

# Annual Reports Library

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(A Govt. of India Enterprise)

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Tamil Nadu, INDIA



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Date :

Ref: A1/41-AGM/02

28.10.2002

ALL MEMBERS

Dear Sir,

Sub: 41<sup>st</sup> Annual General Meeting of HPF Mfg. Co. Ltd.

Ref: Notice for AGM dt. 4<sup>th</sup> Oct 2002

Please refer our letter of even No. dt. 4<sup>th</sup> Oct 2002. We enclose the following documents to be annexed to the Notice for AGM of the Company.

1. Directors' Report for 2001-02
2. Balance Sheet as at 31<sup>st</sup> March 2002
3. Profit and Loss Account for 2001-02
4. Auditors' Report
5. Comments of C& AG

We shall be thankful if you can kindly return the 'Waiver of Notice' sent along with our letter referred to above, duly signed, for circulating the above documents at a shorter notice.

Thanking you,

Yours faithfully,

*M. Gita*  
28/10/02

M. Gita

[Company Secretary]

**Shri Nirav Gandhi**  
12/B/5, Sindh Colony  
Sion(W)  
MUMBAI - 400 022

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## DIRECTORS' REPORT

Dear Shareholders,

Your Directors present the Forty First Annual Report on the working of the Company along with the audited accounts for the year ended 31<sup>st</sup> March 2002, report of the Statutory Auditors and the comments thereon and the review of the accounts 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 2001-02.

### Share Capital

The Authorised and Paid up Capital of the Company as on 31<sup>st</sup> March 2002 stood at Rs. 200 Crores and Rs. 199.115 Crores respectively.

### Fixed Deposit

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

### Corporate Results

#### Production

The production during the year was 2.057 M.sq.m valued at Rs. 2978.36 Lakhs as against 1.460 M.sq.m valued at Rs. 2367.19 Lakhs achieved during the previous year. The itemwise production is given below:

	(In Million Sq.m)	
	2001-02	2000-01
Cine Products	0.136	*0.121
X-Ray (Incl. Indl. X-Ray)	*0.866	a0.668
Graphic Arts	*0.535	a0.248
Paper Products	*0.455	*0.341
Others (Miscellaneous)	*0.065	a0.082
	<b>2.057</b>	<b>1.460</b>
* Includes job order production of	(0.692)	(0.417)
a Includes PHIL production of		(0.006)

The low volume of production during the year under report was attributable to lack of working capital funds and stiff competition from MNCs in the domestic market. The Company utilised its capacity by contracting job work to the extent of 33.64% of the total

## FINANCIAL DATA FOR THE LAST TEN YEARS

	Year ending 31st March									
	(Rs. in Lakhs)									
	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002
Production	13287.10	6962.63	5202.73	3530.80	1458.49	4093.22	3155.51	2710.09	2367.19	2978.36
Sales	17481.36	9249.54	5425.79	4107.94	2104.88	3451.40	3427.26	2820.00	2541.95	2895.03
Net Profit/Loss	-11730.90	-5881.23	-5685.64	-7087.73	-9561.17	-17628.57	-30982.62	-27844.95	-32815.97	-35371.86
Growth Rate (%)										
- Turnover	-26.62	-47.09	-41.34	-24.29	-48.76	63.97	-0.70	-21.53	-10.93	13.89
- Production	-53.30	-45.73	-25.28	-32.14	-58.69	180.65	-22.91	-16.44	-14.48	25.82
Net Profit (As a % of)										
- Turnover	-67.11	-63.58	-104.79	-172.54	-454.24	-510.77	-904.01	-987.41	-1290.98	-1221.81
- Capital Employed*	-120.14	-83.80	-93.84	-116.77	-176.71	-26.56	-50.14	-49.63	-62.08	-69.91
Net Worth	6233.89	-935.18	-4302.22	-9575.03	-18707.08	-36254.13	-66530.33	-93872.72	-126150.84	-161088.24
Inter-Corporate Loan	4455.00	3632.00	3607.00	3607.00	3607.00	3607.00	3607.00	3607.00	3607.00	3607.00
Gross Block (Excl. Capital WIP)	5286.14	5340.00	5339.74	5349.04	5349.39	69531.30	71201.70	71293.67	71363.34	71504.98
Gross Block (Incl. Capital WIP)	45820.15	49995.95	55139.07	63717.02	73381.16	71495.56	71439.47	71500.80	71505.68	71513.18
Inventories	8712.01	4698.72	3319.41	2555.60	1741.33	3184.09	2217.15	1778.49	1627.10	1683.23
Depreciation	176.58	214.47	204.59	201.44	198.12	3215.80	3290.45	3297.46	3285.35	3289.70
Interest										
Charged to P&L Account	3983.79	4525.99	4227.69	5504.21	6639.40	15701.91	19225.80	21678.40	25223.16	29024.34
Capitalised	3456.73	4524.55	5471.15	6878.07	8283.46	--	--	--	--	--

\* Capital Employed represents Net Fixed Assets (Excluding Project (under construction) and Net Current Assets)

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production. Government support has been sought for continuous operation of the plants and increasing the production. The Company is also exploring areas for diversifying its activities. Towards that end, Laser Films, Digital Films and Inkjet paper have been developed and launched.

