



# हिन्दुस्तान फ़ोटो फिल्म्स HINDUSTAN PHOTO FILMS



th वार्षिक रिपोर्ट  
ANNUAL REPORT  
**GOLDEN JUBILEE YEAR**

2010 - 2011



एस. गिरिष कुमार

निदेशक (वित्त) एवं  
अध्यक्ष सह प्रबन्ध निदेशक

**S. GIRISH KUMAR**

Director (Finance) &  
Chairman-Cum-Managing Director

Chairman-cum-Managing Director  
& Director (Finance)

Shri. P. Jagadeeswaran (till 19.10.2011)  
Shri. S. Girish Kumar (from 19.10.2011)

Directors

Shri. Shashank Goel (till 24.3.2011)  
Shri Manjit Kumar (from 4.5.2011)  
Shri. G.R. Sundaravadivel  
(Nominee Director - UTI AMC Pvt. Ltd)  
Shri. Gautam Basu  
Shri. R. Subburathinam

Company Secretary

Ms. M. Gita (till 1.04.2011)  
Shri. S.B. Ravindra (from 1.4.2011)  
Senior Manager Finance &  
Company Secretary i/c

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

2.12.2011

## NOTICE

Notice is hereby given that the Fiftieth 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, 28th December 2011 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 2011.
2. To fix remuneration of the Auditors for the year 2011-12.

(BY ORDER)

**S.B. Ravindra**  
Senior Manager Finance &  
Company Secretary i/c

**To : All Members**

**CC Padmanabhan Prakash & Co.**  
Chartered Accountants  
5, Smith Road, Second Floor  
Chennai

## DIRECTORS' REPORT

Dear Shareholders,

Hindustan Photo Films has completed 50 years of service to the Nation and has completed its Golden Jubilee. Your Directors present the fiftieth (50<sup>th</sup>) Annual Report on the working of the Company along with the audited accounts for the year ended 31<sup>st</sup> March 2011, 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 2010-11.

## Share Capital

The Authorised and Paid up Capital of the Company as on 31<sup>st</sup> March 2011 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

### Production

The production during the year was 1.61 M.Sq.m valued at ₹ 4077.59 Lakhs as against 0.961 valued at ₹ 2625 Lakhs achieved during the previous year. The itemwise production is given below:

	(In Million Sq.m)	
	2010-11	2009-10
Cine Products	---	0.004
X-Ray (Incl. Incl. X-Ray)	1.153	0.810
Graphic Arts	0.446	0.135*
Others (Miscellaneous)*	0.345	0.012
<b>Total</b>	<b>1.944</b>	<b>0.961</b>
*Includes job order production of	0.331	0.023

Though production in the current year shows an improved trend as compared to the previous years, the low volume of production is attributable to increased raw material cost and lack of orders due to stiff competition from MNCs in the domestic market. The Company continues to explore areas for diversifying its activities. The amount of ₹ 30 Crores received towards Working Capital as a part of the fund infusion for Revival was ploughed into operations fully and it has helped in the increased turnover.

Financial Data for the last ten years										(₹ in lakhs)
	Year ending 31 <sup>st</sup> March									
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Production	2978.36	2667.32	2746.66	1519.52	1536.95	1768.22	1761.53	2409.93	2549.80	3992.46
Sales	2895.03	2697.80	2778.39	1738.56	1461.41	1459.34	1716.53	2618.48	2625.01	3718.32
Net Profit /Loss	-35371.86	-38539.24	-44302.47	-49641.27	-56090.18	-65305.92	-78949.15	-89026.05	-100921.51	-115665.42
Growth Rate (%)										
- Turnover	13.89	-6.81	2.99	-37.43	-15.94	-0.14	17.62	52.54	0.25	41.64
- Production	25.82	-10.44	2.97	-44.68	1.15	15.05	-0.38	36.81	5.80	56.55
Net profit(As a % of)										
- Turnover	-1221.81	-1428.54	-1594.54	-2855.32	-3838.09	-4475.03	-4599.35	-3399.91	-3844.61	-3110.69
- Capital employed*	-69.91	-79.77	-101.67	-124.68	-150.50	-192.51	-269.87	-338.11	-418.00	-552.81
Networth	-161088.24	-199518.26	-243506.90	-293148.16	-349138.34	-414444.27	-493093.42	-582019.47	-682840.98	-798406.40
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)	71504.98	71506.72	72062.52	72063.41	72063.70	72065.78	72078.91	71552.47	71566.57	71566.75
Gross Block										
(Including Capital WIP)	71513.18	71514.92	72062.52	72063.41	72063.70	72065.78	72078.91	71552.47	71566.57	71566.75
Inventories	1683.23	1526.90	1415.02	1113.41	1201.94	1617.27	1607.00	1411.14	1396.93	1541.50
Depreciation	3289.70	3288.33	3386.32	3354.04	3328.61	3323.37	3315.40	3241.61	3212.35	3166.17
Interest	29024.34	33649.46	38835.10	44698.45	51595.13	60230.85	71820.89	83014.38	95498.84	111525.07

