



Chairman-cum-Managing Director
& Director (Finance)

Shri. P. Jagadeeswaran

Directors

Shri Shashank Goel
Shri G.R.Sundaravadivel
(Nominee Director – UTI AMC Pvt. Ltd)
Shri Gautam Basu
Shri R.Subburathinam

Company Secretary

Ms. M. Gita

Auditors

M/s Padmanabhan Prakash & Co.
Chartered Accountants

Bankers

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

Registered Office

Indunagar
Ootacamund
Tamil Nadu - 643 005



NOTICE TO SHARE HOLDERS

Telegram : PHOTOFILM Registered Office
Telephone : 0423-2444020-2444026 Indunagar
Fax : 0423-2442556 Ootacamund-643005

18.10.2010

NOTICE

Notice is hereby given that the Forty Ninth Annual General Meeting of the Shareholders of Hindustan Photo Films Manufacturing Company Limited will be held at the Registered Office of the Company at Indunagar, Ootacamund-643 005 on Friday, 12th November 2010 at 10.00 AM to transact the following business:

ORDINARY BUSINESS:

1. To consider and adopt the Directors' Report and Audited Accounts of the Company for the year ended 31st March 2010.
2. To fix remuneration of the Auditors for the year 2010-11.

(BY ORDER)

(M.Gita)
Company Secretary

To: All Members

Cc: Padmanabhan Prakash & Co.
Chartered Accountants
5, Smith Road, Second Floor
Chennai 600 002

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



DIRECTORS' REPORT

Dear Shareholders,

Your Directors present the Forty Ninth Annual Report on the working of the Company along with the audited accounts for the year ended 31st March 2010, report of the Statutory Auditors and the comments thereon by the Comptroller and Auditor General of India.

Corporate Performance

The audited financial data for the last ten years are summarised below along with the Cash flow statement for 2009-10.

Share Capital

The Authorised and Paid up Capital of the Company as on 31st March 2010 stood at ₹ 210 Crores and ₹ 204.87 Crores respectively.

Fixed Deposit

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

Corporate Results

Financial Data for the last ten years ending 31st March

(₹ in Lakh)

	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Production	2367.19	2978.36	2667.32	2746.66	1519.52	1536.95	1768.22	1761.53	2409.93	2549.80
Sales	2541.95	2895.03	2697.80	2778.39	1738.56	1461.41	1459.34	1716.53	2618.48	2625.01
Net Profit /Loss	-32815.97	-35371.86	-38539.24	-44302.47	-49641.27	-56090.18	-65305.92	-78949.15	-89026.05	-100921.51
Growth Rate (%)										
- Turnover	-9.86	13.89	-6.81	2.99	-37.43	-15.94	-0.14	17.62	52.54	0.25
- Production	-12.65	25.82	-10.44	2.97	-44.68	1.15	15.05	-0.38	36.81	5.80
Net profit(As a % of)										
- Turnover	-1290.98	-1221.81	-1428.54	-1594.54	-2855.32	-3838.09	-4475.03	-4599.35	-3399.91	-3844.61
- Capital employed*	-62.08	-69.91	-79.77	-101.67	-124.68	-150.50	-192.51	-269.87	-338.11	-418.00
Networth	-126150.48	-161088.24	-199518.26	-243506.90	-293148.16	-349138.34	-414444.27	-493093.42	-582019.47	-682840.98
Inter Corporate loan	3607.00	3607.00	3607.00	3607.00	3607.00	3607.00	3607.00	3607.00	3607.00	3607.00
Gross Block (Excluding Capital WIP)	71363.34	71504.98	71506.72	72062.52	72063.41	72063.70	72065.78	72078.91	71552.47	71566.57
Gross Block (Including Capital WIP)	71505.68	71513.18	71514.92	72062.52	72063.41	72063.70	72065.78	72078.91	71552.47	71566.57
Inventories	1627.10	1683.23	1526.90	1415.02	1113.41	1201.94	1617.27	1607.00	1411.14	1417.60
Depreciation	3285.35	3289.70	3288.33	3386.32	3354.04	3328.61	3323.37	3315.40	3241.61	3212.35
Interest	25223.16	29024.34	33649.46	38835.10	44698.45	51595.13	60230.85	71820.89	83014.38	95498.84

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

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

Production

The production during the year was 0.961 M.Sq.m valued at ₹ 2549.80 Lakhs as against 0.956 M.Sq.m valued at ₹ 2409.93 Lakhs achieved during the previous year. The itemwise production is given below:

(In Million Sq.m)

	2009-10	2008-09
Cine Products	0.004	0.010
X-Ray (Incl. Incl. X-Ray)	0.810	0.802
Graphic Arts	0.135*	0.135
Others (Miscellaneous)*	0.012	0.009
Total	0.961	0.956
*Includes job order production of	0.023	0.005

Though production in the current year shows an improved trend as compared to the previous years, the low volume of production is attributable to lack of timely and adequate working capital, increased raw material cost and lack of orders due to stiff competition from MNCs in the domestic market. Government support was sought for continuous operation of the plants and increasing production and an amount of ₹ 30 Crores was received during Feb 2010 towards Working Capital as part of Revival Fund infusion and to meet pending orders. The Company continues to explore areas for diversifying its activities.



Turnover and Loss

During the year under review, the Company achieved a turnover of ₹ 26.25 Crores as against ₹ 26.18 Crores in the previous year. The Company's operations resulted in a net loss of ₹ 1009.22 Crores for the year as compared to a net loss of ₹ 890.26 Crores in the previous year. The operating loss during the year was ₹ 13.46 Crores as against ₹ 13.73 Crores during the previous year. Low capacity utilisation and the prevailing market scenario besides heavy interest burden continue to be the major factors affecting the financial position of the Company. The Company adopted various strategies to improve its operations and effected cuts in its administrative expenses. These processes would be pursued vigorously to improve its financial position and bring down the operating loss further in the coming year.

MOU 2009-10

We are glad to inform that during the year 2009-10, the Company had entered into a MOU with the DHI, envisaging achievement of Production and Sales of ₹ 26 Crores each. Amidst various constraints, the Company has successfully achieved / surpassed these targets significantly and achieved production and sales of ₹ 26.16 Crores and ₹ 26.25 Crores respectively.

New Product

A new product Red Laser Scanner Film was launched recently. In order to have a foothold in the SAARC market where Sri Lanka is the leading player and Export hub, a party has been identified to market the same.

Exports

In spite of overall recession across the Globe and Financial Meltdown during the year the Company continued to receive numerous enquiries for Export of its Products to Overseas buyers. These kind of bulk enquiries certify the existence of significant export market for our products which could be tapped. Sensing the necessity to be in the overseas market for our long term survival, the Company established contact with a Chinese party for export of its products to China mainly for Industrial X-ray films. Based on trial order, it is found that the Quality was found acceptable to the customers of China. Promotion of regular exports through this party is under study.

The Company continues to strive to expand its Overseas Business in spite of deterring factors like price and supply constraints affecting our export efforts.

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

The Plant has produced 0.923 M.sq.m of Films during the year under report as against 0.937 M.sq.m during the previous year. The performance of the Plant is expected to improve in the coming year.

Research and Development

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

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

Benefits derived as a result of the above R&D

Company's requirements with respect to 10 Specialty Chemicals were met by manufacturing the same at Organic Synthesis Unit resulting in cost savings of ₹ 29 Lakhs.

The following products were commercialized with know-how developed at R&D.

- ⇒ Industrial x-ray with further low coating weight
- ⇒ Medical x-ray (Blue) on a large scale with low coating weight.

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

- ⇒ Graphic Arts Red Laser Scanner Film/Image Setter Film
- ⇒ Inkjet Paper
- ⇒ Polyester Subbed Base
- ⇒ Digital X-ray Film
- ⇒ Medical Imaging Film (Panchromatic)
- ⇒ Laser Printer Film



Future Plan of Action

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

a) Improvement/Cost reduction on the following products:

1. Medical X-ray Film
2. Graphic Arts Red Laser Film/Image Setter Film
3. Industrial X-ray Film
4. Medical X-ray (Ortho) Film

b) Developmental Work on following Products

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

c) Non Silver Digital Imaging Technology

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

Based on the R&D Coater trials of Non Silver Digital Imaging Film for Textile Printing, the Technology has been transferred from R&D to Production and Commercialized. Fine tuning works of Non Silver Medical Imaging Film and Screen Printing Film are in progress.

R&D Expenditure (₹ In lakhs)

a) Capital	:	Nil
b) Recurring	:	78.47
c) Total	:	78.47
d) Total R&D expenditure as a % of total turnover	:	2.99%

Technology absorption, adaptation and Innovation:

Information regarding imported technology

⇒ Collaboration agreement if any

⇒ Technology import

⇒ Year of import

⇒ Has technology been fully absorbed

⇒ If not fully absorbed, areas where it has not taken place, reasons therefore

NIL

Quality Assurance

HPF is an ISO 9001:2000 Company and has taken various steps to maintain the quality standard of its products.

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

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

To keep track of performance of our products in the market, customer complaint details are studied



periodically. The quality performance index was within the target level of 6 sigma.

Energy Conservation

Energy conservation measures adopted during the previous year were continued for the year 2009-10 viz;

An independent Energy Audit cell has been constituted to look after Energy conservation activities. Maximum demand was reduced to the barest minimum level. The power factor was always maintained well above 0.90 by power capacitors according to the requirement. Preventive maintenance schedule was implemented. Optimization of process equipment based on staggered production schedule. Introduction of low capacity compressor for limited in process operation and effective operation of lighting system. Automatic power controllers were installed at Main plant Substation and at Ambattur plant. Rebate of approximately ₹ 2 lakhs was obtained in the energy bill for maintaining Power factor above 0.9.

As a result of the above measures, savings to the tune of ₹ 60 Lakhs was achieved.

Personnel

The total number of permanent employees as on 31st March 2010 stood at 736. The representation of SC and ST categories in the total employees' strength was as follows:

Representation of SC category : 122 (16.58%)
Representation of ST category : 43 (5.84%)

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

The total strength of ex-servicemen employed by the Company as on 31st March 2010 stood at 17 representing 2.31% of the total strength. The number of physically handicapped employees stood at 24 as on 31st March 2010 consisting of 3 blind, 11

ortho-handicapped and 10 deaf and dumb employees.

With the trend of manpower rationalization continuing, 68 persons have been relieved on VRS during the year and the available manpower is being put to the best possible use.

Training and Development

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

Industrial Relations

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

Environment

For maintaining ecological balance, the Company has done some conservation programmes. Effluent treatment and disposal systems have been fine-tuned in compliance with all the statutory rules and regulations. During the year under report, the Company has spent ₹ 7 Lakhs in this regard.

Insurance

Assets of the Company were generally insured.

Implementation of official language

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

Development of Ancillaries

During the year under report, the Company purchased materials to the tune of ₹ 121.23 Lakhs from Ancillary and SSI Units for its production requirements.



