adjustments. Major portion of the accumulated losses comprise of accumulated interest and unabsorbed depreciation. The Net worth of the Company remains negative on account of these factors.

Material developments in Human Resource/Industrial Relations

VRS at 2007 Notional pay scale has been introduced in the Company. 416 employees have been relieved on VRS as on 31.3.2016.

Future Prospects

The Company is recommended for closure.

S. Girish Kumar
Chairman-cum-Managing Director

REPORT ON CORPORATE GOVERNANCE

Company's Philosophy on Code of Governance

HPF recognizes 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 31.3.2016, 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
S. Girish Kumar	CMD & Dir (Fin)	Executive	Official	1	--
Manjit Kumar	Director	Non-Executive	Part time Govt. Director	1	2
A. K. Deori	Director	Non-Executive	Part time Govt. Director		
G.R.Sundaravadivel	Nominee Director	Non-Executive	Nominee Director (UTI AMC)	2	6
Meera Saksena I.A.S.(Retd)	Director	Non-Executive	Independent Director	-	-

- Shri A.K. Deori was appointed as Director w.e.f.26.8.2015 vice Shri. Manjit Kumar, Director
- 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 2015-16, five 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
S. Girish Kumar	5 Meetings : held on 19.6.2015, 09.10.2015, 22.12.2015 29.1.2016 & 15.3.2016	5	5	Yes
Manjit Kumar		1	1	No
A. K. Deori		4	4	No
G.R. Sundaravadivel		5	4	No
Meera Saksena I.A.S.(Rtd)		5	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 ₹ 600/- for every meeting of the Board and ₹ 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, annual operating plans and for considering statutory requirements. In case of exigencies, resolutions are passed by circulation and are placed at the next meeting of the Board.

The agenda for the meetings was prepared by the Assistant 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. For the year ended 31.3.2016, 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 177 of the Companies Act 2013 .and Clause 49of the Listing Agreement.

a. Composition

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

- The Audit committee consisted of three members with one Govt. Director, one Independent Director and one Nominee director
- None of the Directors had any other interest in the Company
- The members of the Audit Committee were financially literate
- Director (Finance) / Deputy Manager (Finance) and Statutory Auditors were invited to attend the Audit Committee Meetings as and when required.
- The Asst. Company Secretary acted as Secretary to the Committee

b. Meetings of the Audit Committee

During the year 2015-16, 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
Meera Saksena	4 Meetings : held on 19.6.2015, 09.10.2015, 22.12.2015 29.1.2016	4	4
G.R. Sundaravadivel		4	4
Manjit Kumar		1	1
A.K. Deori		3	3

c. Role and Powers of Audit Committee

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

d. Review of information by Audit Committee

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

III. Shareholders'/ Investors' grievance Committee

The Company has a Shareholders' / Investors' Grievance Committee to resolve the grievances of the Shareholders / Investors. During the year, no complaints have been received from the Shareholders.

IV. Share Transfer Committee

The Company has a Share Transfer Committee to carry out the transfer of shares. As on 31.3.2016, about 90% of the Share Capital is held by the President of India and only the remaining 10% is held by others. The only Share Transfers that have been taking place are those amongst the nominees of the President of India. No Share transfers are pending as on date.

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
52 nd AGM	28.3.2014 1530 Hrs	---	Hotel GRT Grand, Chennai
31 st EGM	28.3.2014 16 00 Hrs	1	
53 rd AGM	30.9.2014 15 30 Hrs	---	HMT Bhavan, Bangalore
54 th AGM	16.9.2015 10 00 Hrs	---	Hotel Alankar Grande, Coimbatore

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

VII. Disclosures

a) Basis of Related party transactions

During the year 2015-16, 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.

b) Disclosure of Accounting treatment

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

c) Board disclosure on Risk Management

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

d) Proceeds from public issues, rights issues and preferential issues

During the year 2015-16, the Company has not made any public issues, rights issues or preferential issues

e) 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/Independent Directors are being paid Sitting Fee of ₹ 600/- for every meeting of the Board and ₹ 300/- for every sub-committee meeting attended by them.

⇒ During the year total sitting fees of ₹ 7200 was paid to two Independent Directors 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 Shareholding in other Companies.

f) 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
 - ii. These statements together present a true and fair view of the Company's affairs and are in compliance with existing accounting standards, applicable laws and regulations
- b. There are, to the best of his knowledge and belief no transactions 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 he has become aware and the involvement therein, if any, of the management or any 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 .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.

IX) General Shareholder information

- | | |
|---|---|
| ▪ AGM | : Hotel Alankar Grande ,
Coimbatore |
| ▪ Financial Calendar | : 1 st Apr 2016- 31 st Mar 2017 |
| Board Meeting to consider Annual Report for 2015-16 | : May/ Aug 2016 |
| Submission of audited accounts to the C&AG of India | : Aug 2016 |
| Board Meeting for considering: | |
| Financial results for First quarter | : Aug 2016 |
| Financial results for Second quarter | : Dec 2016 |
| Financial results for Third quarter | : Feb 2017 |
| ▪ 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 the 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 31.3.2016:

Category of the Shareholder	No. of shares	% of shares	
Government of India The President & his Nominees	186178500		90.000
GIC & its subsidiaries	19187800	9.276	10.00
Special National Investment Fund	1496100	0.723	
Indian Public (by transfer)	2600	0.001	
	206865000		100.00

- 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.
- Shri. S.Girish Kumar, CMD, HMT Bangalore holds additional charge as Chairman-cum-Managing Director and Director(Finance) of HPF for which no additional remuneration is paid.
- 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 2016.
- 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 .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 2016.

Date :27.5.2016
Place: Coimbatore

S. Girish Kumar
Chairman-cum-Managing Director

R. GIRI & CO
CHARTERED ACCOUNTANTS

Bashyakaralu Road (East)
R.S.. Puram
Coimbatore 641 002

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, 2016 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.

