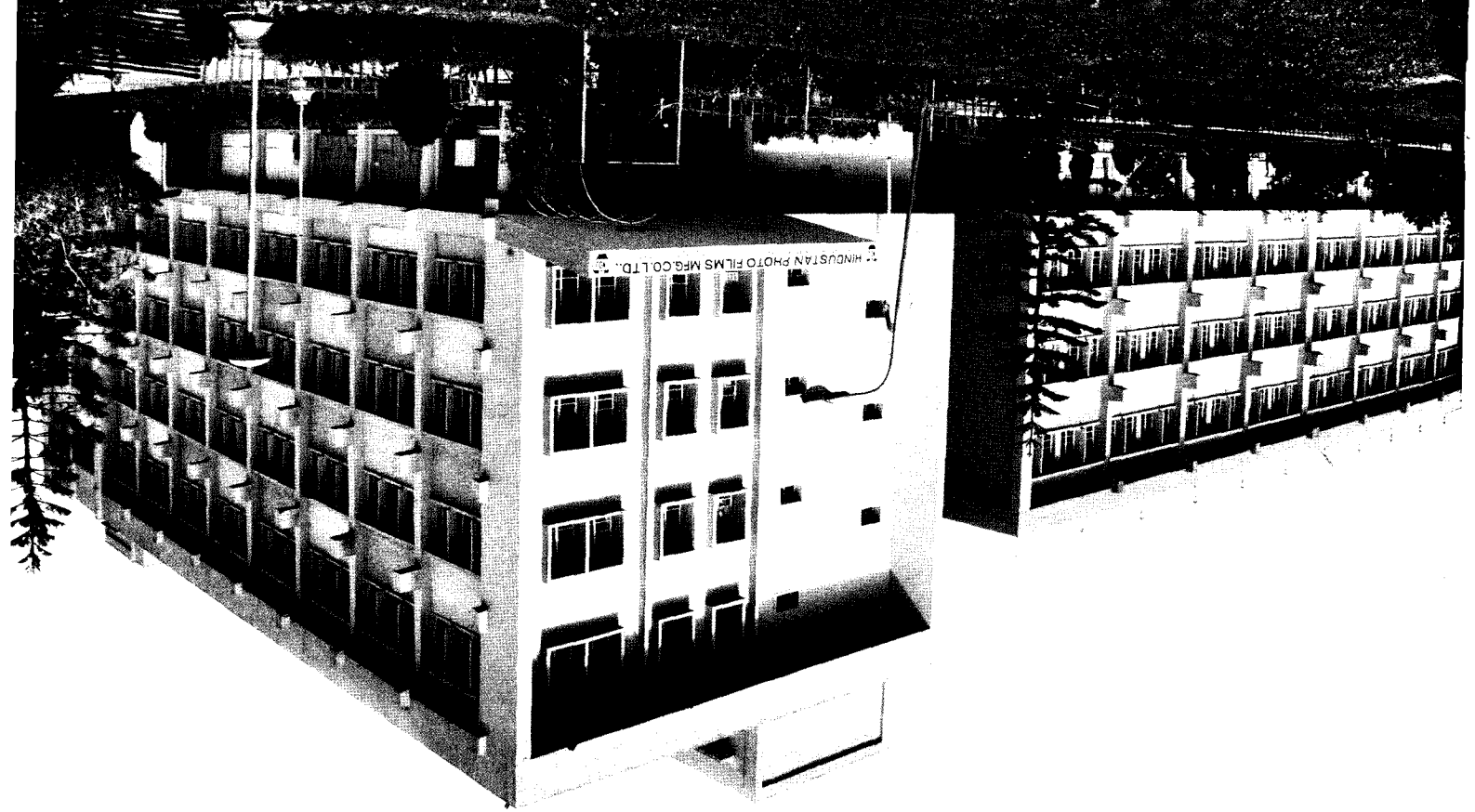
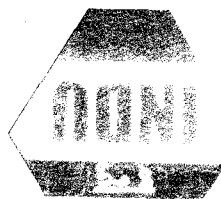


2009-10 ANNUAL REPORT વાર્ષિક રિપોર્ટ



HINDUSTAN PHOTO FILMS
હિન્દુસ્તાન ફોટો ફિલ્મ્સ





पी. जगदीश्वरन
निदेशक (वित्त) एवं
अध्यक्ष सह प्रबन्ध निदेशक (अति प्रभार)

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

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

Registered Office
Indunagar
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.

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. Indl. 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.

Financial Data for the last ten years ending 31st March

(₹ in Lakhs)

	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)

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 DHL, 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)