Contribution to Exchequer

During the year under review, the contribution made by the Company to the Exchequer - both central and State has been of the order of ₹ 498.12 Lakhs by way of Sales tax, Octroi, Customs duty and Excise duty etc.

Vigilance Activities

Vigilance Department continued to keep strict vigil within the Organization. The Department was engaged in activities like investigation of complaints from various sources, conducted surprise inspections and detailed inspections of transactions. To improve Vigilance administration and to ensure transparencies all open/limited tenders were put on the website of the Company. Vendors list was updated periodically. Purchase manual was updated in accordance with CVC guidelines and a Marketing Manual is being put in place. Deficiencies with regard to systems and procedures were pointed out for necessary remedial actions. The practice of opening of tenders in the presence of trade representatives was introduced to bring out more transparency in the organizational transactions. The department recommended for introduction of Electronic Fund transfer and e-tendering. Vigilance Awareness Week was observed from 3.11.09 to 7.11.09 in a befitting manner.

RTI Act

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

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

All applications and first appeals received under RTI during the year 2009-10, have been addressed.

Particulars of Employees

Information as per Sub-section 2(A) of Section 217 of the Companies Act 1956, read with Companies (Particulars of Employees) Rules 1975, and forming part of Directors' Report for the year ended 31st March 2010 - Nil.

Directors

Shri. P. Jagadeeswaran, Director (Finance) continues to hold additional charge of the post of Chairman-cum-Managing Director-HPF. There was no change in the Board of Directors during the year 2009-10.

Audit Committee

As on 31.3.2010, the Audit Committee comprised of the following members:

R.Subburathinam	Chairman	Independent Dir
Gautam Basu	Member	Independent Dir
G.R.Sundaravadivel	Member	Nominee Dir
Shashank Goel	Member	Govt. Director

Directors' Responsibility Statement

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

- (i) In the preparation of the annual accounts, the applicable accounting standards have been followed along with proper explanation relating to material departures.
- (ii) The Directors have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of 31st March 2010 and of the profit or loss of the Company for that period.
- (iii) The Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities.
- (iv) The Directors have prepared the annual accounts on a going concern basis.

Auditors

M/s. Padmanabhan Prakash & Co., Chartered Accountants, Chennai have been appointed by the Government of India as Auditors of the Company for the financial year 2009-10.



Corporate Governance

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

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

Status before BIFR / AAIFR / Revival

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

The year 2009-10 happened to be a landmark year for HPF with the BRPSE having given its clearance to

the proposal with favourable recommendations to the Government for adoption of the same. Based on BRPSE recommendations on HPF's Restructuring Package, the DHI is now in the process of putting up the CCEA proposal for approval. Also based on BRPSE recommendations, the Govt. had released Working Capital of ₹ 30 Crores to HPF that forms a part of the Revival proposal. The Company now awaits final nod of the Cabinet to the Restructuring Proposal, as approved by BRPSE.

With the said Working Capital, the Company has entered into a MOU with the Govt. for the year 2010-11 involving sales target of ₹ 73.50 Crores and production target of ₹ 77.84 Crores. In anticipation of Revival, the Company is committed to achieve these targets in the coming year.

Acknowledgement

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

For and on behalf of the
Board of Directors

P.Jagadeeswaran
Chairman-cum-Managing Director (Addl.Ch)



Management Discussion and Analysis Report

Industry Structure and Developments:

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

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

Opportunities and Threats:

Opportunities:

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

Threats:

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

Outlook:

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



Risks & Concerns:

Risks:

- Age of Plant & Machineries and Technology gap
- Digital Innovations
- Continuous reduction in import duties for finished films

Concerns:

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

Future Prospects:

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

Productwise performance – 2009-10

Volume : Lakh Sq.m

Value : ₹ In Lakhs

Product	Production (own)		Sales	
	Volume	Value*	Volume	Value
Medical X-ray	7.33	1656.29	7.91	1812.55
Graphic Arts	1.35	185.09	1.05	171.74
Industrial X-ray	0.77	642.15	0.60	480.82
B&W Films incl. Cine Films	0.12	46.39	0.14	70.65
B&W Paper	---	---	0.004	0.60
Processing Chemicals(Tonnes)	66.509	80.16	69.446	86.07
Others	0.04	5.93	0.01	2.58
Total				
Lakh Sq.m	9.61		9.71	
Tonnes	66.509	2616.01	69.446	2625.01

* Sale value of production



Internal Control Systems

The Company has an adequate system of Internal Control for safeguarding its assets. This is supplemented by periodical audits conducted by the Internal Audit Department. The Audit Committee regularly reviews the significant findings of the internal audit department.

Discussion on Financial Performance with respect to Operational Performance

Operational Performance

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

During the year 2009-10 too, the Company was constrained to plan operations with limited resources and has lost some orders due to inconsistency in supplies. Consistency in supplies will enable HPF to regain its market share. It is relevant to note that inspite of these constraints, the Company achieved surpassing MOU target of ₹ 26 Crores each, Production and Sales of ₹ 26.16 Crs and ₹ 26.25 Crs respectively.

Financial performance

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

Interest and depreciation continue to be the major components contributing to the net loss. The Company looks forward to financial restructuring by way of One Time settlement of its dues and revaluation of its assets, which are otherwise over-capitalized. In spite of the increasing trend of net losses, the Company has reduced its operational losses to around ₹ 13.46 Crores.

Major portion of the accumulated losses comprise of accumulated interest and unabsorbed depreciation. The Networth of the Company remains negative on account of these factors. The financial condition of the Company can improve only with implementation of financial restructuring. The Company is taking all out efforts to improve operational as well as financial performance in the coming year and has entered into a MOU with the Govt. involving Production / Sales target of ₹ 77.84 Crs. and ₹ 73.50 Crs. respectively, among other parameters.

The summarized financial performance of 2009-10 compared with 2008-09 is given below (₹ in Crs.):

Particulars	2008-09	2009-10
Sales and Other Income excl. provisions	28.35	26.64
Expenditure excl. Interest, Depreciation and provisions	42.09	40.10
Operating Loss	13.73	13.46
Interest	830.14	954.99
Depreciation	32.42	32.12
Net Loss after prior period adjustments	890.26	1009.22

Material developments in Human Resource/Industrial Relations

In continuance of its exercise of manpower rationalization, the Company relieved 68 employees on VRS during the year 2009-10. In the scenario, the available manpower is being put to the best possible use through retraining and re-deployment. Emphasis has been laid on avoiding 'Denuding of Talent' at all levels. In spite of very difficult financial crunch being faced by the Company and meager salaries being paid to the employees, industrial relations in the Company was harmonious. The employees were well informed on the precarious financial position of the Company and the efforts of revival being made.



Future Prospects

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



REPORT ON CORPORATE GOVERNANCE

Company's Philosophy on Code of Governance

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

I. Board of Directors

a. Composition

As on 31.3.2010, the composition of the Board was as follows:

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

- 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 2009-10, 4 Board Meetings were held. Attendance of Directors at the meetings of the Board held during the year and at the Annual General Meeting was as follows:

Name of Director S/Shri.	No. of Board Meetings held	No. of Board Meetings held during tenure	No. of Board meetings attended	Attended at Last AGM
P.Jagadeeswaran	4 Meetings : held on 4.6.09, 20.9.09,4.12.09 &29.3.10	4	4	Yes
Shashank Goel		4	3	No
G.R.Sundaravadivel		4	4	No
Gautam Basu		4	4	No
R.Subburathinam		4	4	No

c. Non-Executive Directors compensation and Disclosure:

The Whole Time Directors of the Company are appointed by the Government of India and are being paid remuneration as per the terms of their appointment. The Nominee Directors are being paid Sitting Fee of ₹ 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, and annual operating plans and for considering statutorily required matters. In case of exigencies, resolutions are passed by circulation and are placed at the next meeting of the Board.



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

e. Code of conduct

The Board of Directors has laid down a Code of conduct for all Board members and Senior Management personnel of the Company. The Code of Conduct is uploaded on the website of the Company 'www.hpf-india.com'. For the year ended 31.3.2010, all Board members and Senior Management personnel have affirmed compliance with the Code of Conduct

II. Audit Committee

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

a. Composition

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

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

b. Meetings of the Audit Committee

During the year 2009-10, four Audit Committee meetings were held. The attendance of Directors at the Audit Committee meetings held during the year was as follows:

Name of Director S/Shri	Audit Committee Meetings held	No. of Audit Committee Meetings held during tenure	No. of Audit Committee meetings attended
G.R.Sundaravadivel	4 Meetings : held on 4.6.2009, 20.9.2009, 4.12.2009 & 29.3.2010	4	4
R.Subburathinam		4	4
Shashank Goel		4	3
Gautam Basu		4	4

c. Powers of Audit Committee

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

d. Role of Audit Committee



Audit Committee is assigned role as specified under Clause 49

e. Review of information by Audit Committee

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

III. Shareholders'/ Investors' grievance Committee

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

IV. Share Transfer Committee

The process of Share Transfer has been delegated to a Committee comprising of the CMD and two Senior Officers of the Company. No Share transfers are pending as on date. As on 31.3.2010, about 90.633% of the Share Capital was held by the President of India and only the remaining 9.367% was held by others. The only Share Transfers that have been taking place are those amongst the nominees of the President of India.

V. Subsidiary Companies

The Company does not have any subsidiaries

VI. General Body Meetings

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

Nature of Meeting	Date and Time	Special Resolutions passed	Location
46 th AGM	5-11-2007 1100 HRS	2	Registered Office of the Company at Ootacamund
27 th EGM	5-11-2007 1200 HRS	---	
47 th AGM	7-11-2008 1030 HRS	---	
28 th EGM	7-11-2008 1200 HRS	1	
48 th AGM	26-10-2009 1100 HRS	---	
29 th EGM	26-10-2009 1200 HRS	1	

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 - Nil

During the year 2009-10, 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 minimisation procedures.



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

During the year 2009-10, the Company has not made any public issues, rights issues and 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 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 sitting fee of ₹ 3600/- was paid to each Non-Executive Director (Nominee and Independent Directors only) for attending Board / Audit Committee Meetings.
- During their tenure, each Official Director and Director representing the DHI held 100 Equity Shares in the Company as Nominees of the President of India. Directors have also disclosed their Share holding in other Companies.