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 Giri & Co.
Chartered Accountants
F.R.No.006702S

Date: 19.8.2016
Place: Coimbatore

R.GIRI
Senior Partner
M. No: 025458

ADDENDUM TO DIRECTORS' REPORT

	AUDITORS' REPORT	COMPANY'S REPLY
I.	<p>Sl. No. 8 of Note 30, the secured "A" series Bonds and secured loans amount to ₹12491.63 Crore (including interest) as on 31.3.2016. Of this total amount , only ₹ 503.11 Crore has been secured by fixed and current assets.</p> <p>The classification of the balance of ₹11980.52 Crore as "Secured" in our opinion is not correct.</p>	<p>Bridge Loan is 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 Fixed Assets of the Polyester X-ray Plant.</p> <p>DPG loan is 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> <p>Cash Credit and Letter of Credit are Secured by Hypothecation of Raw Material, Finished Goods Work in Progress, Stores and Spares and Book Debts etc.</p>
II	<p>The confirmation certificates of balances of cash credit, letter of credit, bridge loans, DGP loan and term loan and current account of SBI Pondicherry and City Bank etc. as on 31.03.2016 have not been obtained. In the absence of confirmations from the related parties, accuracy of balances appearing in the respective accounts could not be verified by us.</p>	<p>Confirmation certificates are not received since the transactions have come to standstill.</p> <p>The actual outstanding amounts due have been disclosed in the financial statements</p>
III	<p>Sl. No. 14 of Note 30 regarding non-payment of insurance premium to cover the Company's assets against risks.</p>	<p>It was not possible to insure the assets due to the high expenditure and financial constraints. Efforts towards insurance of other assets would be made in due course.</p>
IV	<p>Sl. No. 16 of Note 30 regarding non treatment of the loss that may arise on disposal of certain plant and machinery included in fixed assets which are no longer required and steels, valves and pipe fittings relating to Polyester Plant identified as surplus and held for disposal.</p>	<p>The referred assets have been identified as surplus at the time of completion of the Polyester X-Ray Plant and the same have been retained for use wherever possible since the disposal value is very low compared to the replacement cost.</p>
V	<p>Sl. No. 24 of Note 30 regarding non availability of information of outstanding interest paid /payable/accrued/unpaid for disclosures under the Micro, Small and Medium Enterprises Development Act, 2006.</p>	<p>In spite of efforts by verbal requests to Micro, Small and Medium Enterprises dealing with the Company, we were unable to get the relevant information in making suitable disclosures.</p>

VI	Sl. No. 25 of Note 30 regarding the liability amount that may be payable consequent upon the suit filed by HPF Officers Association for wage revision which 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 Government of India has not sanctioned wage revision for sick industries yet.
VII	Confirmation of Balance for loans obtained from banks is not available in respect of all accounts.	The banks were requested to send confirmation of balances. The banks did not respond.
VIII	In absence of the certainty of the estimates of amount involved in various legal cases initiated by employees and persons other than the employees, it is unable to comment on the eventual liability of the Company	The referred legal cases are in various stages of defense and appeal. It was not possible to estimate the liability of the Company in the absence of final verdicts.
IX	During the year Company has not made adequate provisions for debtors and for obsolete/non-moving stock.	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.
X	An amount of ₹ 82.876 lakhs, held as a House Building Advance granted to employees remains un-reconciled and the accuracy of the figures could not be verified in the absence of information regarding the liabilities of the individual staff members on account of home loans availed by them.	A detailed study was carried out on the individual House building loans sanctioned, recoveries made and settlement. The outstanding loans of individual staff members on this account is arrived and available. The reconciliation of accounting entries is to be made and this will be carried out to the extent possible.
XI	Sl. No. 13(c) of Note 30 regarding the provision for leave encashment, the Company has made provision for Leave encashment on the basis of the Company's own estimation and the same was not certified by actuarial valuation.	The cost of getting actuarial valuation is high and the Company could not bear it. For complying with the guidelines pro rata provision has been made on estimation.
XII	The Company is providing Depreciation at the rates prescribed in the Companies Act 1956 and not as per useful life as required by the Companies Act 2013	It is a matter of fact
Attention is also invited to item No.1 of Accounting Policies wherein it is stated that the Company's financial statements have been prepared on "GOING		The Accounts of the Company have been prepared on a "GOING CONCERN BASIS" .

CONCERN BASIS". We are unable to express our opinion in view of the following:		
XIII	The company has incurred a net loss of ₹ 2527.91 Crore and a cash loss of ₹2496.49 Crore in the current year.	Even though the Company has incurred a high net loss, the actual operating cash loss is much lower at around ₹54.58 Crores and only pertains to basic expenses for existence.
XIV	The accumulated losses as on 31.03.2016 stand at ₹ 17641.85 Crore as against the net owned shareholders' funds of ₹ 206.87 Crore.	The accumulated loss include more than ₹16000 Crores of accrued interest and ₹624 Crores of accrued unabsorbed depreciation.
XV	The Net worth has been fully eroded and the Company has been consistently making significant losses for the past several years	The negative net-worth of the Company is due to the non-approval of proposed financial restructuring plan by GOI . Now the company is recommended for closure
XVI	<p>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. A final decision is awaited.</p> <p>In the meantime, based on the recommendations of the BRPSE, the CCEA during Feb 2014 has recommended a sum of ₹ 181.54 Crores towards implementation of VRS at 2007 notional pay scale for all employees and directed to take further action for closure of the Company. VRS at 2007 Notional pay scale has been implemented in the Company from January 2015. 416 employees have been relieved on VRS as on 31st Mar 2016.</p>	The status of Company reported by the Auditors is a matter of fact.
XVII	The company's Current Liabilities have exceeded its Current Assets by ₹17250.79 Crores.	The current liabilities mainly consist of short- term borrowing, trade payables , various demands raised on the Company, interest accrued on dues etc. and provisions made for such dues. Government's direction on the settlement of these liabilities is awaited.

XVIII	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 Government	The decision of the Government is awaited.
XIX	The Company’s key financial ratios are quite adverse and there are consistently substantial negative cash flows from operations	It is a matter of fact.
XX	The viability of the Company appears to be doubtful as the Company at current product mix and production level is not in a position to recover even the variable cost in respect of products manufactured by it.	The Government has directed to implement VRS at 2007 Notional pay scale to all the employees of the company and take necessary action towards closure of the Company .
	<p>In our opinion and to the best of our information and according to the explanations given to us, the aforesaid financial statements except for the possible effects of the matters described in the Basis for Qualified Opinion Paragraph, give the information required by the Act in the manner so required and give a true and fair view in conformity with the Accounting principles generally accepted in India:</p> <p>(a) In case of the Balance sheet, of the state of affairs of the Company as at 31st March 2016</p> <p>(b) in case of the Statement of Profit and Loss of the company for the year ended on that date.</p> <p>(c) and its Cash Flows for the year ended on that date .</p>	<p>The existence of the Company has been based on the available funds and financial support received from the Government of India.</p> <p>Hence the financial statements have to be viewed as reflecting the true and fair view of the Company as on date.</p>

For and on behalf of the Board of Directors

S. Girish Kumar
Chairman-cum-Managing Director

BALANCE SHEET AS AT 31st MARCH, 2016.

