

HINDUSTAN PHOTO FILMS MFG. CO.LTD.

NOTICE TO SHARE HOLDERS

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Registered Office
Indunagar
Ootacamund-643005

14.10.2008

NOTICE

Notice is hereby given that the Forty Seventh 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, 7th November 2008 at 10.30 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 2008.
2. To fix remuneration of the Auditors for the year 2008-09.

(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.

HINDUSTAN PHOTO FILMS MFG. CO. LTD
REGD. OFFICE: INDUNAGAR, OOTACAMUND-643 005

PROXY

I / We _____ of _____

being a Member / Members of Hindustan Photo Films Mfg. Co. Ltd., hereby appoint

_____ of _____ or failing him

_____ of _____ as my / our proxy to

attend and vote for me / us on my / our behalf at the 47th Annual General Meeting of the Company

to be held on Friday the 7th November 2008 at the Registered Office, Indunagar, Ootacamund – 643

005, and at any adjournment thereof.

Signed this _____ day of _____ 2008

Affix 1Re.
Revenue
stamp

Member Folio No. _____

Note: This Proxy form must be deposited at the Registered Office of the Company not less than 48 hours before the time for holding the Meeting.

List of Share holders

1. The President of India (Represented by the Secretary to Govt.of India) Ministry of Heavy Industries & Public Enterprises, Udyog Bhavan, New Delhi - 110 011
2. Shri.P.Jagadeeswaran, Director (Finance), Hindustan Photo Films Mfg. Co. Ltd., Indunagar, Ootacamund - 643 005
3. Shri. Shashank Goel, Director, Ministry of Heavy Industries & Public Enterprises, Udyog Bhavan, New Delhi - 110 011
4. Shri. Sunil Kumar, Section Officer, Ministry of Heavy Industries & Public Enterprises, IFW, Udyog Bhavan, New Delhi - 110 011
5. Shri D.K. Chaudhary, Under Secretary, Ministry of Heavy Industries & Public Enterprises, Udyog Bhavan, New Delhi - 110 011
6. Shri.R. Asokan, Director (IFW), Ministry of Heavy Industries & Public Enterprises, Udyog Bhavan, New Delhi - 110 011
7. Shri. K. Selvaraj, Deputy General Manager (Production & Engineering Services), Hindustan Photo Films Mfg. Co. Ltd., Indunagar, Ootacamund - 643 005
8. Shri. J. Rajkumar, Senior Manager, Hindustan Photo Films Mfg. Co. Ltd., Indunagar, Ootacamund - 643 005
9. Shri. E. Rajavelu, Manager (Personnel), Hindustan Photo Films Mfg. Co. Ltd., Indunagar, Ootacamund - 643 005
10. Ms. M. Gita, Company Secretary, Hindustan Photo Films Mfg. Co. Ltd., Indunagar, Ootacamund - 643 005
11. The General Insurance Corporation of India Ltd., 'Suraksha', JD Tata Road, Churchgate, Mumbai – 400 020.
12. The National Insurance Company India Ltd., 8, Middleton Street, Kolkatta – 700 071
13. The New India Assurance Company Ltd., New India Assurance Building, 87 MG Road, Fort Mumbai – 400 001
14. The Oriental Insurance Company Ltd., Oriental House, A 25/27 Asaf Ali Road, New Delhi – 110 002
15. United India Insurance Company Ltd., Investment Dept., 24 Whites Road, Chennai – 14
16. Shri. Pravin Chand, 2-4-4 MG Road, Secunderabad – 500 003
17. Shri. Santhosh Kumari Kumar, 25B Ekta Apartments, Goverdan Nagar, Mulund (W), Mumbai – 400 080
18. Shri. Jagdish Kumari Kumar, 25B Ekta Apartments, Goverdan Nagar, Mulund (W), Mumbai – 400 080
19. Shri. Deovrat M. Dave, Trivedi Patel 5/6, Vijay Niwas, Lonavala Dt., Pune – 410 401
20. Smt. Banumati Chandrakanta, 93-95, Gulwadi Gora Gandhi Building, Kulka Street, 2nd Floor, Mumbai – 400 004
21. The Director, Ratnabali Capital Markets Ltd., FMC Fortuna, Block A-7&8, 4th Floor 234/3A, AJC Bose Road, Kolkatta – 700 013
22. Shri. Din Dayal Gupta, Gupta & Co., 29 Ganesh Chandra Avenue, 2nd Floor, Room No. 206, Kolkatta – 700 013
23. Shri. Nirav Gandhi, 12/B/5, Sindhi Colony, Sion(W), Mumbai – 400 022

DIRECTORS' REPORT

Dear Shareholders,

Your Directors present the Forty Seventh Annual Report on the working of the Company along with the audited accounts for the year ended 31st March 2008, 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 2007-08.