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
 - a. Significant changes in internal control over financial reporting during the year
 - b. Significant changes in accounting policies during the year and that the same have been disclosed in the notes to the financial statements and



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

VIII. Means of Communication

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

IX. General Shareholder information

- **AGM** : During October 2010 at Hindustan Photo Films Mfg. Co. Ltd., Indunagar – Ootacamund – 643 005
- **Financial Calendar** : 1st Apr 2010 - 31st Mar 2011
- Board Meeting to consider Annual Report for 2009-10 : Sep 2010
- Submission of audited accounts to the C&AG of India : Sep 2010
- Board Meeting for considering:
- Financial results for First quarter : Sep 2010
- Financial results for Second quarter : Oct 2010
- Financial results for Third quarter : Jan 2011
- Financial results for Fourth quarter : Apr 2011
- **Date of Book closure** : 7 days before AGM
- **Dividend payment date** : Not applicable as Company is incurring losses
- **Listing on Stock Exchanges**

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

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

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

- Market price data : Securities of Company are not being quoted in the Market at present
- Performance in comparison to broad-based indices : Not Applicable
- Registrar and Transfer Agents : Nil
- Share Transfer system : The Company has an in-house share transfer facility
- Distribution of Shareholding as on 31.3.2010:

Category	No. of Shares (Equity Shares of ₹ 10/-)	%
Promoters (President of India & his nominees)	185674600#	90.633



GIC & its subsidiaries	19187800	9.366
Indian Public (By transfer)	2600	0.001
Total	204865000	100

Excluding Share Capital deposit: 10 Lakh Shares

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

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

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

X. Compliance With non-mandatory requirements:

- The whole time directors of the Company are appointed by the Government of India and are being paid remuneration as per their terms of appointment. Hence the Company has not constituted any remuneration committee.
- The post of Chairman-cum-Managing Director is presently being looked after by the Director (Finance) for which no additional remuneration is paid
- The quarterly declaration of financial performance is made known to the shareholders through press advertisement. Half yearly results including summary of significant events is not being sent to share holders currently.
- No Directors' training programme were conducted during the year ended March 2010.
- The Company does not have any whistle blower policy as of now.

XI. Declaration of the Chairman-cum-Managing Director

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



Further certified that the Members of the Board of Directors and Senior Management personnel have affirmed compliance with the Code applicable to them during the year ended 31st March 2010.



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

Certificate on Corporate Governance

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

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

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

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

- a) On two instances during the year, the time gap between the Board meetings exceeded three months.

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

For Padmanabhan Prakash & Co.
Chartered Accountants
FRN 029509S

E. Prakash
Partner
M.No. 019388

Place : Chennai
Date : 25.9.2010



ADDENDUM TO DIRECTORS' REPORT

	AUDITORS' REPORT	COMPANY'S REPLY
4d (i)	In our opinion, the Balance Sheet and the Profit and Loss Account comply with the requirements of the Accounting Standards referred to in sub-section 3(C) of Sec. 211 of the Companies Act, 1956 excepting the non compliance of Accounting Standard (AS) 28 – "Impairment of Assets", the impact of which is not ascertainable.	The Company has been operating at below 3% capacity utilization and continues to be sick. In view of the difficult conditions, it is not possible to assess the impairment of assets and its impact at this stage. The situation will be reviewed at a later date.
4g (a)	Consequent upon the change in Accounting Policy in respect of Bad and Doubtful debts and obsolete items the loss of the Company for the current year should have been more by ₹ 84.28 lakhs.	The Audit committee and the Board were of the opinion that it is not appropriate to make a general provision for doubtful debts above three years and non-moving inventory above five years. Instead it was decided that the Debtors and Inventory should be analyzed in detail and provisions should be specifically made for only those items which are non-recoverable debts and obsolete inventory. Hence the Accounting policy has been suitably modified and provisions have not been made for the said items during the current year.
4g (b)	During the year the Company has not made provision for debtors and for obsolete/non-moving stock for ₹ 63.61 lakhs and 20.67 lakhs respectively.	
4h (i)	As stated in the Schedule No. 4 of the Balance Sheet of the Company and the foot note to the Schedule, the secured "A" Series Bonds and secured loans amount to ₹ 5561.29 Crore (including interest). Of this total amount, only ₹ 544.34 Crore has been secured by fixed and current assets. The classification of the balance of ₹ 5016.95 Crore as "Secured" in our opinion is not correct.	Adequate disclosure has been made by way of footnote to Schedule No.4 of the Balance Sheet.
(ii)	The Company, as stated in Note No. 7 of Schedule 23, has not obtained confirmation of Balances in respect of unsecured loans from Govt. of India, Inter Corporate Deposits, Sundry Debtors, Loans & Advance, Sundry Creditors and Current Liabilities. Hence the consequential effect, if any, on the financial statements, on account of not obtaining the Confirmation of Balances is not ascertainable.	Adequate disclosure has been made in Note No.7 of Schedule No.22, Notes on Accounts.
(iii)	Note No.13 of Schedule 23 regarding non-payment of insurance premium to cover the Company's assets against risks	The Company has insured the inventory, money in transit and Ambattur buildings. It was not possible to insure the other assets, since the premium payable is very high and the Company is unable to afford the high expenditure due to financial constraints. Efforts towards insurance of other assets would be made in due course.
(iv)	Note No.15 of Schedule 23 regarding the loss that may arise on disposal of certain Plant & Machinery included in Fixed Assets which are no longer required and steels, valves and pipe fittings relating to Polyester Plant identified as surplus.	The referred assets have been identified as surplus at the time of completion of the Polyester X-Ray Plant and the same has been retained for use wherever possible since the disposal value is very low compared to the replacement cost.
(v)	Note No. 22 of Schedule 23 regarding non availability of information of outstandings, interest paid /payable /accrued/unpaid for disclosures under the Micro, Small and Medium Enterprises Development Act, 2006.	In spite of efforts by oral requests to Micro, Small and Medium Enterprises dealing with the Company, we were unable to get the relevant information in making suitable disclosures. Further effort will be made in the future.



(vi)	Note No.23 of Schedule 23 regarding the amount that may be payable consequent upon the suit filed by HPF Officers Association for wage revision that is pending in Supreme Court.	The current status of the case is yet to be known and its impact is not assessable at this stage. However as per the Gol norms, wage revision is not applicable for sick industries.
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(vii)	Confirmation of Balance for Loans obtained from Banks is not available in respect of five cases, and in respect of four cases confirmation is available for interest only. In respect of Balance with Banks in current account balance confirmation was not available from seven banks.	Requests have been sent to the banks to send confirmation to the auditors directly as per guidelines. It is informed that only a few have responded.
4 i)	<p>Attention is also invited to item No.1 of Statement of Accounting Policies wherein it is stated that the Company's financial statements have been prepared on "GOING CONCERN BASIS". We are unable to express our opinion in view of the following:</p> <p>i) The Company has incurred a net loss of ₹ 1009.22 crore and a cash loss of ₹ 977.09 crore in the current year.</p> <p>ii) The accumulated losses as on 31.03.2010 stand at ₹ 7056.39 crore as against the net owned shareholders funds of ₹ 227.98 crore.</p> <p>iii) The net worth has been fully eroded and the Company has been consistently making significant losses for the past several years.</p> <p>iv) The Company has been referred to BIFR in terms of Sick Industrial Companies (Special Provisions Act 1985) and the BIFR has confirmed its opinion for winding up the Company under section 20(1) of the SICA vide order date 30.01.2003. The Company's appeal to the AAIFR against the order of BIFR has also been rejected. The Company in turn has obtained a stay in the Madras high Court against the order of AAIFR and the matter is pending in the High Court.</p> <p>v) The Company's Current liabilities has exceeded its current assets by ₹ 21.44 crore.</p> <p>vi) The Company has been unable to renegotiate its borrowings from its bankers and financial institutions</p>	<p>The accounts of the Company have been prepared on a "Going Concern Basis".</p> <p>Eventhough the Company has incurred a high net loss of ₹ 1009.22 Crore, the actual operating cash loss is much lower at around ₹ 13.46 Crore only. The Company has submitted the revival plan to the Government which is under active consideration. In the event of One Time Settlement and Financial Restructuring, the Company would become viable in the future.</p> <p>The accumulated loss include more than ₹ 6236 Crore of accrued interest and ₹ 450 Crore of accrued unabsorbed depreciation, which would be withdrawn and written back in the books during the revival exercise.</p> <p>The network of the Company is fully eroded mainly due to the accrued interest and depreciation which are notional expenditure. At the time of implementation of the revival plan with financial restructuring, it is expected that the network will become positive.</p> <p>The Company has obtained a stay on the order of AAIFR at the Madras High Court. The revival proposal formulated by the Consultants has been considered at the Ministry of Heavy Industries and Public Enterprises and a Restructuring Proposal based on the same has been put up to the Board for Reconstruction of Public Sector Enterprises (BRPSE). The BRPSE has recommended HPF's Restructuring Proposal on Mar 2010 and based on its recommendations, a CCEA proposal is under circulation.</p> <p>The current liabilities mainly consist of past dues of suppliers, various demands raised on the Company, interest accrued on dues etc. and provisions made for such dues. All these liabilities will be addressed individually and reviewed during financial restructuring at the time of revival and it is expected that the current liabilities would come down substantially after implementation of revival.</p> <p>The borrowings of the Company have been classified as NPA and there is no scope to renegotiate them at this stage.</p>



<p>as it failed to comply with the terms and conditions specified in the loan agreements including non repayment of loans borrowed and interest thereon.</p>	<p>However, discussions have been held with the banks and the other creditors. Most of the creditors have responded positively and have said they would take up with their Boards for consideration if a confirmed offer supported by Government is submitted to them. Hence the creditors are open for negotiation and the same will be taken up at the time of revival.</p>
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<p>vii) The Company's key financial ratios are quite adverse and there are substantial negative cash flows from operations</p> <p>viii) The viability of the Company appears to be doubtful as the Company is not in a position to recover even the variable cost in respect of products manufactured by it.</p>	<p>The financial ratios of the Company are adverse due to the huge depreciation and interest burden. However, the Company is able to manage the regular cash flow out of financial support provided by the Government. The Company is able to sustain regular operations and supply finished goods to the market. The main suppliers and customers are intact.</p> <p>The Company is of considered view that, it is at the threshold of revival and implementation of financial restructuring. Once this is done, the Company would become viable. With the introduction of imported coated Medical X-ray jumbos, the Company is able to recover variable cost and have marginal contribution of ₹ 307 lakhs. With increased turnover the idling cost and fixed cost is also expected to be absorbed. The post-revival projections show break even within a short time and the Company is confident of achieving viability.</p>
<p>j)</p>	
<p>The cumulative effect of our observation in para 4 d) (i), i(i), i(ii), i(iv), i(vi) and i(vii) on the loss for the year and the accumulated losses and net worth of the Company is not ascertainable.</p> <p>k)</p> <p>In our opinion and to the best of our information and according to the explanations given to us, in view of our observations in para (g),(h)and(i) above, we are unable to express our opinion as to whether the said accounts give the information required by the Companies Act,1956 in the manner so required and also give a true and fair view in conformity with the accounting principles generally accepted in India:</p> <p>a) In the case of Balance Sheet, the state of affairs of the Company as at 31st March 2010</p> <p>b) In the case of Profit & Loss Account, of the loss of the Company for the year ended on that date; and</p> <p>c) In the case of Cash flow statement of the cash Flows for the year ended on that date.</p>	<p>As stated above, the Company has taken maximum efforts to sustain operations and achieve revival through financial restructuring. The revival proposal is under active consideration of the Government, which is the promoter of the Company. In view of the above, it is appropriate for the Company to be considered as a Going Concern till date.</p> <p>Hence the financial statements reflect the true and fair view of the status of the Company as on date.</p>