(₹. IN THOUSAND)

Particulars	Note	As on 31.03.2016	As on 31.03.2015
<u>EQUITY AND LIABILITIES</u>			
Share Holders Funds:			
Share Capital	2	2068650	2068650
Reserves and Surplus	3	(176197466)	(150918281)
Share Application Money pending allotment:	4	-	-
Non-Current Liabilities:			
Long Term Borrowings	5	2375203	2375203
Current Liabilities:			
Short Term Borrowings	6	118243438	101634036
Trade Payables	7	205637	205979
Other Current Liabilities	8	54578170	46556432
Short Term Provisions	9	68743	68744
TOTAL		1342375	1990763
<u>ASSETS</u>			
Non-Current Assets:			
Fixed Assets	10		
Tangible Assets		743388	1,057,482
Intangible Assets		-	-
Non-Current Investments	11	6	6
Long-Term Loans and Advances	12	10987	10990
Current Assets:			
Inventories	13	74067	74840
Trade Receivables	14	51898	51704
Cash and Bank Balances	15	139561	497524
Short-Term Loans and Advances	16	322467	291269
Other Current Assets	17	-	6948
TOTAL		1342375	1990763
Notes on Financial Statements	1 to 30		
Accounting Policies	31		

PHILIP JOHN

General Technical Manager/
Unit Chief

S.GIRISH KUMAR

Director Finance &
Chairman cum Managing Director

A.K. DEORI

Director

Vide our Report of even date attached,

For GIRI & CO.,

Chartered Accountants.

Firm Registration Number: 006702S

Place : Coimbatore

Date : 19.8.2016

R.GIRI

Senior Partner

M. No: 025458

STATEMENT OF PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31st MARCH 2016

(₹. IN THOUSAND)

Particulars	Note	As at 31.3.2016	As at 31.3.2015
<u>INCOME</u>			
Revenue from Operations	18	0	-14
Other Income	19	15705	15988
Total Revenue		15705	15974
<u>EXPENDITURE</u>			
Cost of Material Consumed	20	16	177
Purchase of Stock in Trade	21	-	-
Changes in Inventories of Finished Goods,		-	-
Work-in-Progress and Stock in Trade	22	760	1,346
Employee Benefit Expense	23	111923	145,503
Finance Costs	24	24419214	20758451
Depreciation and Amortization Expense	25	314138	314131
Other Expense	26	15876	15451
Total Expenses		24861927	21235059
Loss before Extraordinary Items		(24846222)	(21219085)
Extraordinary Items	27	432927	408585
Loss for the year		(25279149)	(21627670)
Add (-)/Less (+) Prior Period Adjustment (net)	28	-38	-
Net Loss carried over to Balance sheet		(25,279186)	(21627670)
Basic and Diluted Earnings per Share of Face value of ₹.10.00 each.	29	(122)	(105)
Notes on Financial Statements	1 to 30		
Accounting Policies	31		

PHILIP JOHN

General Technical Manager/
Unit Chief

S. GIRISH KUMAR

Director Finance & Director
Chairman cum Managing Director

A.K. DEORI

Vide our Report of even date attached,

For GIRI & CO.,

Chartered Accountants.

Firm Registration Number: 006702S

Place : Coimbatore

Date : 19.8.2016

R.GIRI

Senior Partner

M. No: 025458

Notes on Financial Statements for the year ended 31st March, 2016

1 CORPORATE INFORMATION

M/s. Hindustan Photo Films Mfg. Co. Ltd. is registered with the Registrar of Companies- Madras on 30th November, 1960 as a Public Limited Company under the Companies Act, 1956 vide Registration No; 000379. (CIN NO; L33201TZ1960GOI000379).

The Registered Office of the Company is located at Indunagar, Udthagamandalam, Nilgiris District, Tamilnadu-643005

(₹ . In Thousand)

	As at 31.3.2016	As at 31.3.2015
2 Share capital		
Authorised 210000000 equity shares of Rs.10/- each.	2100000	2100000
Issued subscribed and paid up 20,68,65,000 equity shares of Rs.10/- each fully paid up (including 1,05,00,000 shares issued as paid up converting Govt. loans as equity)	2068650	2068650
3 Reserves and surplus		
Capital reserve	0	0
Export profit reserve	11	11
Bond Redemption Reserve	221121	221121
	221132	221132
PROFIT & LOSS ACCOUNT		
Balance as per last Balance sheet	151139412	129511743
Add loss for the year	(25279186)	(21627670)
	176418598	151139413
Total	(176197466)	(150918281)
4 Share application measures pending allotment		
Share Capital Deposit	-	-
5 Long Term Borrowings		
Secured loans		
Long term loans		
HPF Bonds A Series	1211103	1211103
UTI Funded Interest loan	85398	85398
	1296501	1296501
Bridge loans		
From Banks	769657	769657
DPG LOAN		
State Bank of India	191425	191425
Un secured loans		
Term loans		
Canara Bank Bond interest loan	8648	8648
SBI bond interest loan	108972	108972
Total	2375203	2375203

	As at 31.3.2016	As at 31.3.2015
6 Short Term Borrowings		
Secured		
Cash Credit From Banks		
State Bank of India	1370815	1370815
Interest accrued and due	60123556	50694524
Indian Overseas Bank	239464	239464
Interest accrued and due	10333353	8758678
Syndicate Bank	104703	104703
Interest accrued and due	5760078	4844479
State bank of Patiala	99129	99129
Interest accrued and due	4277253	3673615
State Bank of Travancore	201177	201177
Interest accrued and due	6157947	5210843
Indian Bank	20085	20085
Interest accrued and due	414191	346393
Canara Bank	35892	35892
Interest accrued and due	2410572	1985979
SBI- Indunagar	--	--
	91548216	77585776
Letters of Credit		
Canara Bank	28036	28036
Interest accrued and due	1924620	1585729
Indian Bank	15556	15556
Interest accrued and due	950513	799692
	2918724	2429013
Un secured loans		
Govt of India Loans	5111114	4876072
Interest accrued and due	12826510	11611299
	17937625	16487372
Letter of credit		
Citi bank	36302	36302
Interest accrued and due on LC	407332	341258
	443634	377560
Inter corporate loans		
Maruti Udyog Ltd, New Delhi	50000	50000
National Mineral Dev. Corpn, Hyderabad	45000	45000
Kudremukh Iron Ore Ltd , Bangalore	180000	180000
Bharat Electronics Ltd, Bangalore	13200	13200
Pawan Hans Helicopters Ltd. Delhi	72500	72500
Interest accrued and due on Inter Corp loans	5034539	4393616
	5395239	4754316
Total	118243438	101634036
7 Trade payable		
SSI units	0	0
others	205637	205979
Total	205637	205979

8 Other current liabilities		
Trustees of Employees contributory Provident fund	19782	35742
Advance from Customers	6661	6661
Unclaimed HPF Bonds A series & Interest	3596	3596
Other liabilities	992148	888972
Indian bank OD	0	0
Interest accrued but not due on Govt loans	54865	48895
Interest accrued and due on long term borrowings	53501118	45572566
Loan on deposit account	0	0
Total	54578170	46556432
9 SHORT TERM PROVISIONS		
Provision for contingencies	12904	12904
Provision for leave encashment	55840	55840
Total	68743	68744
11 NON CURRENT INVESTMENTS		
Shares with HPF employees co-op stores	6	6
Total	6	6
12 LONG TERM LOANS AND ADVANCES		
Other miscellaneous advance to employees (HBA)	8288	8290
Tax Deducted at source	2700	2700
Total	10987	10990
13 INVENTORIES		
Stores and spares	56368	56368
Printing and stationery	203	206
Loose tools	4	5
Raw materials	70828	70828
Process stock	9965	10405
Finished goods	0	321
Reclaimable scrap	3545	3553
	140913	141686
Less : Provision for obsolete/surplus items		
Stores and spares	41517	41517
Raw materials	25329	25329
Finished goods	0	0
	66846	66846
Total	74067	74840
14 TRADE RECEIVABLES		
Sundry debtors	133557	133557
Other misc. debtors	1223	1029
Credit balance in Debtors	6661	6661
	141441	141247
Less Provision for bad/doubtful debts	89543	89543
Total	51898	51704