Share Capital

The Authorised and Paid up Capital of the Company as on 31st March 2008 stood at Rs. 210 Crores and Rs.200.87 Crores respectively.

Fixed Deposit

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

Corporate Results**Production**

The production during the year was 0.546 M.Sq.m valued at 1761.53 Lakhs as against 0.650 M.Sq.m valued at Rs. 1768.22 Lakhs achieved during the previous year. The itemwise production is given below:

(In Million Sq.m)

	2007-08	2006-07
Cine Products	0.009	0.047
X-Ray (Incl. Indl. X-Ray)	0.371	0.423
Graphic Arts	0.125	0.147*
Paper Products	0.006	0.015
Others (Miscellaneous)	0.035	0.018*
Total	0.546	0.650
*Includes job order production of	---	0.011

The low volume of production during the year under report was attributable to increased raw material cost and lack of orders due to stiff competition from MNCs in the domestic market. Government support has been sought for continuous operation of the plants and increasing the production. The Company has ventured into avenues for cost reduction and is also exploring areas for diversifying its activities.

Financial Data for the last ten years										
Year ending 31 st March										
	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Production	3155.61	2710.09	2367.19	2978.36	2667.32	2746.66	1519.52	1536.95	1768.22	1761.53
Sales	3427.26	2820.00	2541.95	2895.03	2697.80	2778.39	1738.56	1461.41	1459.34	1716.53
Net Profit /Loss	-30982.62	-27844.95	-32815.97	-35371.86	-38539.24	-44302.47	-49641.27	-56090.18	-65305.92	-78949.15
Growth Rate (%)										
- Turnover	-0.70	-17.72	-9.86	13.89	-6.81	2.99	-37.43	-15.94	-0.14	17.62
- Production	-22.91	-14.12	-12.65	25.82	-10.44	2.97	-44.68	1.15	15.05	-0.38
Net profit(As a % of)										
- Turnover	-904.01	-987.41	-1290.98	-1221.81	-1428.54	-1594.54	-2855.32	-3838.09	-4475.03	-4599.35
- Capital employed*	-50.14	-49.63	-62.08	-69.91	-79.77	-101.67	-124.68	-150.50	-192.51	-267.67
Networth	-66530.33	-93872.72	-126150.48	-161088.24	-199518.26	-243506.90	-293148.16	-349138.34	-414444.27	-493093.42
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)	71201.70	71293.67	71363.34	71504.98	71506.72	72062.52	72063.41	72063.70	72065.78	72078.91
Gross Block										
(Including Capital WIP)	71439.47	71500.80	71505.68	71513.18	71514.92	72062.52	72063.41	72063.70	72065.78	72078.91
Inventories	2217.15	1778.49	1627.10	1683.23	1526.90	1415.02	1113.41	1201.94	1617.27	1607.00
Depreciation	3290.45	3297.46	3285.35	3289.70	3288.33	3386.32	3354.04	3328.61	3323.37	3315.40
Interest	19225.80	21678.40	25223.16	29024.34	33649.46	38835.10	44698.45	51595.13	60230.85	71820.89

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

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

Turnover and Loss

During the year under review, the Company achieved a turnover of Rs. 1716.53 Lakhs as against Rs. 1459.34 Lakhs in the previous year. The Company's operations resulted in a net loss of Rs.78949.15 Lakhs for the year as compared to a net loss of Rs 65305.92 Lakhs in the previous year. The operating loss during the year was Rs. 1972.54 Lakhs as against Rs. 1637.24 Lakhs during 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.

MOU 2007-08

We are glad to inform that during the year 2007-08, the Company had entered into a MOU with the DHI, envisaging achievement of Production and Sales of Rs. 18 Crs. and Rs. 17 Crs. respectively. Amidst various constraints, the Company has successfully achieved these targets. The Company has achieved other parameters of the MOU also, to the extent possible.

Exports

In spite of flow of Export Enquiries, the Company could not venture into the export market during the year, due to prevailing inconsistency in supplies and price constraints. The Company is striving hard to improve its exports in the near future.

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

The Plant has produced 0.371 M.sq.m of Films during the year under report as against 0.423 M.sq.m during the previous year. The performance of the Plant is expected to improve in the coming year.

Research and DevelopmentSpecific 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 upgradation, import substitution and cost reduction and production trouble shooting works

Benefits derived as a result of the above R&D

Company's requirements with respect to 14 Speciality Chemicals were met by manufacturing the same at Organic Synthesis Unit resulting in cost savings of Rs. 63 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.