QUALIFICATIONS IN REPORT ON CORPORATE GOVERNANCE

<p>On two instances during the year, the time gap between the Board meetings exceeded three months</p>	<p>No Board/audit Committee Meeting could be conveyed in the interim period due to unavoidable administrative reasons.</p>
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**For and on behalf of the
Board of Directors**



P. Jagadeeswaran
Chairman-cum-Managing Director
(Addl. Ch)

BALANCE SHEET AS AT 31st MARCH 2010

(₹ in Thousand)

	Schedule	AS AT 31.03.2010	AS AT 31.03.2009
SOURCES OF FUNDS			
Share Holders' Funds :			
Share Capital	1	2048650	2038650
Share Capital Deposit	2	10000	10000
Reserves and Surplus	3	221132	221132
Loan Funds :			
Secured Loans	4	55612929	47594379
Unsecured Loans	5	15085579	13240662
TOTAL		72978290	63104823
APPLICATION OF FUNDS			
Fixed Assets			
Gross Block	6	7156657	7155247
Less: Depreciation		4527823	4206588
Net Block		2628834	2948659
Investments	7	6	6
Current Assets, Loans And Advances			
Inventories	8	141760	141114
Sundry Debtors	9	111403	93105
Cash and Bank Balances	10	330160	176635
Loans and Advances	11	132681	138194
Other Current Assets	12	1171	111
		717175	549159
LESS :			
Current Liabilities and Provisions			
Current Liabilities	13	873329	801790
Provisions		58276	62940
		931605	864730
Net Current Assets +/-		(214430)	(315571)
Profit and Loss Account	14	70563880	60471729
TOTAL		72978290	63104823
Notes on Accounts	23		
Accounting Policies	24		

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

M.GITA
Company Secretary

P.JAGADEESWARAN
Director Finance &
Chairman-cum-Managing Director (Addl.Ch)

SHASHANK GOEL
Director



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

Place: Chennai
Date: 25.9.2010

E.Prakash
Partner
Membership # 019388

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31st MARCH 2010

(₹ in Thousand)

	SCHEDULE	THIS YEAR	PREVIOUS YEAR
INCOME			
Sales Less Returns		262501	261848
Less: Excise duty / CVD		20535	25251
		241966	236597
Increase[+] / Decrease[-] in Stocks produced	15	(-) 7521	(-)20855
Other Income	16	18834	72562
		253279	288304
LESS : EXPENSES			
Material Cost	17	191243	195479
Employee cost	18	191753	161096
Other Cost	19	91315	97579
Interest	20	9549884	8301438
Depreciation/Amortization	21	321235	10345430
		10092151	324161
			9079753
LOSS FOR THE YEAR			
Add (-)/Less (+): Prior Period Adjustment (net)	22	---	110797
		10092151	8902246
Add: Fringe Benefit Tax		---	359
NET LOSS CARRIED OVER TO BALANCE SHEET			
		10092151	8902605
Basic and Diluted earnings per share of face value of ₹10 each (in ₹)		(-) 49.26	(-) 43.67
Notes on Accounts	23		
Accounting Policies	24		

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

M.GITA
Company Secretary

P.JAGADEESWARAN
Director Finance &
Chairman-cum-Managing Director (Addl.Ch)

SHASHANK GOEL
Director



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

Place: Chennai
Date: 25.9.2010

E.Prakash
Partner
Membership # 019388

SCHEDULES FORMING PART OF THE BALANCE SHEET

(₹ in Thousand)

1	SHARE CAPITAL	As at 31.03.2010	As at 31.03.2009
	AUTHORISED		
	21,00,00,000 Equity shares of ₹ 10/- each	2100000	2100000
	ISSUED, SUBSCRIBED AND PAID UP	2048650	2038650
	20,48,65,000 (20,38,65,000) Equity Shares of ₹ 10/- each fully paid-up (including 1,05,00,000 shares issued as paid up converting Government of India Loans into Equity)		
2	Share Capital Deposit	10000	10000
	Amount sanctioned/received towards equity shares pending allotment		
3	RESERVES AND SURPLUS *		
	Export Profit Reserve	11	11
	Bond Redemption Reserve	221121	221121
	TOTAL	221132	221132

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



SCHEDULES FORMING PART OF THE BALANCE SHEET

(₹ in Thousand)

	As at 31.03.2010		As at 31.03.2009	
4 SECURED LOANS				
1. HPF Bonds (Refer Note 9)				
(i) 12,11,103 (12,11,103) - 13% Secured redeemable non-convertible HPF Bonds 'A' Series of ₹ 1000 each	1211103		1211103	
Interest Accrued and due	2976181		2772681	
(ii) UTI Funded Interest Loan	85398		85398	
Interest accrued and due	313809	4586491	292002	4361184
2. FROM BANKS				
(i) CASH CREDIT				
State Bank of India	1370815		1370815	
ADD : Interest accrued and due	21260739	22631554	17788601	19159416
Syndicate Bank	104703		104703	
ADD: Interest accrued and due	2013374	2118077	1682181	1786884
Indian Overseas Bank	239464		239464	
ADD : Interest accrued and due	3778106	4017570	3179745	3419209
State Bank of Patiala	99129		99129	
ADD : Interest accrued and due	1697124	1796253	1447474	1546603
State Bank of Travancore	201177		201177	
ADD : Interest accrued and due	2215230	2416407	1860127	2061304
Indian Bank	20085		20085	
ADD : Interest accrued and due	136754	156839	112269	132354
Canara Bank	35892		35892	
ADD : Interest accrued and due	745759	781651	618244	654136
		33918351		28759906
(ii) LETTERS OF CREDIT				
Canara Bank	28036		28036	
ADD : Interest accrued and due	598926	626962	490719	518755
Indian Bank	15556		15556	
ADD : Interest accrued and due	333341	348897	278872	294428
(Against hypothecation of raw material, finished goods, work-in-progress, stores and spares and book debts, etc.,)		975859		813183

**SCHEDULES FORMING PART OF THE BALANCE SHEET**

(₹ in Thousand)

	As at 31.03.2010		As at 31.03.2009	
(iii) BRIDGE LOAN				
FROM BANKS	769657		769657	
ADD: Interest accrued and due	12309847	13079504	10318285	11087942
(Secured by first charge against all the stock of Raw Materials, Work-in-Progress, Finished Goods and Stores, Book debts, both present and future except properties effectively otherwise hypothecated, charged or mortgaged to banks. Further secured by way of second charge on the Fixed Assets of the Polyester X-ray Plant)				
(iv) DPG LOAN:				
State Bank of India	191425		191425	
ADD: Interest accrued and due	2861299	3052724	2380739	2572164
(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)				
TOTAL	55612929		47594379	
* Principal amount of loans of ₹ 437.24 Crore and interest accrued ₹ 5124.05 Crore Amounting to ₹ 5561.29 Crore has been secured to the extent of ₹ 544.34 Crore consisting of fixed assets ₹ 486.85 Crore (based on 1997 market valuation) and current assets of ₹ 57.49 Crore as on 31.3.2010				
	As at 31.03.2010		As at 31.03.2009	
5 UNSECURED LOANS				
(i) From Government of India	3445072		3074472	
ADD : Interest accrued and due	6644691	10089763	5792285	8866757
(ii) Term Loans				
From Canara Bank	8648		8648	
ADD: Interest accrued and due	298147	306795	242039	250687
From State Bank of India	108972		108972	
ADD : Interest accrued and due	1716681	1825653	1436689	1545661
Letters Of Credit Dues to Citibank	36303		36303	
ADD : Interest accrued and due	132274	168577	107167	143470
From Others	360700		360700	
ADD : Interest accrued and due	2334091	2694791	2073387	2434087
TOTAL	15085579		13240662	

**SCHEDULES FORMING PART OF THE BALANCE SHEET****(₹ in Thousand)**

		As at 31.03.2010	As at 31.03.2009
7	INVESTMENTS	Face Value	Cost
	[Long Term - at Cost]		
	Non - Trade		
	- Unquoted		
	600 Shares in Hindustan Photo Films Employees Co-operative Stores of ₹ 10/- each	6	6



SCHEDULES FORMING PART OF THE BALANCE SHEET

(₹ in Thousand)

	As at 31.03.2010		As at 31.03.2009	
8 INVENTORIES				
(As valued, verified and certified by the Management)				
a) Stores and Spares etc., including goods -in -transit of Nil Lakh (₹ 7.40 Lakh)	64968		64742	
LESS : Provision for obsolete / surplus items	41517	23451	41517	23225
b) Loose Tools		16		20
c) Raw Materials – including goods-in transit of ₹ 20.88 Lakh (₹ 203.10 Lakh)	88099		80049	
LESS: Provision for obsolete / Surplus items	25329	62770	25329	54720
d) Reclaimable scrap materials		8831		8936
e) Finished Goods and stock-in-trade including goods - in - transit of ₹ 0.15 Lakh (₹ 10.64 Lakh)		29422		29400
f) Process Stock		17270		24813
TOTAL		141760		141114
<hr/>				
	As at 31.03.2010		As at 31.03.2009	
9 SUNDRY DEBTORS				
Trade Debtors				
Considered Good		111145		92935
Considered doubtful	89388		89388	
Less : Provision	89388	---	89388	---
Other Debtors				
Considered Good		258		170
Considered doubtful	155		155	
Less : Provision	155	---	155	---
TOTAL		111403		93105
All debts are unsecured.				
Agewise analysis of Debts :				
Debts outstanding for the period exceeding six months		27924		13648
Other Debts		83479		79457

**SCHEDULES FORMING PART OF THE BALANCE SHEET****(₹ in Thousand)**

	As at 31.03.2010	As at 31.03.2009
10 CASH AND BANK BALANCES		
Cash, Cheques and Stamps on Hand	348	250
Remittances in Transit	---	135800
Balance with Nationalised/ Scheduled Banks :		
In Current Accounts	65271	28629
In Fixed Deposit Accounts/ Margin Money Account	264541	11956
TOTAL	330160	176635
	As at 31.3.2010	As at 31.3.2009
11 LOANS AND ADVANCES		
Advances recoverable in cash or in kind for value to be received :	9133	9455
(a) Claims recoverable		
Considered Good	364	1258
Considered Doubtful	255651	255651
LESS : Provision	255651	255651
(b) Others		
Considered Good	106828	111469
Considered Doubtful	2801	2801
LESS : Provision	2801	2801
Balance with Customs, Port Trust and Excise Authorities	106	103
Prepaid Expenses	896	806
Deposits	13619	13630
Tax deducted at source	1735	1473
TOTAL	132681	138194
of the above :		
Secured	9133	9455
Unsecured	123548	128739
Due from Chairman-cum-Managing Director at the end of the year	----	----
Maximum Amount due during the year from Chairman-cum-Managing Director	----	----
Due from Directors at the end of the year	----	----
Maximum amount due during the year from	----	----
Due from Officers at the end of the year	----	108
Maximum amount due during the year from the Officers:	----	108