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 ₹ 37.18 Crores as against ₹ 26.25 Crores in the previous year. The Company's operations resulted in a net loss of ₹ 1156.65 Crores for the year as compared to a net loss of ₹ 1009.21 Crores in the previous year. The operating loss during the year was ₹ 11.84 Crores as against ₹ 13.46 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 2010-11

We are to inform that during the year 2010-11, the Company had entered into a MOU with the DHI, envisaging achievement of Production of ₹ 77.84 Crores and Sales of ₹ 73.51 Crores. Amidst various constraints, the Company has significantly achieved production and sales of ₹ 39.92 Crores and ₹ 37.18 Crores respectively which is 56.55 % and 41.64 % growth over the previous year.

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

The Plant has produced 1.50 M.sq.m of Films during the year under report as against 0.923 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 13 Specialty Chemicals were met by manufacturing the same at Organic Synthesis Unit resulting in cost savings of ₹ 30.88 Lakhs.

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

- ⇒ Graphic Arts Red Laser Scanner Film /Image Setter Film
- ⇒ Inkjet Paper
- ⇒ Subbing of polyester X-ray Base
- ⇒ Digital X-ray Film
- ⇒ Medical Imaging Film (Panchromatic)
- ⇒ Laser Printer Film
- ⇒ Acid Violet dye and KF 508 dye (import substitution)

### 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
  5. Processing Chemicals Developer and Fixer
- b) Developmental Work on following Products
  1. Low Speed Industrial X-ray Film (IRF 100 and IRF 50)
  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 Product 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 of several lakhs rupees

Production trial of Non Silver Screen printing Film was successfully carried out and Non-Silver Medical Imaging Film production trial will be taken in association with M/s Technova

### R&D Expenditure (₹ In lakhs)

a) Capital	:	Nil
b) Recurring	:	83.12
c) Total	:	83.12
d) Total R&D expenditure as a % of total turnover	:	2.24 %

### 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 an ISO 9001:2000 Company has now been accredited with ISO 9001:2008 certification by the British Certifications INC under JAS-ANZ 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

#### 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.

#### 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 ₹ 22 Lakhs was achieved.

### Personnel

The total number of permanent employees as on 31<sup>st</sup> March 2011 stood at 731. Based on the order of the Supreme Court and approval of DHI vide Order No. 19(10)/2009-PE.III dt 20<sup>th</sup> Oct 2010, 56 persons working as casual workers/ NMRs were appointed as regular employees.

The representation of SC and ST categories in the total employees' strength was as follows:

Representation of SC category : 130 (17.78%)

Representation of ST category : 42 (5.75%)

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 31<sup>st</sup> March 2011 stood at 16 representing 2.19 % of the total strength. The number of physically handicapped employees stood at 22 as on 31<sup>st</sup> March 2011 consisting of 3 blind, 9 ortho-handicapped and 10 deaf and dumb employees.

With the trend of manpower rationalization continuing, 45 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 ₹ 5.57 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. 195.03 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. 572.73 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 transparency all open/limited tenders were put on the website of the company. Purchase Manual and Marketing Manual was updated in accordance with CVC guidelines. A compendium of vigilance guidelines framed by Chief Vigilance Officer has been forwarded to Head of Departments for adherence. Interactive sessions on vigilance with Head of Departments were also conducted by CVO. 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 25.10.10 to 01.11.10 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 Public Information Officer :

Ms. M. Gita

Appellate Authority :

Mr. P. Jagadeeswaran, CMD

All applications and first appeals received under RTI during the year 2010-11, 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 31<sup>st</sup> March 2011 - Nil.

#### Directors

Shri. P. Jagadeeswaran, Director (Finance) continued to hold additional charge of the post of Chairman-cum-Managing Director-HRF.

#### Audit Committee

As on 31.3.2011, the Audit Committee comprised of the following members:

Shri R.Subburathinam	Independent Dir	Chairman
Shri Gautam Basu	Independent Dir	Member
Shri G.R.Sundaravadivel	Nominee Dir	Member
Shri Shashank Goel	Part time Govt. Dir	Member

Shri. Shashank Goel, Government Director resigned from the Board of the Company with effect from 24.3.2011.

#### 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 31<sup>st</sup> March 2011 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 2010-11.

**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 Revival proposal of HPF has been considered by BRPSE and recommended for approval to the Govt. A CCEA note was circulated by DHI and the recommendations were put up to the Cabinet for consideration. The Cabinet secretariat has reviewed the note and referred it to a committee of Secretaries for their views. The Company now awaits final nod of the Cabinet to the Restructuring Proposal, as approved by BRPSE.

The Company has entered into a MOU with the Govt. for the year 2011-12 involving production/sales target of ₹ 81.50 Crores each. 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

**S. Girish Kumar**  
Chairman-cum-Managing Director