- ⇒ Medical Imaging Film (Panchromatic)
- ⇒ Digital X-ray film
- ⇒ Polyester subbed base
- ⇒ Inkjet Paper
- ⇒ Laser Printer Film
- ⇒ Graphic Arts Red Laser Scanner Film

Future Plan of Action

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

a) Improvement/cost reduction on the following products

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

b) Developmental Work on following Products

1. Low speed Industrial X-ray Films
2. Indigenization and manufacturing of Fine Chemicals
3. Thermal Imaging Film
4. Thermal Paper
5. Acid Violet Dye(Import Substitution)

R&D Expenditure (Rs. In lakhs)

a) Capital	:	Nil
b) Recurring	:	70.49
c) Total	:	70.49
d) Total R&D expenditure as a % of total turnover	:	4.11%

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 packaging materials for their suitability for use in production. Raw materials from new sources are also developed and tested by QA. Periodical vendor rating analysis are carried out to study the performance of suppliers of chemicals and packaging materials. 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. Scientific sampling plans are being suggested for new products. All the 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. QA is carrying 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 materials in the market, customer complaint details are studied periodically. During 2007-08, the overall customer complaint on the sales volume was 0.16%. The quality performance index was 4.45 sigma against the target of 6 sigma (3.4 ppm).

Energy Conservation

Electrical Energy conservation

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

Thermal Energy Conservation

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

As a result of the above measures, savings to the tune of Rs. 23 Lakhs was achieved.

Future Plans:

Steps have been taken for installation of energy efficient refrigeration/air compressor system at Main Plant.

Personnel

The total number of permanent employees as on 31st March 2008 stood at 859. The representation of SC and ST categories in the total employees' strength was as follows:

Representation of SC category :	139 (16.18%)
Representation of ST category :	48 (5.58%)

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 2008 stood at 30 representing 3.49% of the total strength. The number of physically handicapped employees stood at 30 as on 31st March 2008 consisting of 4 blind, 15 ortho-handicapped and 11 deaf and dumb employees.

Since a major exercise in rationalising manpower in the Company has been carried out over the past few years, the available manpower is being put to the best possible use. Even during the year 2007-08, 200 persons have been relieved on VRS.

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 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 ecological balance, the Company has done 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 Rs.7.93 Lakhs in this regard.

Insurance

Assets of the Company were generally insured.

Implementation of official language

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

Development of Ancillaries

During the year under report, the Company purchased materials to the tune of Rs. 73.85 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 327.44 Lakhs by way of Sales tax, Octroi, Customs duty and Excise duty etc.

Vigilance Activities

Vigilance Department continued to keep strict vigil within the Organisation. 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 transparency all open/limited tenders were put in the company web. Venders list updated periodically. Purchase manual updated in accordance with CVC guidelines. Putting in place a Marketing Manual. 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 12.11.07 to 19.11.07 in a befitting manner. Sensitation programme on vigilance conducted by CVO was attended by Senior Officers.

RTI Act

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

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

All applications and first appeals received under RTI during the year 2007-08, 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 2008 - Nil.

Directors

Shri. Mahendra Kumar, Managing Director HMT (International) relinquished Additional charge of the post of Chairman-cum-Managing Director of HPF on 24th December 2007. Shri. P.Jagadeeswaran, Director (Finance) since Sep 2006 was entrusted with Additional charge of the post of Chairman-cum-Managing Director-HPF with effect from 24th December 2007.

Shri Gopal Singh, Director representing DHI ceased to be director on the Board on 17th Apr 2007. Shri. Munshi Ram, Deputy Secretary, Department of Heavy Industry, Government of India who was inducted in place of Shri. Gopal Singh was on the Board from 18th Apr 2007 to 14th May 2008. Shri. V.H. Ramakrishnan, Nominee Director (UTI) ceased to be director since 3.4.2008.

Shri. G.R. Sundaravadivel, Nominee Director-UTIAMC and Shri. Shashank Goel, Director-DHI joined the Board on 16th Apr 2008 and 15th May 2008 in place of Shri. V.H. Ramakrishnan and Shri. Munshi Ram respectively. The Board places on record its gratitude for the co-operation and valuable guidance rendered by the outgoing Directors.

The Company will shortly induct independent directors on the Board, in compliance with Clause 49 of the Listing Agreement.

Audit Committee

The Audit Committee was constituted with available Directors and comprised of the following members as on 31.3.2008:

Shri V.H.Ramakrishnan	:	Chairman
Shri Munshi Ram	:	Member
Shri P.Jagadeeswaran	:	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 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 2008 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.