15 CASH AND BANK BALANCES		
Cash, cheques and stamps on hand	116	160
Balance with Banks	4584	45347
Fixed deposits with Banks	134861	452017
Total	139561	497524
16 SHORT TERM LOAN AND ADVANCES		
Claims recoverable	255988	255988
Deposits	11162	11158
Advances and others	313680	282441
Prepaid expenses	90	135
Sub Total	580920	549722
Less; Provision for doubtful recovery	258453	258453
Total	322467	291269
17 OTHER CURRENT ASSETS		
Interest accrued on FD- LC/BG margin deposit	0	6948
Total	0	6948
18 REVENUE FROM OPERATION		
Sales less returns	0	54
Less: Excise duty/CVD	0	68
Total	0	(14)
19 OTHER INCOME		
Job order income	0	102
Other sundry receipts	407	1816
Interest receipts - staff	42	0
Interest receipts - Banks	14155	13136
Township rent receipts	1100	934
Total	15705	15988
20 COST OF RAW MATERIALS CONSUMED		
Raw materials consumed		
Opening stock of raw materials	70828	70828
Add purchases	8	752
	70835	71580
Less : closing stock of raw materials	70828	70828
	8	752
Increase(-)/Decrease (+) in reclaimable scrap	9	97
	16	849
Stores and spares consumed	0	(672)
Total	16	177

21 PURCHASE OF STOCK IN TRADE		
Opening stock	0	0
Add: Purchase	0	0
Less Closing stock	0	0
Total	0	0
22 CHANGES IN INVENTORIES OF FIXED ASSETS, STOCK IN POSITION AND STOCK IN TRADE		
Opening stock		
Finished goods	321	445
Work in progress	10405	11627
	10726	12072
Closing stock		
Finished goods	0	321
Work in progress	9965	10405
	9965	10726
Increase/ - decrease in stock	760	1346
23 EMPLOYEE BENEFIT EXPENSES		
Salaries, wages, Bonus etc	101858	130844
Contribution to provident fund	4775	9418
Contribution to group insurance scheme	688	548
Staff Welfare expenses	4602	4693
	111923	145503
Less Transferred to R&D expenditure	0	0
Total	111923	145503
24 FINANCE COST		
Interest on Govt. loans	1221181	1084030
Bank borrowings and others	23198033	19674421
Total	24419214	20758451
25 DEPRECIATION AND AMORTISATION EXPENSES		
Depreciation on buildings	6938	6938
Depreciation on plant and machinery	297021	297021
Depreciation on other assets	10178	10171
Total	314138	314131
26 OTHER EXPENSES		
Power and fuel	4471	5004
Repairs and maintenance		
Building	79	708
Plant and machinery	84	827
Others	2928	1624
	3091	3159
Rent	19	3

	Lease rent-Project	1193	1193
	Insurance	9	14
	Rates and taxes	331	842
	Travelling and conveyance	1272	1052
	Administrative and Office expenses	354	533
	Auditors remuneration	76	89
	Directors sitting fees	3	6
	Miscellaneous expenses	737	1041
	Exchange rate difference	4303	2511
	Provisions for doubtful debts and advances	0	0
	Provisions for contingencies and obsolesces	0	0
	Advertisement and publicity	17	0
	Selling expenses	0	4
	R&D Expenditure	0	0
	Total	15876	15451
27	EXDTRODINARY ITEM		
	VRS payment	432927	408585
	Total	432927	408585
28	Prior period adjustment (Net)		
	Interest	38	-
	Other cost	-	-
	Total	38	-
29	Earnings per Share		
	Net Profit / (Loss) After Tax	(25279072)	(21627670)
	Weighted average No. of Equity Shares for Basic / Diluted EPS (No's)	206865000	206865000
	Nominal Value of Equity Per Share (in Rs.)	10	10
	Basic / Diluted Earnings Per Share (in Rs.)	(122)	(105)

30. Notes on Financial Statement for the year ended 31st March 2016

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 (Previous Year ₹5.34 Lakh)

ii. Others:

	₹ in lakh	
a) Sales tax on silver purchase from Govt. of India Mint	297.46	(Previous year 297.46)
b) Claim by Kanj Biheri Sangli stockiest not acknowledged as Debt	160.49	(Previous year 160.49)
c) OD Interest - Govt. Mint	2076.23	(Previous year 1987.82)
d) OD Interest - Hindustan Zinc	3442.26	(Previous year 3298.29)
Total	5976.44	(Previous year 5744.06)

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 ₹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.

5. Material-in-transit (Stores, Spare Parts, Raw Materials and Finished Goods) ₹NIL (Previous year ₹NIL)

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 Inter Corporate Deposits, Trade Receivable, Loans & Advances, Trade Payable and other Current Liabilities are subject to confirmation.

8. Principal amount of loans of ₹ 511.11 Crore and interest accrued of ₹11980.52 Crore amounting to ₹ 12491.63 Crore has been secured to the extent of ₹ 503.11 Crore consisting of fixed assets ₹ 486.85 Crore (based on 1997 market valuation) and current assets of ₹62.41 Crore as on 31.3.2016.

9. 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 situated 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 Crore. Pending arrangements with Financial Institutional Bond holders and UTI, for rollover, the interest on these bonds amount were charged at 13% and 18% respectively 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 2016. No redemption was made in the recent past .

10. Extraordinary items represents compensation and other related payments under Voluntary Retirement Scheme.

11. 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. A final decision was awaited

In the meantime, based on the recommendations of BRPSE , the CCEA during Feb 2014 has recommended a sum of Rs.181.54 Crores towards implementation of VRS at 2007 notional pay scale for all employees and directed to take further action for closure of the Company .

VRS at 2007 Notional pay scale has been implemented in the Company from Jan 2015. 416 employees have been relieved on VRS as on 31st Mar 2016.

12. The petition filed by Maruti Udyog Ltd., in Madras High Court against the Company has been suspended by the High Court because the Company has been referred to BIFR.