## **Turnover and Loss**

During the year under review, the Company achieved a turnover of Rs. 2895.03 Lakhs as against Rs. 2541.95 Lakhs in the previous year. The Company's operations resulted in a net loss of Rs. 35371.86 Lakhs for the year as compared to a net loss of Rs. 32815.97 Lakhs in the previous year. Low capacity utilisation and the prevailing market scenario besides heavy interest burden are 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.

## **Exports**

The Company earned foreign exchange equivalent to Rs. 39.88 Lakhs by export of products during the year under report as against Rs. 35.58 Lakhs in the previous year. Efforts to improve the export performance further will continue.

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

The Plant has produced 1.399 M.sq.m of Films during the year under report as against 0.916 M.sq.m during the previous year. The performance of the Plant is expected to improve further in the coming year.

## **Research and Development**

### **Specific areas in which R & D carried out by the Company**

R & D activities were carried out on New Product Development, Product/Process improvement, Technology upgradation, Import substitution and Cost reduction. The company's requirement with respect to 18 Chemicals were met by manufacturing the same in organic synthesis unit. Scaling up of 3 Chemicals were standardised.

The following products were commercialised with the know-how developed at R&D centre:

- Resin coated bromide paper special grade
- Improved formulation for powder developer and fixer for Medical X-ray
- Indigenisation of formulation for antihalo for graphic arts(GADL)
- Digital Imaging Film
- Formulation for Industrial x-ray for better processability and drying in autoproccessing
- Roll Film on polyester
- Upgraded Medical Imaging Film (ortho) formulation suitable for autoproccessing.

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In respect of the following products, the Plant trials have been successful, the materials have been evaluated and found satisfactory. The same will soon be commercialised with the know-how developed by inhouse R&D:

- Red laser Scanner Film
- Indigenisation of formulation for Medical Imaging Film (red sensitive)
- Non water resistant formulation developed for inkjet paper.
- Laser Printer film
- Medical x-ray film with better speed fog ratio
- Cine positive on polyester base
- Liquid chemistry for colour paper

Improved prototypes have been developed for the following:

- Liquid chemistry for graphic arts produce
- Non water resistant Inkjet formulae on indigenous bases

Prototypes were developed for the following products:

- Antihalo formulation for graphic arts laser film (infra red) and MIF (Pan) red sensitive
- Water resistant Inkjet paper

## Benefits derived as a result of the above R & D

Commercialisation of products will help the Company to have the market share. Development and subsequent commercialisation of new products will help the Company in product diversification. In-house manufacture of fine chemicals helped in import substitution of materials and cost savings of about Rs. 30 Lakhs.

## Future Plan of action

Future R&D programme covers development/improvement of know-how for the following:

- Improvement in cost and quality of all the existing products
  - Medical x-ray low coating weight
  - Improved green sensitive medical x-ray films
  - Improved medical imaging film (orthochromatic)
- Photothermographic film
- Indigenisation of fine chemicals
- Baryta and resin coated papers

## Expenditure on R & D

a) Capital	:	Nil
b) Recurring	:	Rs. 100.78 Lakhs
c) Total	:	Rs. 100.78 Lakhs
d) Total R & D Expenditure as a % of total turnover	:	3.48%

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## Technology and Innovation

Development of resin coated bromide paper for special grade, improved formulation for powder chemistry for cost reduction, development of silver and nonsilver Digital Imaging Films and Indigenisation of fine chemical is the result of innovation in R&D. Trials for coating cine sound, cine positive and roll film on polyester base is the result of technology adaptation to suit high speed bar coating plant. Improvement in Kaza Paper coatability.

### 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 therefor

NIL

### Quality Assurance

HPF has already secured ISO 9002 accreditation for the existing Plant as well as the new Polyester X-Ray plant and has taken various steps to maintain the quality standard of its products.

The Quality Assurance Department checks all incoming chemical raw materials and packaging materials for their suitability for use in production. All finished goods are checked by QA as a first customer to see that no defective material is shipped to the Customer. To keep a track of the performance of our materials in the Market, the complaints data are analysed on a regular basis. The feedback is taken with utmost care by the manufacturing departments to overcome the causes for such market complaints. During the year 2001-02, there has been a decrease in the level of overall market complaints by 0.02%. A six sigma quality level of our complaints show that we are well maintaining the level of 4.5 sigma to 5.5 sigma against the target of 6 of 3.4.ppm.

### Energy Conservation

#### Electrical Energy Conservation

By the introduction of power capacitors, the power factor in the electrical system is always maintained above 0.9. Energy efficient copper chokes in Fluorescent lighting system and sodium vapour lamps in place of mercury vapour lamps are used. Heater and lighting loads are properly regulated. Energy saver compact fluorescent lamps (11 W) were introduced in stairways. The Plant blowers and other machineries are run only for the required time and proper monitoring of their operations is done. The preventive maintenance schedule is strictly followed. Power Transformers are put into service as per the requirements of the loads and are switched off completely when not required. The Drives / Motors are properly sized to match the loads so that they are operated at maximum efficiency.