**SCHEDULES FORMING PART OF THE BALANCE SHEET**

(₹ in Thousand)

	As at 31.3.2010	As at 31.3.2009
12 OTHER CURRENT ASSETS		
Interest accrued on deposits	1171	111
13 CURRENT LIABILITIES AND PROVISIONS		
a) Current Liabilities		
Sundry Creditors :		
SSI Units	---	---
Others	183649	173330
Trustees of Employees' Contributory Provident Fund	19522	15073
Advances from Customers	11436	7608
Unpaid HPF Bonds "A" Series/ Fixed Deposit with Interest	3596	3596
Other Liabilities	619868	562006
Interest accrued but not due on Unsecured loans from GOI	35258	40177
b) Provisions		
For Fringe Benefit Tax	---	127
For Contingencies	15907	20270
For Leave Encashment	42369	42543
TOTAL	931605	864730
14 PROFIT AND LOSS ACCOUNT		
Balance as per last Balance Sheet	60471729	51569124
ADD : Loss transferred from		
Profit and Loss Account	10092151	8902605
TOTAL	70563880	60471729

Note: Micro and Medium Enterprises not ascertainable

**SCHEDULES FORMING PART OF THE PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31st MARCH 2010****(₹ in Thousand)**

	This Year		Previous Year	
15 INCREASE / (DECREASE) IN STOCKS PRODUCED				
Opening Stock				
Finished Goods	29208		50068	
Process Stock	24813	54021	24808	74876
Closing Stock				
Finished Goods	29230		29208	
Process Stock	17270	46500	24813	54021
TOTAL		(-)7521		(-)20855
16 OTHER INCOME				
Income on Job work		1084		285
Insurance claim		---		1077
Other sundry receipts		5466		3795
Credit balance no longer payable		---		22109
Exchange Fluctuation		---		11889
Interest receipts		4862		3430
Provision no longer required written back- Gratuity		7367		16719
Provision no longer required written back- Bonus		55		---
Provision no longer required written back- Debtors		---		13258
TOTAL		18834		72562

**SCHEDULES FORMING PART OF THE PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH 2010**

(₹ in Thousand)

	This Year		Previous Year	
17 MATERIAL COST				
Raw Materials Consumed				
Opening Stock	80049		72830	
ADD: Purchase	196628	276677	199562	272392
LESS: Closing Stock		88099		80049
		188578		192343
LESS / ADD: (Increase) / Decrease in Stock of reclaimable scrap		105		775
		188683		193118
Finished Goods for Sale				
Opening Stock	192		192	
Purchases	---		---	
	192		192	
LESS : Closing Stock	192	---	192	---
Stores and Spare parts consumed		2560		2361
TOTAL		191243		195479
18 EMPLOYEE COST				
Salaries, Wages, Bonus etc.,		114798		109053
VRS payments		62277		35790
Contribution to Provident Fund		8017		7941
Contribution to Employees' Gratuity Fund		---		3702
Contribution to Group Insurance Scheme		296		555
Contribution to ESI		238		246
Staff Welfare Expenses		10924		8114
		196550		165401
LESS: Transferred to R&D Expenditure		4797		4305
TOTAL		191753		161096

**SCHEDULES FORMING PART OF THE PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31st MARCH 2010****(₹ in Thousand)**

	This Year	Previous Year	
19 OTHER COST			
Power and Fuel		30993	36872
Repairs and Maintenance			
Buildings	874		1243
Machinery	5951		9144
Others	11117	17942	16639
Rent		3687	3494
Lease Rent- Project Land		793	793
Insurance		434	343
Rates and Taxes		1264	1868
Travelling and Conveyance including Directors expenses of ₹ 2.39 Lakh (₹ 2.12 Lakh)		2517	3369
Administration and Office Expenses		2506	4625
Auditor's Remuneration :			
For Audit [incl. Service Tax]	66		56
For Traveling and out-of-pocket expenses	28	94	18
Directors' Sitting Fees		9	6
Miscellaneous Expenses *		20467	3042
Provision for doubtful debts and advances		---	187
Provision for contingencies and obsolescence		---	4494
Advertisement and Publicity		395	181
Selling Expenses		5417	6898
Material for Internal Consumption		---	2
		86518	93274
LESS : Expenses transferred to R&D		3050	3306
		83468	89968
R & D Expenditure		7847	7611
TOTAL		91315	97579



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

SCHEDULES FORMING PART OF THE PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31st MARCH 2010

(₹ in Thousand)

	This year	Previous Year
20 INTEREST		
Fixed Loans		
Government Loans	847486	792451
Other Loans		
Bank Borrowings and Others	8702398	7508987
TOTAL	9549884	8301438
21 DEPRECIATION/AMORTIZATION		
Buildings	7263	7268
Machinery	303634	306438
Others	10338	10455
TOTAL	321235	324161
22 PRIOR PERIOD ADJUSTMENTS (NET)		
Interest	---	110797
Total	---	110797



23. NOTES ON ACCOUNTS

1. Contingent Liabilities

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

Sales Tax for earlier years ₹ 78.32 Lakh (₹ 82.70 Lakh)

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

ii. Others:

		₹ in lakh
a) Sales tax on silver purchase from Govt of India Mint	297.46	(297.46)
b) Claim by Kanj Biheri Sangli stockist not acknowledged as Debt	160.49	(160.49)
c) OD Interest - Govt. Mint	1545.76	(1457.35)
d) OD Interest - Hindustan Zinc	2578.41	(2434.43)
Total	4582.12	(4349.73)

iii. Against the Claim of ₹ 569.06 Lakh by M/s Blue Star Ltd, and the Company's counter claim of ₹ 248.36 Lakh, the Arbitration Award settlement was for Rs.569.06 Lakh payable to M/s Blue Star Ltd and ₹ 25.91 Lakh receivable from M/s 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 was 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) ₹ 21.03 Lakh (₹ 221.14 Lakh) comprises of materials:

i) In Transit: ₹ 0.15 Lakh (₹ 18.90 Lakh)

ii) In Bonded Warehouse: ₹ 20.88 Lakh (₹ 202.24 Lakh)

6. The Silver content in silver bearing materials like sludge etc., included under "Reclaimable Scrap Materials" is assessed by the Quality Control Laboratory of the Company by applying SQC Techniques is reflected in the inventory.

7. Balances under unsecured loan from Government of India, Inter Corporate Deposits, Sundry Debtors, Loans & Advances, Sundry Creditors and Current Liabilities are subject to confirmation.

8. The 13% Secured Redeemable Non-Convertible Bonds ("A" Series) of ₹ 1000/- each issued in terms of the Prospectus dated 6th November 1987 have been secured by mortgage in a form and substance satisfactory to the Trustees M/s. Canara Bank over all the immovable properties of the Company, wherever situate including fixed Plant and Machinery and first charge by way of hypothecation of all moveable assets of the Company (save and except book debts), both present and future.



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

23. NOTES ON ACCOUNTS (Continued)

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

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

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

Since the validity of HPF Bonds "A" Series expired on 29-01-95, the Company proposed to redeem the individual Bond holders to the extent of ₹ 6.08 Crores. Out of this, ₹ 5.88 Crores(₹ 5.88 Crores) was redeemed upto 31st March 2010. No redemption was made in the recent past.

9. Employee cost for the year ended 31st March 2010 includes ₹ 622.77 Lakh (₹ 357.90 Lakh) incurred towards compensation and other related payments under Voluntary Retirement Scheme.

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

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

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

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

a) Gratuity : The desired level of the fund for the LIC Group Gratuity Policy of the Company as at 31st March 2010 as per actuarial valuation works out to ₹ 810.68 Lakh (₹ 786.69 Lakh). The fund available as on 31.3.2010 with LIC is ₹ 828.20 Lakh (₹ 713.03 Lakh). The shortfall on this account is ₹ Nil Lakh (₹ 73.66 Lakh). Due provision has been made as per AS15 revised.

Actuarial assumptions:

Valuation method
Mortality table

Project Unit Credit Method
LIC (1994-96) Ultimate



Discount rate (per annum)	8%
Rate of escalation in salary (per annum)	6.5%
Withdrawal rate	1% to 3% depending on age

23. NOTES ON ACCOUNTS (Continued)

b) The amount due to HPF ECPF Trust as on 31.3.2010 is ₹ 195.22 Lakh (₹150.70 Lakh as on 31.3.2009). A sum of ₹ 240.00 Lakh (₹ 284.24 Lakh) was received from the Govt. towards payment to the HPF ECPF Trust and the same was paid to the Trust.

Leave Encashment actuarial valuation:

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

13. The annual Insurance Premium on major fixed assets could not be paid and consequently the major assets remained uncovered against risks. However stock at Branches, Ambattur plant & machinery, money in transit, finished goods stock in transit are covered against insurance.

14. An amount of ₹ 49.79 Crores being the total value of various Central Excise refund claims filed by HPF for the period 1975 to 1992 on the ground that cutting, slitting and perforation of Duty paid jumbos would not amount to a process of manufacturing u/s 2(f) of the CE Act 1944 and which is allowed on merits. The High Power Committee constituted by Government of India (GoI) for clearance of appeals between Government bodies i.e. the Committee of Disputes (COD), after having heard the case had vide their order no. COD/55/2007 on minutes dated 09.01.2008 allowed the Company to pursue the case before CESTAT. The Company has filed the required papers on the question of unjust enrichment and the case is presently high on board and listed for final hearing before CESTAT (bench) Chennai.

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

15.a) A sum of ₹ 18.65 Lakh (₹ 26.57 Lakh) being the book value of certain Plant and Machinery included in the fixed assets which are no longer required and kept for disposal for which realisable value is not determinable.

b) Steels, valves and pipe fittings value of which is ₹ 21.38 Lakh (₹ 21.69 Lakh) relating to Polyester Plant, were identified as surplus and held for disposal. The realisable value is not yet determinable.

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

16. Photographic goods manufacturing being the only main segment and there being no other reportable segments, there is no segment reporting as per Accounting Standard 17 issued by the Institute of Chartered Accountants of India.

17.a) For Current Tax: The Company is not liable for payment of Income tax for Current Year considering the current year and carried forward losses and allowances available for setoff and hence no provision is made for current year tax.

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

18. Income tax deducted at source (TDS) and related interest provided in the Books of Accounts in respect of inter-corporate loans from NMDC, KIOCL, BEL, PHL aggregate of ₹ 1186.47 Lakh and ₹ 546.10 Lakh



respectively, have been reversed during the year 2001 - 02 consequent to revision order u/s 154 of the Income Tax Act 1961 dt. 28.11.2001 for the assessment year 1994-95. In respect of loan from MUL, 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.