13. 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 2016 as per actuarial valuation works out to ₹450Lakh (Previous year ₹1148.27 Lakh). The fund available as on 31.3.2016 with LIC is ₹638.01 Lakh (Previous year ₹1433.89Lakh). 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)	8%
Withdrawal rate	1% to 3% depending on age

b) The amount due to HPF ECPF Trust as on 31.3.2016 is ₹197.82 Lakh (Previous year ₹357.42 Lakh). A sum of ₹356.60 Lakh (Previous year ₹215.80Lakh) was paid to the Trust.

c) During the year the Actuarial valuation for Leave encashment on separation was not done due to the cost involved and difficulty in getting it done. Presently, there is sufficient provision for Leave encashment liability

14. The annual Insurance Premium on major fixed assets could not be paid and consequently the major assets remained uncovered against risks. However running vehicles have been covered by insurance.

15. 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.

16. (a) A sum of ₹6.09 Lakh (Previous year ₹6.09 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 realizable value is not determinable.

b) Steels, valves and pipe fittings value of which is ₹20.44 Lakh (Previous year ₹ 20.44 Lakh) relating to Polyester Plant, were identified as surplus and held for disposal. The realizable 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.

17. 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.
18. a) For Current year 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.
- 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.
19. 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.
20. 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. The current demand for Lease rent has been accounted during the year .Subsequently, fresh G. O was received from TNPCB and based on that, demand of consent fee from TNPCB was not insisted on and has been reversed.
21. The company had initiated proceedings before the Estate Officer on recovery of outstanding License 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 license fee amounting to Rs.56.50 lakhs within 3 months of the order. HSN has filed an appeal against the order.
22. Disclosure on related party transactions as per Accounting Standard 18 issued by Institute of Chartered Accountants of India
- | | |
|------------------------------|--|
| (i) Key Management Personnel | Shri S. Girish Kumar
Director Finance &
Chairman cum Managing Director
(Addl. Charge) |
| | Shri K. Ganesan
Chief Vigilance Officer
(Addl. Charge) |
- (ii) Details of transactions with Key Management Personnel Remuneration - ₹NIL (Previous Year ₹NIL)
23. The names of the Small Scale Industrial Undertakings to whom the Company owes a sum which is outstanding for more than 30 days: NIL
24. 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.
25. 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.
26. Loans and advances - Others includes ₹30.27 Crores (Previous year ₹ 27.09 Crores) paid to the employees of the company. This represents the advance recoverable from the employees who are continuing in service as on 31.3.2016.
27. 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.
28. a. The details with respect to provision as per AS-29 is as follows: (₹ In Lakh)

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	687.44	---	---	687.44

- 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.
29. Prior period adjustments of ₹37560 (Net Debit) [previous Year ₹ Nil (Net Debit) are expenses / income which arise / identified in the current period pertaining to Financial Statements prepared in earlier years.

30. Notes on Financial Statement for the year ended 31st March 2016 (Continued)

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

Capacity and Production:

S. No.	Class of Goods	2015-16			2014-15		
		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	0.000
2	X-Ray Film - M.Sq.m	13.668	11.820	0.000	13.668	11.820	0.000
3	Roll Films – M.Sq.m	1.010	0.310	0.000	1.010	0.310	0.000
4	Graphic Arts – M.Sq.m	3.000	#2.250	0.000	3.000	#2.250	0.000
5	Industrial X-ray – M.Sq.m	0.750	#0.510	0.000	0.750	#0.510	0.000
6	Processing Chemicals – Tonnes	NA	400	0.000	NA	400	0.000
7	Silver Nitrate – Tonnes	90@	120	0.000	90@	120	0.000
8	Magnetic Tape – MRM	1500	550	0.000	1500	550	0.000

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 0.000 M.Sq.m. [0.000 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]

30. Notes on Financial Statement for the year ended 31st March 2016 (Continued)**30 (b) RAW MATERIALS CONSUMED**

VALUE : ₹ In. Lakh

	UNIT	2015-16		2014-15	
		QUANTITY	QUANTITY	QUANTITY	VALUE
CELLULOSE TRI ACETATE	KG	0.00	0.00	0.00	0.00
SILVER	KG	0.00	0.00	0.00	0.00
METHYLENE CHLORIDE	KG	0.00	0.00	0.00	0.00
METHANOL	KG	0.00	0.00	0.00	0.00
TRIPHENYL PHOSPHATE	KG	0.00	0.00	0.00	0.00
GELATINE	KG	0.00	0.00	0.00	0.00
ACETONE	KG	0.00	0.00	0.00	0.00
BARYTA COATED PAPER	SQM	0.00	0.00	0.00	0.00
POLYESTER BASE	SQM	0.00	0.00	0.00	0.00
COATED JUMBO	SQM	0.00	0.00	0.00	0.00
OTHER MATERIALS			0.00		0.00
TOTAL			0.00		0.00

30. Notes on Financial Statement for the year ended 31st March 2016 (Continued)

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

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

CLASS OF GOODS	YEAR ENDED 31-03-2016				YEAR ENDED 31-03-2015			
	TURNOVER		Closing stock		TURNOVER		Closing stock	
	Qty	Value	Qty	Value	Qty	Value	Qty	Value
Cine Film Produced	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
X-Ray : Produced :	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Roll Film : Produced	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Photo Paper: Produced	0.00	0.00	0.00	0.00	0.00	0.00	0.01	1.93
Gr. Arts : Produced	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Indl X-Ray-Produced	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Magnetic Tape : Produced	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Chemical Produced (in Tons)	0.00	0.00	0.00	0.00	0.288	0.54	0.00	0.00
Misc : Produced	0.00	0.00	0.00	0.00	0.00	0.90	0.00	1.28
TOTAL		0.00		0.00		0.54		3.21

30. Notes on Financial Statement for the year ended 31st March 2016 (Continued)

30 (d) Information regarding Remuneration

(₹ in Lakh)

	2015-16	2014-15
i. Director Finance, Chairman-cum- Managing Director(Addl.Charge)-Salary	---	---
ii. Chief Vigilance Officer	---	---
Provident Fund and Other Funds	---	---

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

(₹ in Lakh)

	2015-16	2014-15
i.		
Raw Materials	---	---
Components and Spare Parts	---	---
Capital Goods	---	---
ii. Value of Raw Materials, Stores and Spare Parts Consumed		

	2015-16		2014-15	
	₹ in Lakh	Percentage of Consumption	₹ in Lakh	Percentage of Consumption
Raw Materials				
- Imported	0.00	0.00	0.00	0.00
- Indigenous	7.52	100.00	7.52	100.00
Stores and Spare Parts				
- Imported	0.00	0.00	0.00	0.00
- Indigenous	0.00	0.00	0.00	0.00

(Rs. in Lakh)

	2015-16	2014-15
iii. Expenditure in Foreign Currencies (Cash Basis)	---	---
iv. Earnings in Foreign Exchange Export of Goods (FOB)	---	---

Figures for the previous year have been re-grouped/reclassified wherever necessary.

Figures in the brackets in accounts reflect negative balance.

31. 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 2013.