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The Maximum demand was reduced to 4000 KVA from 5000 KVA. An automatic temperature controller (RTD) has been introduced for cooling tower fan (savings of 30,000 units per year). To reduce energy, alternative arrangements with modifications have been made so that 30 TR Brine Compressor is not in operation. The Company could achieve a saving of Rs. 12 Lakhs due to the above electrical energy conservation measures.

## **Thermal Energy Conservation**

Combustion control in boilers was introduced at reduced level of excess air. Combustion control in hot water generators too was introduced at reduced level of excess air. The blowdown level was reduced by monitoring the feed water quality. The exposed portions of the fuel oil storage tanks and piping were insulated. The operation of the Boilers was optimised. As a result of the above thermal energy conservation measures, the Company could achieve a saving of Rs. 10.50 Lakhs.

## **Energy Audit**

As per statutory requirements, Energy Audit has been conducted by M/s. Shanmugavel & Associates, Chennai during the month of May 2001. Energy conservation proposals recommended by the consultant are being implemented in a phased manner. Monthly energy conservation analysis is being carried out and the energy conservation measures are carried out on a regular basis.

## **Future plans**

It is proposed to improve the utilisation of thermal energy by hooking up additional process facilities. It is proposed to reduce R & D unit maximum demand by 100 KVA. It is also proposed to reduce maximum demand of Unit I by interconnecting its power supply with that of Unit IV.

## **Personnel**

The total number of permanent employees as on 31<sup>st</sup> March 2002 stood at 1488 (2111). The representation of SC and ST categories in the total employees strength was as follows:

Representation of SC category	:	244 (16.40%)
Representation of ST category	:	64 (4.30%)

The total strength of ex-servicemen employed by the Company as on 31<sup>st</sup> March 2002 stood at 83 representing 5.39% of the total strength. The number of physically handicapped employees stood at 46 as on 31<sup>st</sup> March 2002 consisting of 9 blind, 25 ortho-handicapped and 12 deaf and dumb employees.

Right sizing of manpower through VRS was given a major thrust by the company during the year. During the year under report 613 employees were released under Voluntary Retirement Scheme. Surplus manpower was identified and the manpower strength of the Company was reduced by 29.04% without denuding talent at all levels.

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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.

## **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 with the help of faculties drawn from outside.

## **Industrial Relations**

By and large, the industrial relations 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 the ecological balance, the Company has continued various afforestation 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 a sum of Rs. 11.48 Lakhs in this regard.

## **Implementation of official language**

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

## **Development of Ancillaries**

During the year under report, the Company purchased materials to the tune of Rs. 126.84 Lakhs from Ancillary and SSI Units for its production requirements.

## **Contribution to Exchequer**

During the year under review, the contribution made by the Company to the Exchequer - both central and State has been of the order of Rs. 523.69 Lakhs by way of Sales tax, Octroi, Customs duty, Excise duty and Income tax etc.

## **Vigilance Activities**

The Company continued to keep strict vigil within the Organisation through the observance of Vigilance Awareness Week, investigation complaints from various sources, conducting surprise inspections etc. The Deputy General Manager (Vigilance) attended the training programme on "Administrative Vigilance" conducted by the Institute of Secretariat Training & Management, New Delhi.

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## Future Prospects

The Company has submitted a Comprehensive Rehabilitation Proposal to the Union Cabinet. Approval of the proposal will pave way for a clean balance sheet and duty and tax concessions, which will give the company a level playing field condition with the MNC operators in the industry which may result in attracting a Joint Venture partner in two to three years time. It is proposed to bring down the strength of employees to around 1250 by December 2002.

## 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 31<sup>st</sup> March 2002 - Nil.

## Directors

Shri. N. Muthuramalingam, representing the Government of Tamil Nadu and Shri. M.C. Rao, Chief Controller of Accounts, Department of Heavy Industry, Government of India have joined the Board as Directors with effect from 1.10.01 and 30.01.02. Shri. C.R. Sundaramurti, Chief Controller of Accounts, DHI, Shri. S.A.M. Hyder Ali, representing the Government of Tamil Nadu and Shri. R. Venkatesan, Special Director-BIFR ceased to be Directors during the year. Shri. M Venkatesan, Director(Finance) ceased to be a Director with effect from 30.4.02.

The Board places on record its gratitude for the co-operation and valuable guidance rendered by the outgoing Directors.

## Audit Committee

Presently, the Audit Committee comprises of the following members:

Shri. M.C. Rao	:	Chairman	Non-Executive
Shri. B.K. Tripathi	:	Member	
Shri. S. Kuppaswami	:	Member	

## 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 judgements 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 31<sup>st</sup> March 2002 and of the profit or loss of the Company for that period.

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- (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. Raghavendra Rao, Chartered Accountants, Coimbatore have been appointed by the Government of India as Auditors of the Company for the financial year 2001-02.

## **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.

## **Acknowledgement**

Your Directors wish to place on record their sincere thanks to the Government of India, particularly the Department of Heavy Industry, the Consortium Bankers, its collaborators and 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

**Brig Chaitanya Prakash**  
**Chairman-cum-Managing Director**