23. NOTES ON ACCOUNTS (Continued)

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

- | | | | |
|------|--|---|---|
| (i) | Key Management Personnel | - | Shri P.Jagadeeswaran
Director Finance &
Chairman cum Managing Director (Addl. Charge)
A. Gnanasekaran
Chief Vigilance Officer |
| (ii) | Details of transactions with Key Management Personnel Remuneration | - | ₹ 4.50 Lakh |

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

Details	2009-10	2008-09
Net Loss	10092151	8902605
No. of shares outstanding of ₹ 10 each	204865	203865
Earnings per share - Basic and diluted	(-) 49.26	(-) 43.67

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

22.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.

23. 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.

24. Loans and advances - Others includes ₹ 9.18 Crores (₹ 9.61 Crores) paid to the employees of the Company. This represents the advance recoverable from the employees who are continuing in service as on 31.3.2010.

25. 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.

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

Details	Opening balance	Provision for the year	Withdrawals for the year	Closing balance
Debtors	895.43	---	---	895.43
Claims	2584.53	---	---	2584.53
Stock	668.46	---	---	668.46



Liabilities	629.40	30.04	76.68	582.76
-------------	--------	-------	-------	--------

- b. The provision of ₹ 0.55 lakh in Bonus and ₹ 73.67 lakh in gratuity which is no longer required is written back.
c. Consequent to the change in Accounting Policy, the Company has not made provision for Bad & Doubtful debts and for obsolete items for the current year.

23 NOTES ON ACCOUNTS (Continued)

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

Capacity and Production:

S.No	Class of Goods	2009-10			2008-09		
		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	0.004	12.347	15.260	0.010
2	X-Ray Film - M.Sq.m	13.668	11.820	0.733	13.668	11.820	0.761
3	Roll Films – M.Sq.m	1.010	0.310	0.008	1.010	0.310	0.003
4	Graphic Arts – M.Sq.m	3.000	#2.250	0.135	3.000	#2.250	0.135
5	Industrial X-ray – M.Sq.m	0.750	#0.510	0.077	0.750	#0.510	0.041
6	Processing Chemicals – Tonnes	NA	400	66.509	NA	400	102.713
7	Silver Nitrate – Tonnes	90@	120	3.516	90@	120	4.507
8	Magnetic Tape – MRM	1500	550	0.713	1500	550	0.918

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 0.023 M.Sq.m. [0.005 M.sq.m] imported jumbo rolls

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

Medical X-ray : 11.82 M.sq.m. [Conversion including at Ooty and Ambattur]
Graphic Arts : 2.25 M.sq.m. [Coating]
Industrial X-ray : 0.51 M.Sq.m. [Conversion including Ooty and Ambattur]

**23 Notes on Accounts (Continued)****27 (b) RAW MATERIALS CONSUMED**

VALUE : ₹ In Lakh

	UNIT	2009-10		2008-09	
		QUANTITY	VALUE	QUANTITY	VALUE
CELLULOSE TRI ACETATE	KG	4	0.01	2954	8.93
SILVER	KG	1632	394.82	2012	416.19
METHYLENE CHLORIDE	KG	3075	0.90	13776	4.02
METHANOL	KG	6210	1.43	8879	2.52
TRIPHENYL PHOSPHATE	KG	0	0.00	530	0.73
GELATINE	KG	3561	10.79	4940	15.19
ACETONE	KG	1240	0.70	2120	1.20
BARYTA COATED PAPER	SQM	0	0.00	0	0.00
POLYESTER BASE	SQM	169603	92.64	354722	167.27
COATED JUMBO	SQM	738231	1156.75	679344	1141.64
OTHER MATERIALS			227.74		165.74
TOTAL			1885.78		1923.43



23. Notes on Accounts (continued)

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

CLASS OF GOODS	YEAR ENDED 31-03-2010				YEAR ENDED 31-03-2009			
	TURNOVER		CLOSING STOCK		TURNOVER		CLOSING STOCK	
	Qty	Value	Qty	Value	Qty	Value	Qty	Value
Cine Film Produced	0.06	15.65	0.005	0.85	0.12	32.24	0.03	4.44
X-Ray : Produced :	7.91	1812.56	0.09	17.33	7.80	1695.66	0.71	135.78
Roll Film : Produced	0.08	55.00	0.00	0.00	0.06	26.84	0.00	0.64
Photo Paper: Produced	0.00	0.60	0.16	21.39	0.02	1.74	0.16	21.71
Bought out Items	0.00	0.00	0.00	1.92	0.00	0.00	0.00	1.92
	0.00	0.60	0.16	23.31	0.02	1.74	0.16	23.63
Gr. Arts : Produced	1.05	171.74	0.29	45.50	1.68	266.25	0.20	30.79
Indl X-Ray-Produced	0.60	480.81	0.28	172.73	0.60	499.33	0.12	64.36
Magnetic Tape : Produced	0.01	2.30	0.08	4.05	0.02	2.19	0.07	3.06
Chemical Produced (in Tons)	69.446	86.07	29.98	28.19	77.02	92.70	31.61	30.02
Misc : Produced	0.00	0.28	0.00	2.26	0.00	1.53	0.00	1.28
TOTAL		2625.01		294.22		2618.48		294.00

**23 Notes on Accounts (Continued)**

27 (d) Information regarding Remuneration

(₹ in Lakh)

	2009-10	2008-09
i. Director Finance, Chairman-cum- Managing Director(Addl.Charge)-Salary	4.50	4.25
ii. Chief Vigilance Officer	---	---
Provident Fund and Other Funds	0.43	0.43

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

(₹ in Lakh)

	2009-10	2008-09
i. Value of imports (CIF) Basis		
Raw Materials	1193.55	1235.32
Components and Spare Parts	---	----

ii. Value of Raw Materials, Stores and Spare Parts Consumed

	2009-10		2008-09	
	₹ in Lakh	Percentage of Consumption	₹ in Lakh	Percentage of Consumption
Raw Materials				
- Imported	1351.14	71.65	1413.26	73.48
- Indigenous	534.64	28.35	510.77	26.52
Stores and Spare Parts				
- Imported	4.01	15.66	1.40	5.93
- Indigenous	21.59	84.34	22.21	94.07

(₹ in Lakh)

	2009-10	2008-09
iii. Expenditure in Foreign Currencies (Cash Basis)	---	---
iv. Earnings in Foreign Exchange Export of Goods (FOB)	---	---

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

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



24. ACCOUNTING POLICIES

1. GENERAL:

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

2. FIXED ASSETS:

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

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

3. INTANGIBLE ASSETS:

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

4. DEPRECIATION:

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

5. INVESTMENTS :

Investments are valued at Cost.

6. CURRENT ASSETS, LOANS AND ADVANCES:

a. Valuation of Inventories

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

- b. Closing stock of Raw materials are valued by including all direct cost incurred in connection with bringing it to the present location. Selling prices (net of discount) as reduced by costs to completion have been adopted in arriving at "net realisable values".
- c. Finance charges and administrative overheads are excluded in computing the cost of finished goods and work-in-progress.
- d. i. The inventories are valued on FIFO basis except silver content of work-in-progress and scrap which are valued on Quarterly moving average method.
ii. The finished goods as at the end of the year have been taken into account as per the physical verification and the excess / shortage between the physical inventory and the stock records have been suitably adjusted in the accounts.
iii. The Octroi Duty paid on finished goods is treated as recoverable i.e. as deferred charges in as much as it has not been included in the selling price or in the value of inventories. The Octroi Duty recoverable on duty paid goods lying as Closing Stock is calculated by applying the rate of duty and price prevailing as at the end of the year.

7. SUNDRY DEBTORS:

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

8. CLAIMS:



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

9. RETIREMENT BENEFITS:

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

10. EXCHANGE DIFFERENCES:

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

11. MATERIAL COST:

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

12. EMPLOYEE COST:

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

13. PRIOR PERIOD ITEM:

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

15. EXCISE DUTY:

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

15. REVENUE RECOGNITION:

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

M.GITA
Company Secretary

P.JAGADEESWARAN
Director Finance & Chairman-cum-Managing Director

SHASHANK GOEL
Director



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

E.PRAKASH
Partner
M.No.019388

Place : Chennai
Date : 25.9.2010

CASH FLOW STATEMENT FOR THE YEAR ENDED 31st MARCH 2010

(₹ in Thousand)

	This year	Previous Year
A. Cash Flow from Operating Activities		
Net Loss before tax and extra ordinary items	(10092151)	(8902605)
Adjustments for :		
Depreciation	321235	324161
Extra-ordinary items	62277	35790
Cash from extra-ordinary items	---	(11889)
Interest	9549884	8301438
Operating Loss before Working Capital changes	9933396	8649500
Adjustments for:	(158755)	(253105)
(Increase)/Decrease in Trade and other receivables	(13845)	(25904)
(Increase)/Decrease in Inventories	(646)	19586
Increase/(Decrease) in Trade Payables	66875	52384
30818		24500
Cash used for Operations	(106371)	(228605)
Interest	(57017)	26133
Net cash used before extra-ordinary items	(163388)	(202472)
Extra-ordinary items	(62277)	(35790)
Net Cash used after extraordinary items	(225665)	(238262)
Non-Cash extra-ordinary items	---	11889
Net Cash used for Operating Activities (A)	(225665)	(226373)
B. Cash Flow from Investing Activities		



Increase in Fixed Assets	(1410)	(2017)
Net Cash used in Investing Activities (B)	(1410)	(2017)

CASH FLOW STATEMENT FOR THE YEAR ENDED 31st MARCH 2010 (CONTINUED)

(₹ in Thousand)

	This year	Previous Year
C. Cash Flow from Financing Activities		
Proceeds from issue of Share Capital	10000	----
Proceeds from Share Capital Deposit	----	10000
Net proceeds from Long Term Borrowings	370600	272700
Net Cash used in Financing Activities (C)	380600	282700
Net increase /(Decrease in cash and Cash Equivalents (A+B+C))	153525	54310
Cash and Cash Equivalents (Opening Balance)	176635	122325
Cash and Cash Equivalents (Closing Balance)	330160	176635

M.GITA
Company Secretary

P.JAGADEESWARAN
Director Finance &
Chairman-cum-Managing Director Addl.Ch)

SHASHANK GOEL
Director

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



Place: Chennai
Date: 25.09.2010

E.Prakash
Partner
Membership # 019388

Balance Sheet Abstract and Company's General Business Profile

I. Registration Details

Registration No.

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

 State Code

1	8
---	---

Balance Sheet Date

3	1
---	---

0	3
---	---

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

Date Month Year

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

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

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

Total Liabilities								Total Assets							
7	2	9	7	8	2	9	0	7	2	9	7	8	2	9	0

Sources of Funds

Paid-Up Capital								Reserves and Surplus									
		2	0	4	8	6	5	0				2	2	1	1	3	2
Secured Loans								Unsecured Loans									
	5	5	6	1	2	9	2	9		1	5	0	8	5	5	7	9

Application of Funds

Net Fixed Assets								Investments										
		2	6	2	8	8	3	4									6	
Net Current Assets								Miscellaneous Expenditure										
		(-)	2	1	4	4	3	0								N	I	L
Accumulated Losses																		
	7	0	5	6	3	8	8	0										

IV. Performance of Company (Amount in ₹ Thousands)

Turnover / Other Income								Total Expenditure									
			2	8	1	3	3	5		1	0	1	2	0	2	0	7



+	-	Profit / Loss Before Tax							
	✓	1	0	0	9	2	1	5	1

+	-	Profit / Loss After Tax							
	✓	1	0	0	9	2	1	5	1

Earning per share in ₹								
			(-)	4	9	.	2	6

Dividend	
	0

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

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

Item Code No. (ITC Code)

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

Product Description

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

Item Code No.