2. FIXED ASSETS:

1. Fixed Assets are valued on historical cost.
2. Land: The expenditure on development of land including leasehold land is capitalized as part of the cost of land.

3. INTANGIBLE ASSETS:

Patents are stated at cost of acquisition less accumulated amortization. Patents are amortized 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 Companies Act. 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 Realizable Value whichever is lower
Reclaimable scrap/Anode slime	:	At Net Realizable Value
Process stock	:	At Cost or Market value whichever is lower
Finished goods	:	At Cost or Net Realizable 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 realizable 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. TRADE RECEIVABLES:

Trade Receivables 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 company's own estimation and the same has not been approved by actuarial Valuation , 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 BENEFIT EXPENSES :

The Company recognizes 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. EXCISE DUTY:

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

14. REVENUE RECOGNITION:

- i. Revenue is recognized 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 recognized 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 recognized 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.

PHILIP JOHN

General Technical Manager/
Unit Chief

S. GIRISH KUMAR

Director Finance &
Chairman cum Managing Director

A.K. DEORI

Director

Vide our Report of even date attached
For GIRI & CO.,
Chartered Accountants.
Firm Registration Number: 006702S

Place : Coimbatore

Date : 19.8.2016

R.GIRI

Senior Partner

M. No: 025458

CASH FLOW STATEMENT FOR THE YEAR ENDED 31st MARCH 2016**(₹. IN THOUSAND)**

Particulars	As on 31/03/2016	As on 31/03/2015
I Operating Activities:		
Net Profit / (Loss) before Tax and After Extra Ordinary Items and Prior Period Items	(25279186)	(21627670)
Add: Non Operative and Non Cash Items Debited to Profit & Loss A/c.		
Depreciation and Amortisation	314137	314131
Finance Cost	24419214	20758451
Extra Ordinary Items	432927	408585
	25166278	21481167
Less: Non Operative and Non Cash Items Credited to Profit & Loss A/c.		
Other Income	15705	15988
	(15705)	15988
Cash Outflow from Operating Activities before changes in Working Capital.	(128613)	(162491)
Increase in Trade Payables	(342)	7265
Increase in Other Current Liabilities	8021739	6881979
Increase / (Decrease) in Short Term Provisions	-	-
Decrease in Inventories	773	1465
Decrease in Trade Receivables	(194)	797
Increase of Short Term Loans and Advances	(31198)	(32505)
Decrease / (Increase) in Other Current Assets	6948	(6602)
Inflow / (Outflow) of Cash from Operating Activities.	7869113	6689908
Extra Ordinary Items	(432927)	(408585)
Net Inflow / (Outflow) of Cash from Operating Activities.	7436186	6281323
II Investing Activities		
Purchase of Fixed Assets	(44)	-
Long term Advances to Employees and Others	3	1,500
Income from Other Investments	15705	15988
Net Inflow / (Outflow) of Cash from Investing Activities	15664	17488
III Financing Activities		
Proceeds from Issue of Shares	-	-
Proceeds from Short Term Borrowings	16609401	14923291
Finance Cost	(24419214)	(20758451)
Net Inflow / (Outflow) of Cash from Financing Activities	(7809813)	(5835160)
Net Inflow of Cash	(357963)	463651
Add: Opening Balance of Cash and Cash Equivalents	497524	33873
Closing Balance of Cash and Cash Equivalents	139561	497524

PHILIP JOHN
General Technical Manager/
Unit Chief

S. GIRISH KUMAR
Director Finance &
Chairman cum Managing Director

A.K. DEORI
Director

Vide our Report of even date attached,
For GIRI & CO.,
Chartered Accountants.
Firm Registration Number: 006702S

Place : Coimbatore
Date : 19.8.2016

R.GIRI
Senior Partner
M. No: 025458

INDEPENDENT AUDITOR'S REPORT

To the Members of **M/s. Hindustan Photo Films Manufacturing Company Limited.**

Report on the Financial Statements

We have audited the accompanying Financial Statements of M/s. Hindustan Photo Films Manufacturing Company Limited ("the Company"), which comprises Balance sheet as at March 31, 2016, Statement of Profit and Loss and the Cash Flow Statement for the year then ended and a Summary of significant Accounting Policies and other explanatory information.

Management's responsibility for Financial Statements:

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

Auditor's Responsibility:

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

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgements, including the

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for qualified audit opinion.

Basis for Qualified Opinion:

- I. *In Sl. No. 8 of Note 30, the secured "A" series Bonds and secured loans amount to ₹.12491.63 Crore (including interest). Of this total amount only ₹.503.11 Crore has been secured by fixed and current assets. The classification of the balance of ₹.11980.52 Crore as "Secured" in our opinion is not correct.*
- II. *The confirmation certificates of balances of cash credit, letter of credit, bridge loans, DGP loan and term loan and current account of SBI Pondicherry and City Bank etc. as on 31.03.2016 have not been obtained. In the absence of confirmations from the related parties, accuracy of balances appearing in the respective accounts could not be verified by us.*
- III. *In Sl. No. 14 of Note 30, regarding non-payment of insurance premium to cover the company's assets against risks.*
- IV. *In Sl. No. 16 of Note 30, regarding non treatment of the loss that may arise on disposal of certain plant and machinery included in fixed assets which are no longer required and steels, valves and pipe fittings relating to Polyester Plant identified as surplus and/or unused.*
- V. *In Sl. No. 24 of Note 30, regarding non availability of information of outstanding's, interest paid/payable/accrued/unpaid for disclosures under the Micro, Small and Medium Enterprises Development Act, 2006.*
- VI. *In Sl. No. 25 of Note 30, regarding the liability amount that may be payable consequent upon the suit filed by HPF Officers Association for wage revision which is pending in Supreme Court.*
- VII. *Confirmation of Balance for loans obtained from banks is not available in respect of all Accounts.*
- VIII. *In absence of the certainty of the estimates of amount involved in various legal cases initiated by employees and persons other than the employees, we are unable to comment on the eventual liability of the company.*

- IX. *During the year, company has not made adequate provisions for debtors and for obsolete/non-moving stock.*
- X. *An amount of ₹.82.876 lakhs , held as a House Building Advance granted to employees remains unreconciled and the accuracy of the figures could not be verified in the absence of information regarding the liabilities of the individual staff members on account of home loans availed by them.*
- XI. *In Sl. No. 13(c) of Note 30 regarding the provision for leave encashment, the company has made provision for Leave encashment on the basis of the company's own estimation and the same was not certified by actuarial valuation.*
- XII. *The Company is providing Depreciation at the rates prescribed in the Companies Act, 1956 and not as per useful life as required by the Companies Act 2013.*

Attention is also invited to item no.1 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:

- XIII. *The company has incurred a net loss of ₹.2527.91 Crore and a cash loss of ₹.2496.49 Crore in the current year.*
- XIV. *The accumulated losses as on 31.03.2016 stand at ₹.17641.85 Crore as against the net owned shareholders' funds of ₹.206.87 Crore.*
- XV. *The net worth has been fully eroded and the company has been consistently making significant losses for the past several years.*
- XVI. *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. A final decision is awaited .*

In the meantime, based on the recommendations of the BRPSE, the CCEA during Feb 2014 has recommended a sum of ₹ 181.54 Crores towards implementation of VRS at 2007 notional for all employees and directed to take further action for closure of the Company. VRS at 2007 Notional scale has been implemented in the Company from January 2015. 416 employees have been relieved on VRS as on 31st Mar 2016.

- XVII. *The company's Current Liabilities have exceeded its Current Assets by ₹17250.79. Crores.*
- XVIII. *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 Government.*
- XIX. *The company's key financial ratios are quite adverse and consistently posting substantial negative cash flows from operations.*

XX. *The viability of the company appears to be doubtful as the company at current product mix and production level is not in a position to recover even the variable cost in respect of products manufactured by it.*

Qualified Opinion:

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

(a) In case of the Balance sheet, of the state of affairs of the Company as at 31st March 2016

(b) in case of the Statement of Profit and Loss of the company for the year ended on that date.

(c) and its Cash Flows for the year ended on that date:

Report on other Legal and Regulatory Requirements:

1. As required by the Companies (Auditor's Report) Order, 2016 (the order) issued by the Central Government of India in terms of sub-section 11 of section 143 of the Act, we give in the Annexure A, a statement on the matters specified in the Paragraphs 3 and 4 of the Order to the extent applicable.
2. As required by section 143 (3) of the act, we report that:
 - a. We have obtained all information and explanations except for the matters described in the Basis for qualified opinion paragraph, obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purpose of our audit;
 - b. Except for the possible effects of the matter described in the Basis for qualified opinion paragraph above, 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 Balance Sheet, Statement of Profit and Loss and cash flow statement referred to in this report are in agreement with the books of account;
 - d. In our opinion, the aforesaid Balance Sheet, Statement of Profit and Loss and cash flow statement comply with the Accounting Standards specified under section 133 of the Act read with Rule 7 of the Companies (Accounts) rules, 2014 except for the non-compliance of Accounting Standards 28 "Impairment of Assets", the impact of which is not ascertainable and Accounting Standards 15 "Employee Benefits", regarding the estimated provision for leave encashment of Rs. 558.396 lakhs which has not been certified by actuary.
 - e. On the basis of the written representations received from the directors as on March 31, 2016 taken on record by the Board of Directors, none of the directors are disqualified as on March 31, 2016 from being appointed as a director in terms of Section 164 (2) of the Act.
 - f. With respect to the adequacy of the internal financial controls over financial reporting of the Company and the operating effectiveness of such controls, refer to our separate report in "Annexure B" and

- g. The matter described in the Basis of Qualified Opinion paragraph above, in our opinion may have an adverse effect on the functioning of the Company and
- h. With respect to the other matters to be included in the Auditors Report and to the best of our information and according to the explanation given to us :
 - i. The Company has disclosed the impact of pending litigations on its financial position in its financial statements. Refer Note 1,12,15,21,and 25 of Note 30.
 - ii. The Company has made provisions as required under the applicable law or Accounting standard, for material foreseeable losses, if any on long term contracts.
 - iii. The details of delay in transferring amounts, required to be transferred to the Investor Education and Protection Fund by the Company has been given in point VII (A)(2) of Annexure A.

For GIRI & CO.,
Chartered Accountants.
Firm Registration Number: 006702S

Date :19.8.2016
Place: Coimbatore

R.GIRI
Senior Partner
M. No: 025458

ANNEXURE –“A” TO THE AUDITORS' REPORT

The Annexure “A” referred to in our report to the members of **M/s. HINDUSTAN PHOTO FILMS MANUFACTURING COMPANY LIMITED** on the financial statements for the year ended 31st March, 2016. We report that:

i) In respect of Fixed Assets :

- a) In our opinion and according to the information and explanations given to us during the course of audit, the Company is maintaining proper records showing full particulars including quantitative details and situation of its fixed assets.
- b) In our opinion and according to the information and explanations given to us during the course of audit, fixed assets have not been physically verified by the Management at reasonable intervals, and in our opinion, physical verification of fixed Assets followed by the management are not reasonable and adequate in relation to the size of the company and nature of its business.
- c) In our opinion and according to the information and explanations given to us during the course of audit, the title deeds of immovable properties are held in the name of the company.

ii) In respect of Inventories :

In our opinion and according to the information and explanations given to us during the course of audit, Physical verification of all raw materials, Work in progress, stores and spares and finished goods has not been conducted during the year. However, a portion of raw materials, stores and spares and finished goods have been physically verified after the end of the year.

- iii) In our opinion and according to the information and explanations given to us and records examined by us during the course of audit, the Company has not granted loans, secured or unsecured, to Companies, firm LLP's or other parties, listed in the Register maintained Under Section 189 Of the Companies Act,2013.
- iv) According to the information and explanations given to us, In respect of loans, investments, Guarantees and security the provisions of section 185 and 186 of the companies Act, 2013 have been complied with.
- v) The Company has not accepted any deposits from the public.
- vi) The Central Government has not prescribed the maintenance of cost records under section 148(1) of the Companies Act, 2013 for the goods manufactured by the company

vii) (A) In our opinion and according to the information and explanations given to us and records examined by us during the course of audit , the undisputed statutory dues including provident fund, Income Tax (TDS) and other statutory dues, have not been regularly deposited with the appropriate authorities and there have been delays and there were arrears outstanding for a period of more than 6 month as on the last day of the financial year ended 31st March,2016.

Nature of Statute	Nature of dues	Amount (in lakh)	Period to which the amount relates	Due date for payment/Remittance	Date of payment
1.Income Tax Act, 1961	R&D Cess	4.94	1992-93	1992-93	Not yet paid
2.Companies Act, 2013	Unpaid principal and Interest on HPF 'A' series Bonds shown under Investor Education and protection Fund.	35.96	1994-95	30.01.2002	Not yet paid
3.Employees Provident Fund	PF Own Contribution	47.75	April 15 to March 16	May 2015 to April 2016	Not yet paid
	PF Voluntary Contribution	73.26	April 15 to March 16		
	PF Company's Contribution	27.24	April 15 to March 16		
	PF Advance Recoveries.	49.56	April 15 to March 16		

B) In our opinion and according to the information and explanations given to us and records examined by us during the course of audit, there are no dues of Income Tax, wealth Tax, Sales Tax, Customs Duty, Excise Duty and Service tax as at 31st March 2016, which have not been deposited on account of dispute.