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

Product Description

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

Item Code No.

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

Product Description

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

M.GITA
Company Secretary

P.JAGADEESWARAN
Director Finance &
Chairman-cum-Managing Director Addl.Ch)

SHASHANK GOEL
Director

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

Place: Chennai
Date: 25.9.2010

E.PRAKASH
Partner
Membership # 019388



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

(₹ In Lakh)

	2009-10	2008-09
Salaries and Allowances, Bonus and Other Employee benefits including Transport	29.66	21.50
Administrative and other Expenses	60.72	20.21
Electricity Charges	5.10	4.46
Depreciation	2.26	2.26
	97.74	48.43
* Expenditure on Township		
Salaries and Allowances, Bonus and Other Employee Benefits	10.50	6.88
Administrative and Other Expenses	58.24	18.96
Electricity Charges	5.10	4.46
	73.84	30.30
Depreciation and Capital Expenditure on Township	2.26	2.26
EXPENDITURE ON PUBLICITY AND PUBLIC RELATIONS		
Salaries and Allowances, Bonus and Other Employee Benefits	9.77	11.11
Advertisement, Publicity and Other Expenses	3.94	1.81

M.GITA
Company Secretary


P.JAGADEESWARAN
Director Finance &
Chairman-cum-Managing Director Addl.Ch)

SHASHANK GOEL
Director



PADMANABHAN PRAKASH & CO
CHARTERED ACCOUNTANTS
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CHENNAI 600002
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e-mail: padmanabb@vsnl.net
padmanabhan_prakash@yahoo.com

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

1. We have audited the attached Balance Sheet of HINDUSTAN PHOTO FILMS MANUFACTURING COMPANY LIMITED as at 31st March 2010, the Profit and Loss Account and the Cash Flow Statement of the Company for the year ended on that date, annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditor's Report) Order, 2003 issued by the Government of India in terms of sub-section (4A) of section 227 of the Companies Act, 1956, we enclose in the Annexure 'A' a statement on the matters specified in Paragraphs 4 and 5 of the said Order.
4. Further to our comments in the Annexure 'A' referred to in paragraph 3 above:
 - a) We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit.
 - b) In our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of those books.
 - c) The attached Balance Sheet and the Profit and Loss Account dealt with by this report are in agreement with the books of account.
 - d) In our opinion, the Balance Sheet and the Profit and Loss Account comply with the requirements of the Accounting Standards referred to in sub-section 3(C) of Sec. 211 of the Companies Act, 1956 **excepting the non compliance of (i) Accounting Standard (AS) 28 – "Impairment of Assets", the impact of which is not ascertainable.**
 - e) As the Company is a Government Company, the reporting requirement under section 227(3)(f) of the Companies Act, 1956 is not applicable in view of Circular No. GSR 829(E) dated 21st October 2003 issued by the Central Government.



- f) In the absence of any mechanism to determine the liability for making provision, and pending notification by the Government u/s 441 A, the Company has not made provision for cess payable. Hence, we are not in a position to make any observation under Section 227(3)(g) of the Companies Act, 1956.
- g) **a. Consequent upon the change in Accounting Policy in respect of Bad and Doubtful Debts and obsolete items the loss of the Company for the current year should have been more by ₹ 84.28 lakhs.**
b. During the year the Company has not made provisions for debtors and for obsolete/non-moving stock for ₹ 63.61 lakhs and ₹ 20.67 lakhs respectively.
- h) Attention is invited to the following:
- i. **Schedule No. 4 of the Balance Sheet of the Company and the foot note to the Schedule, the secured "A" Series Bonds and secured loans amount to ₹ 5561.29 Crore (including interest). Of this total amount, only ₹ 544.34 Crore has been secured by fixed and current assets. The classification of the balance of ₹ 5016.95 Crore as "Secured" in our opinion is not correct.**
 - ii. **The Company, as stated in Note No. 7 of Schedule 23, has not obtained confirmation of Balances in respect of unsecured loans from Govt. of India, Inter Corporate Deposits, Sundry Debtors, Loans & Advance, Sundry Creditors and Current Liabilities. Hence the consequential effect, if any, on the financial statements, on account of not obtaining the Confirmation of Balances is not ascertainable.**
 - iii. **Note No.13 of Schedule 23 regarding non payment of insurance premium to cover the Company's assets against risks.**
 - iv. **Note No.15 of Schedule 23 regarding the loss that may arise on disposal of certain Plant & Machinery included in Fixed Assets which are no longer required and steels, valves and pipe fittings relating to Polyester Plant identified as surplus.**
 - v. **Note No.22 of Schedule 23 regarding non availability of information of outstandings, interest paid/payable/accrued/unpaid for disclosures under the Micro, Small and Medium Enterprises Development Act, 2006.**
 - vi. **Note No.23 of Schedule 23 regarding the amount that may be payable consequent upon the suit filed by HPF Officers Association for wage revision that is pending in Supreme Court.**
 - vii. **Confirmation of Balance for Loans obtained from Banks is not available in respect of three cases, and in respect of one case confirmation is available for interest only. In respect of Balance with Banks in current account balance confirmation was not available from four banks.**
- i) **Attention is also invited to item No.1 of Statement of Accounting Policies wherein it is stated that the companies financial statements have been prepared on "GOING CONCERN BASIS". We are unable to express our opinion in view of the following:**
- (i) **The Company has incurred a net loss of ₹ 1009.22 crore and a cash loss of ₹ 977.09 crore in the current year.**
 - (ii) **The accumulated losses as on 31.03.2010 stand at ₹7056.39 crore as against the net owned shareholders funds of ₹ 227.98 crore**
 - (iii) **The net worth has been fully eroded and the Company has been consistently making significant losses for the past several years.**
 - (iv) **The Company has been referred to BIFR in terms of Sick Industrial Companies (Special Provisions Act 1985) and the BIFR has confirmed its opinion for winding up the Company under section 20(1) of the SICA vide order dated 30.01.2003. The Company's appeal to the AAIFR against the order of BIFR has also been rejected. The Company in turn has obtained a stay in the Madras high Court against the order of AAIFR and the matter is pending in the High Court.**
 - (v) **The Company's Current Liabilities has exceeded its Current Assets by ₹ 21.44 crore.**
 - (vi) **The Company has been unable to renegotiate its borrowings from its bankers and financial institutions as it failed to comply with the terms and conditions specified in the loan agreements including non repayment of loans borrowed and interest thereon.**
 - (vii) **The Company's key financial ratios are quite adverse and there are substantial negative cash flows from operations.**
 - (viii) **The viability of the Company appears to be doubtful as the Company is not in a position to recover even the variable cost in respect of products manufactured by it.**



- j) **The cumulative effect of our observation in para 4 d) (i), i (i) , i (ii), i (iv), i (vi) and i (vii) on the loss for the year and the accumulated losses and net worth of the Company is not ascertainable.**
- k) ***In our opinion and to the best of our information and according to the explanations given to us, in view of our observations in para (g),(h) and (i) above we are unable to express our opinion as to whether the said accounts give the information required by the Companies Act,1956 in the manner so required and also give a true and fair view in conformity with the accounting principles generally accepted in India:***
- (a) *In the case of Balance Sheet, the state of affairs of the Company as at 31st March 2010*
 - (b) *In the case of Profit & Loss Account, **of the LOSS** of the Company for the year ended on that date; and*
 - (c) *In the case of Cash Flow statement of the Cash Flows for the year ended on that date.*

**FOR PADMANABHAN PRAKASH & CO
CHARTERED ACCOUNTANTS
FRN 02509S**

E.PRAKASH
Partner
M. No.019388

Date: 25th September 2010
Place: Chennai



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

ANNEXURE 'A'

Referred to in paragraph 3 of the Auditors' Report of even date to the members of HINDUSTAN PHOTO FILMS MANUFACTURING COMPANY Limited on the financial statements for the year ended 31st March 2010

1. (a) The Company has maintained proper records showing full particulars including quantitative details and situation of fixed assets.
- (b) As explained to us, the management, during the year, has physically verified the fixed assets partially. We understand that there is a phased program designed to cover all the items over a period of three years, which in our opinion, is reasonable having regard to the size of the Company and the nature of its assets. No material discrepancies were noticed on such verification, to the extent verified during the year, as claimed by the Company.
- (c) In our opinion and according to the information and explanations given to us, no substantial part of the fixed assets has been disposed off by the Company during the year.
2. (a) The inventory has been physically verified by the management during the year. In our opinion, the frequency of verification is reasonable.
- (b) In our opinion, the procedures of physical verification of inventory followed by the management are reasonable and adequate in relation to the size of the Company and the nature of its business.
- (c) On the basis of our examination of the inventory records, in our opinion, the Company is maintaining proper records of inventory. The discrepancies noticed on physical verification of inventory as compared to book records, which has been properly dealt with in the books of account, were not material.
3. The Company has neither granted nor taken any loans, secured or unsecured, to/from Companies, Firms or other parties covered in the register maintained under Section 301 of the Companies Act, 1956. As the Company has not taken any loans from parties covered in the register maintained under section 301 of the Companies Act, 1956, Clauses (iii)(f) & (iii)(g) of the order are not applicable.