- viii) In our Opinion and according to the information and explanations given to us and the records examined by us, the Company has defaulted in repayment of dues to financial institutions and banks as at Balance sheet date. The period and amount of default is reported in Annexure -1.
- ix) The company did not raise money by way of initial public offer or further public offer and term loans during the year. Accordingly, paragraph 3 (ix) of the Order is not applicable.
- x) According to the information and explanations given to us, no fraud by the company or fraud on the company by its officers or employees noticed or reported during the year.
- xi) According to the information and explanations given to us and the records examined by us, no managerial remuneration has been paid or provided during the year by the company.
- xii) In our opinion and according to the information and explanations given to us, the

Company is not a nidhi company. Accordingly, paragraph 3(xii) of the Order is not applicable.

- xiii) According to the information and explanations given to us and the records examined by us, all transactions with the related parties are in compliance with sec.177 and 188 of Companies Act 2013 and the details have been disclosed in the financial statements as required by the applicable accounting standards.
- xiv) According to the information and explanations given to us and the records examined by us, the company has not made any preferential allotment or private placement of shares or fully or partly convertible debentures during the year under review.
- xv) According to the information and explanations given to us and based on the records examined by us, the company has not entered into any non cash transactions with directors or persons connected with him during the year. Accordingly, paragraph 3(xv) of the Order is not applicable.
- xvi) The company is not required to be registered under section 45-IA of the Reserve Bank of India Act 1934.

For and on Behalf of
M/s. Giri & Co.,
Chartered Accountants
F.R.No. 006702S

(R.Giri)
Senior Partner
M.No 025458

Dated:-19.08.2016
Place :- Coimbatore

Annexure - B to the Auditors' Report

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

We have audited the internal financial controls over financial reporting of **M/S. HINDUSTAN PHOTO FILMS MANUFACTURING COMPANY LIMITED** as of 31 March 2016 in conjunction with our audit of the standalone financial statements of the Company for the year ended on that date.

Management's Responsibility for Internal Financial Controls

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

Auditors' Responsibility

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

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

Meaning of Internal Financial Controls over Financial Reporting

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

Inherent Limitations of Internal Financial Controls Over Financial Reporting

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

Opinion

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

For and on Behalf of
M/s. Giri & Co.,
Chartered Accountants
F.R.No. 006702S

Dated:-19.08.2016
Place :- Coimbatore

(R.Giri)
Senior Partner
M.No 025458

ANNEXURE-1 to Annexure – “A” (i.e. Annexures to Auditor’s Report).

Referred to in clause vii of Annexure ‘A’ a statement on the matters specified in the Companies (Auditor’s Report) Order, 2015 of M/s. Hindustan Photo Films Manufacturing Company Limited for the year ended 31st March, 2016.

(₹. IN THOUSAND)

Names of Lenders / Bond holders	Principal Amount outstanding and overdue as on 31.3.2016	Interest Amount outstanding and overdue as on 31.3.2016	Due date for repayment in respect of each borrowing / debenture holder
HPF Bonds 'A' series	1211103	4231205	30 th Jan 1995. In respect of UTI- bonds 30 th Jan 1998.
UTI Funded Interest Loan	85398	451103	The entire amount is overdue as on 31st March, 2016
Cash Credit-			
State Bank of India	1370815	60123555	
Syndicate Bank	104703	5760078	
Indian Overseas Bank	239464	10333353	
State Bank of Patiala	99129	4277253	
State Bank of Travancore	201177	6157947	
Indian Bank	20085	414191	
Canara Bank	35892	2410572	
Letters of Credit:			
Canara Bank	28036	1924619	
Indian Bank	15556	950512	
Citi Bank	36302	407332	
Bridge Loans from banks	769657	34657147	
DPG Loan from SBI	191425	8343383	
Unsecured Loans:			
Term Loans:			
Canara Bank	8648	966141	
State Bank of India	108972	4852139	

COMMENTS OF THE COMPTROLLER AND AUDITOR GENERAL OF INDIA UNDER SECTION 143 (6)(b) OF THE COMPANIES ACT, 2013 ON THE FINANCIAL STATEMENTS OF HINDUSTAN PHOTO FILMS MANUFACTURING CO. LTD FOR THE YEAR ENDED 31 MARCH 2016

The preparation of financial statements of **Hindustan Photo Films Manufacturing Co. Ltd**, for the year ended 31 March 2016 in accordance with the financial reporting framework prescribed under the Companies Act, 2013 is the responsibility of the Management of the Company. The Statutory Auditor appointed by the Comptroller and Auditor General of India under Section 139(5) of the Act is responsible for expressing opinion on these financial statements under Section 143 of the Act, based on independent audit in accordance with the auditing and assurance standards prescribed under section 143 (10) of the Act. This is stated to have been done by them vide their Audit Report dated 19.8.2016.

I, on behalf of the Comptroller and Auditor General of India, have conducted a supplementary audit under section 143 (6)(a) of the Act of the financial statements of **Hindustan Photo Films Manufacturing Co. Ltd**, for the year ended 31 March 2016. This supplementary audit has been carried out independently without access to the working papers of the statutory auditors and is limited primarily to inquiries of the statutory auditors and company personnel and a selective examination of some of the accounting records. 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.

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

(G. SUDHARMINI)
PRINCIPAL DIRECTOR OF COMMERCIAL AUDIT
AND EX-OFFICIO MEMBER AUDIT BOARD,
CHENNAI

Place: Chennai
Date: 02.11.2016

10 Fixed Assets

Rs. In Thousand

Particulars	GROSS BLOCK				DEPRECIATION/AMORTISATION			NET BLOCK	
	As on 01.04.2015	Addition	Deletion	As on 31.03.2016	As on 01.04.2015	For the year	As on 31.03.2016	As on 31.03.2016	As on 31.03.2015
Tangible Assets									
Land Free hold & Lease Hold*	1118	0	0	1118	0	0	0	1118	1118
Roads & Approaches								0	0
-Free Hold	2315	0	0	2315	1038	23	1061	1254	1277
-Lease hold	239	0	0	239	80	3	83	156	160
Buildings	249369	0	0	249369	161510	6938	168448	80921	87859
water works	58561	0	0	58561	50328	2653	52981	5580	8234
Electrical Installations	149516	0	0	149516	126794	6234	133028	16488	22720
Plant & Machinery@	6627606	0	0	6627606	5700564	297021	5997585	630021	927042
Laboratory Equipments	31341	0	0	31341	26169	459	26628	4713	5172
Office Misc. Equipments	26568	44	0	26612	23510	710	24220	2392	3058
Furniture, Fixture, Fittings	6008	0	0	6008	5522	67	5589	419	486
Motor Vehicles	5074	0	0	5074	4718	30	4748	326	356
Current Year total	7157715	44	0	7157759	6100233	314138	6414371	743388	1057482
Previous Year Total	7157715	0	0	7157715	5786102	314131	6100233	1057482	1371613
<p>* The Value of Rent Free Lease Hold Land of 28.01 Acres from Govt. of Tamil Nadu has been taken at a nominal value of ₹. 1.00 in the Books of accounts. # Plant and Machinery includes ₹. 1181 thousand Assets being kept for disposal.</p>									