4. In our opinion and according to the information and explanations given to us, there are internal control procedures commensurate with the size of the Company and the nature of its business for the purchase of inventory, fixed assets and for the sale of goods and services. Further, on the basis of our examination of the books and records of the Company and according to the information and explanations given to us, we have neither come across nor have been informed of any continuing failure to correct major weaknesses in the aforesaid internal control procedures.
5. In our opinion and according to the information and explanations given to us, there are no transactions made, in pursuance of contracts or arrangements referred to in section 301 of the Companies Act 1956 and hence entering of particulars of such contracts or arrangements in the register required to be maintained under that section does not arise. In the absence of transactions as aforementioned, information regarding whether they have been made at prices which are reasonable having regard to the prevailing market prices at the relevant time is not given.
6. The Company has not accepted any deposit from public during the year.
7. The Company has an inhouse internal audit system, **which needs to be adequately strengthened** commensurate with size of the Company and nature of its business.
8. The Central Government has not prescribed the maintenance of Cost Records under clause (d) of Sub section (1) of Section 209 of the Companies Act, 1956 for the goods manufactured by the Company.
9. **(a) As per the records of the Company examined by us, the undisputed statutory dues including Provident Fund, Investor Education and Protection Fund, Customs Duty, Income Tax (T.D.S), Sales Tax, Cess and other material statutory dues, have not been regularly deposited with the appropriate authorities and there have been serious delays in a number of cases which have been referred to in Annexure '1' along with amounts which where in arrears for a period of more than 6 months from the date they became payable. Statutory Dues such as Employees' State Insurance, Excise Duty, Wealth Tax and Service Tax as applicable, have generally been regularly deposited during the year.**
(b) According to the information and explanations given to us and the records of the Company examined by us, the particulars of dues of Sales Tax, Customs Duty and Excise Duty as at 31st March 2010, which have not been deposited on account of dispute, are furnished in Annexure '2'.
10. **The Company has accumulated losses as at 31st March 2010, which is more than the networth of the Company. It has incurred a cash loss of ₹ 977.09 Crore in the financial year ended on that date and has incurred cash loss in the immediately preceding three financial years as well.**
11. **According to the records of the Company examined by us, the Company has defaulted in repayment of dues to financial institutions, banks and debenture holders as at the Balance Sheet date. The period and amount of default is reported in Annexure '3'.**
12. According to the information and explanations given to us, the Company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
13. The provisions of any special statute applicable to chit fund/nidhi/mutual benefit fund/societies are not applicable to the Company.
14. In our opinion, the Company is not a dealer or trader in shares, securities, debentures and other investments.
15. In our opinion, and according to the information and explanations given to us, the Company has not given any guarantee for loans taken by others from banks or financial institutions during the year.
16. In our opinion, and according to the information and explanations given to us, on an overall basis, the term loans obtained in earlier years were said to have been applied for the purposes for which they were obtained and during the year no new term loan has been taken.
17. On the basis of overall examination of the balance sheet of the Company and according to the information and explanations given to us, in our opinion there are no funds raised on a short-term basis, which have been used for long-term investment.
18. The Company has not made any preferential allotment of shares to parties and companies covered in the register maintained under section 301 of the Companies Act, 1956 during the year.



19. The Company has created the securities for the bonds that were issued in earlier years. No debentures were issued during the financial year covered by our audit.
20. The Company has not raised any money by public issues during the year.
21. During the course of our examination of the books and records of the Company, carried out in accordance with the generally accepted auditing practices in India, and according to the information and explanations given to us, we have neither come across any instance of material fraud on or by the Company, noticed or reported during the year, nor have we been informed of such case by the management.

**FOR PADMANABHAN PRAKASH & CO
CHARTERED ACCOUNTANTS
FRN 02509S**

Date: 25th September 2010
Place: Chennai

E.PRAKASH
Partner
M. No.019388

ANNEXURE-1

Referred to in clause 9(a) of Annexure 'A' a statement on the matters specified in the Companies (Auditor's Report) Order, 2003 of Hindustan Photo Films Manufacturing Company Limited for the year ended 31st March, 2010.

Name of the Statute	Nature of the Dues	Amount (₹ in lakh)	Period to which the amount relates	Due date for Payment/remittance	Date of payment
Employees Provident Fund, 1952	P F Contribution	195.22	July 2009 to March 2010	2009-10	₹ 73.57 Lakh paid in June 2010
Income Tax Act, 1961	Tax deducted at source (including int)	4087.27	Upto 2009-10	Various dates	None of the Dues has been Remitted
Income Tax Act, 1961	R&D Cess	4.94	1992-93	1992-93	
Companies Act, 1956	Unpaid principal and interest on HPF 'A' series Bonds shown under Investor Education and Protection Fund	35.96	1994-95	30.01.2002	

ANNEXURE-2



Referred to in clause 9(b) of Annexure 'A' a statement on the matters specified in the Companies (Auditor's Report) Order, 2003 of Hindustan Photo Films Manufacturing Company Limited for the year ended 31st March, 2010

Name of the statute	Period to which the amount relates	Forum where dispute is Pending	Amount (₹ in lakh)
Sales Tax Act	1984-85 to 1992-93	Deputy Commercial Tax Officer, OOTACAMUND	78.32

ANNEXURE-3

Referred to in clause 11 of Annexure 'A' a statement on the matters specified in the Companies (Auditor's Report) Order, 2003 of Hindustan Photo Films Manufacturing Company Limited for the year ended 31st March, 2010.

Names of Lenders / Bond holders	Principal Amount outstanding and overdue as at 31.3.2010 (₹ in lakh)	Interest Amount outstanding and overdue as at 31.3.2010 (₹ in lakh)	Due date for repayment in respect of each borrowing/ debenture holder
HPF Bonds 'A' series	12111.03	29761.81	30 th Jan 1995. In respect of UTI bonds– 30 th Jan 1998.
UTI Funded Interest Loan	853.98	3138.09	The entire amount is over due
Cash Credit-			
State Bank of India	13708.15	212607.39	
Syndicate Bank	1047.03	20133.74	
Indian Overseas Bank	2394.64	37781.06	
State Bank of Patiala	991.29	16971.24	
State Bank of Travancore	2011.77	22152.30	
Indian Bank	200.85	1367.54	
Canara Bank	358.92	7457.59	



Letters of Credit:			
Canara Bank	280.36	5989.26	
Indian Bank	155.56	3333.41	
Citi Bank	363.03	1322.74	
Bridge Loans from banks	7696.57	123098.47	
DPG Loan from SBI	1914.25	28612.99	
Unsecured Loans:			
Term Loans:			
Canara Bank	86.48	2981.47	
State Bank of India	1089.72	17166.81	

COMMENTS OF THE COMPTROLLER AND AUDITOR GENERAL OF INDIA UNDER SECTION 619(4) OF THE COMPANIES ACT 1956 ON THE ACCOUNTS OF HINDUSTAN PHOTO FILMS MFG. CO. LTD., FOR THE YEAR ENDED 31 MARCH 2010

The preparation of financial statements of **Hindustan Photo Films Mfg. Co. Ltd.**, for the year ended 31 March 2010 in accordance with the financial report framework prescribed under the Companies Act, 1956 is the responsibility of the Management of the Company. The statutory auditors appointed by the Comptroller and Auditor General of India under Section 619(2) of the Companies Act 1956 are responsible for expressing opinion on these financial statements under Section 227 of the Companies Act 1956 based on independent audit in accordance with the auditing and assurance standards prescribed by their professional body, The Institute of Chartered Accountants of India. This is stated to have been done by them vide their Audit Report dated 25 September 2010.

I on the behalf of the Comptroller and Auditor General of India have conducted a supplementary audit under Section 619(3)(b) of the Companies Act 1956 of the financial statements of **Hindustan Photo Films Mfg. Co. Ltd.**, for the year ended 31 March 2010. This supplementary audit has been carried out independently without access to the working papers of the Statutory Auditor and is limited primarily to inquiries of the statutory 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 Auditors' report under Section 619(4) of the Companies Act 1956.

(K. SRINIVASAN)
PRINCIPAL DIRECTOR OF COMMERCIAL AUDIT
AND EX-OFFICIO MEMBER AUDIT BOARD

Place: Chennai
Date: 4.11.2010



6 FIXED ASSETS

₹ in Thousand

PARTICULARS	COST				DEPRECIATION/AMORTISATION				NET BOOK VALUE	
	As at 01-04-09	Additions	Deduct- ions/ Transfers	Upto 31.03.10	As at 01-04-09	For the year	Deduct- ions/ Transfers	Upto 31.03.10	As at 31.03.10	As at 31-03-09
Land-Free Hold & Lease Hold *	1120	---	2	1118	---	---	---	---	1118	1120
Roads & Approaches										
- Freehold	2315	---	---	2315	902	23	---	925	1390	1413
- Leasehold	239	---	---	239	59	3	---	62	177	180
Buildings	249159	---	---	249159	118663	7263	---	125926	123233	130496
Water works	58561	---	---	58561	34411	2653	---	37064	21497	24150
Plant and Machinery @	6627606	---	---	6627606	3909108	303634	---	4212742	2414864	2718498
Electrical Installations	149499	---	---	149499	89181	6364	---	95545	53954	60318
Laboratory Equipments	28846	788	---	29634	23548	428	---	23976	5658	5298
Furniture, Fixtures, Fittings	30924	584	---	31508	24409	\$ 794	---	25203	6305	6215
Motor Vehicles	5035	40	---	5075	4540	29	---	4569	506	495
Sub Total	7153304	1412	2	7154714	4204821	321191	---	4526012	2628702	2948483
Intangible Assets										
Patents#	1943	---	---	1943	1767	44	---	1811	132	176
Sub Total	1943	---	---	1943	1767	44	---	1811	132	176
Current Year's Total	7155247	1412	2	7156657	4206588	321235	---	4527823	2628834	2948659
Previous Year's Total	7153230	2017	---	7155247	3882427	324161	---	4206588	2948659	3270803

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

Patents are regrouped under intangible assets



@ Includes ₹ 1865 thousand assets being kept for disposal.

\$ Includes ₹ 5 thousand on account of prior years

Financial Data for the last ten years										
Year ending 31 st March										
	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Production	2367.19	2978.36	2667.32	2746.66	1519.52	1536.95	1768.22	1761.53	2409.93	2549.80
Sales	2541.95	2895.03	2697.80	2778.39	1738.56	1461.41	1459.34	1716.53	2618.48	2625.01
Net Profit /Loss	-32815.97	-35371.86	-38539.24	-44302.47	-49641.27	-56090.18	-65305.92	-78949.15	-89026.05	-100921.51
Growth Rate (%)										
- Turnover	-9.86	13.89	-6.81	2.99	-37.43	-15.94	-0.14	17.62	52.54	0.25
- Production	-12.65	25.82	-10.44	2.97	-44.68	1.15	15.05	-0.38	36.81	5.80
Net profit(As a % of)										
- Turnover	-1290.98	-1221.81	-1428.54	-1594.54	-2855.32	-3838.09	-4475.03	-4599.35	-3399.91	-3844.61
- Capital employed*	-62.08	-69.91	-79.77	-101.67	-124.68	-150.50	-192.51	-269.87	-338.11	-418.00
Networth	-126150.48	-161088.24	-199518.26	-243506.90	-293148.16	-349138.34	-414444.27	-493093.42	-582019.47	-682840.98
Inter Corporate loan	3607.00	3607.00	3607.00	3607.00	3607.00	3607.00	3607.00	3607.00	3607.00	3607.00
Gross Block										
(Excluding Capital WIP)	71363.34	71504.98	71506.72	72062.52	72063.41	72063.70	72065.78	72078.91	71552.47	71566.57
Gross Block										
(Including Capital WIP)	71505.68	71513.18	71514.92	72062.52	72063.41	72063.70	72065.78	72078.91	71552.47	71566.57
Inventories	1627.10	1683.23	1526.90	1415.02	1113.41	1201.94	1617.27	1607.00	1411.14	1417.60
Depreciation	3285.35	3289.70	3288.33	3386.32	3354.04	3328.61	3323.37	3315.40	3241.61	3212.35
Interest	25223.16	29024.34	33649.46	38835.10	44698.45	51595.13	60230.85	71820.89	83014.38	95498.84

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

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