



पंजीकृत कार्यालय तथा फैक्टरी : पो. ऑ. रसायनी, जिला रायगड, महाराष्ट्र, भारत, पिन - ४१० २०७.
टेलीफोन / Tel. : 91 - 02192 - 258500 / 01 / 02 फैक्स / Fax : 91-02192-258503
Regd. Office & Factory : P. O. Rasayani, Dist. Raigad, Maharashtra, India, PIN - 410 207.
Website : www.hocl.gov.in / www.hoclinida.gov.in

हिन्दुस्तान ऑर्गेनिक केमिकल्स लिमिटेड

CIN: L98990MH1980GOI011895

(भारत सरकार का उद्यम)

HINDUSTAN ORGANIC CHEMICALS LIMITED

(A Govt. of India Enterprise)

HOC/SEC/373 B.M./2017/06.26

12th June, 2017

To
The Manager
Listing Department,
National Stock Exchange of India Ltd.,
"Exchange Plaza", C-1, Block G,
Bandra Kula Complex, Bandra (East),
MUMBAI - 400 051.

FAX No. : 022 - 26598237/38

Kind Attn. : Mr. Kautuk Upadhyay
Manager

Dear Sir,

Sub: Submission of Audit Reports (Stand Alone & Consolidated) for FY 2016-17. Reg.
Ref. 1) Regulation 33 of Listing Regulation of LODRRs.
2) Your e-mail letter dated June 06, 2017 - In compliance & explanation thereof.

In compliance with Regulation 33 of the Listing Regulations of LODRRs, as you are aware, we have already filed with NSE/BSE the Stand alone & Consolidated Financial Results of our Company for FY - 2016-17 immediately on 30/05/2017.

Further, as we received only now, the Auditors Reports (Standalone & Consolidated) for FY - 2016-17 from our Statutory Auditors, we are now submitting / filing herewith the said Auditors Reports (Standalone & Consolidated) in compliance with Regulations 33 of Listing Regulations. This Reports will also be filed on the both stock exchange portals.

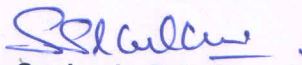
Also note that as we have not received the Auditors Report on the Board Meeting on 29-05-2017, we could not file the Audit Reports (Standalone & Consolidated) alongwith our Company's Audited Financial Results (Stand Alone & Consolidated) of our Company viz. Hindustan Organic Chemicals Ltd., for the year ended 31-03-2017 alongwith Statement of Assets & Liabilities as on 31-03-2017 with the SEs (BSE/NSE) on 30-05-2017.

In view of the above, kindly consider leniently the delay in filing the Auditors Report U/Regl.33, and kindly waive of stringent actions if any.

Kindly acknowledge the above and take the same on your records.

Thanking you,

Yours faithfully,
For Hindustan Organic Chemicals Ltd.,


(Mrs. Susheela S. Kulkarni)
Company Secretary

Encl. : as above. Audit Reports (Standalone & Consolidated)
For the year ended 31-03-2017

INDEPENDENT AUDITOR'S REPORT

To the Members of **HINDUSTAN ORGANIC CHEMICALS LIMITED**

Report on the Standalone Financial Statements

We have audited the accompanying standalone financial statements of Hindustan Organic Chemicals Limited ("the Company"), which comprise the Balance Sheet as at 31st March, 2017, the Statement of Profit and Loss, the Cash Flow Statement for the year then ended, and a summary of the significant accounting policies and other explanatory information.

Management's Responsibility for the Standalone Financial Statements

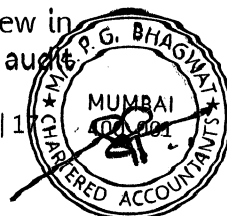
The Company's Board of Directors is responsible for the matters stated in Section 134(5) of the Companies Act, 2013 ("the Act") with respect to the preparation of these standalone financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Company in accordance with the accounting principles generally accepted in India, including the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014.

This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding of the assets of the Company and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these standalone financial statements based on our audit. We have taken into account the provisions of the Act, the accounting and auditing standards and matters which are required to be included in the audit report under the provisions of the Act and the Rules made thereunder. We conducted our audit in accordance with the Standards on Auditing specified under Section 143(10) of the Act. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and the disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal financial control relevant to the Company's preparation of the financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances. An audit



also includes evaluating the appropriateness of the accounting policies used and the reasonableness of the accounting estimates made by the Company's Directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the standalone financial statements.

Basis for Qualified Opinion

- (a) The balances of trade payables, loans & advances and other current assets and other debts / credit balances are pending for confirmations and reconciliations. (Note No. 41). The effect of the same on the loss is not ascertainable.
This matter was qualified in Audit Report on the financial statements for the year ended March 31, 2016 as well.
- (b) In absence of current status of pending litigations and financial impact thereof, liabilities under such cases are not ascertainable and the foreseeable loss of the same is not considered while preparing financial results.
- (c) The Kochi unit of the Company has entered into long term supply contract with Gas Authority of India Limited (GAIL) for the supply of Liquefied Natural Gas in the year 2011 for the period of 15 years ending in 2026. Material foreseeable loss on this contract is not quantifiable in current scenario.

Qualified Opinion

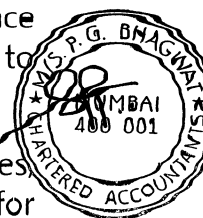
In our opinion and to the best of our information and according to the explanations given to us, *except for the effects of the matters described in the Basis for Qualified Opinion*, the aforesaid standalone financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India, of the state of affairs of the Company as at 31st March, 2017, and its loss and its cash flows for the year ended on that date.

Emphasis of Matter

Attention is drawn to the note 28 to the standalone financial statements which state that the Government of India has approved the restructuring plan of the company which includes closure of all plants at Rasayani unit except the Conc. Nitric Acid / N2O4 Plant (which is to be handed over to ISRO) and VRS to the employees (Direct and Indirect) rendered surplus due to shutting down of all plants at Rasayani except those employees associated with operation of CNA/N2O4 plant at Rasayani and the skeletal staff required to implement the proposed restructuring. In view of this, the financial statement have been prepared on Going Concern Basis.

The net worth of the Company is fully eroded. The Company has incurred cash losses in the current and in previous years. The Company's Current Liabilities exceeded its Current Assets as at the balance sheet date. These conditions indicate the existence of material uncertainty that may cast significant doubt on the Company's ability to continue as a going concern.

In absence of adequacy of funds, the company has not paid salaries to its employees dues to many of its vendors, statutory dues and has defaulted to its vendors for



more than a year. Further, due to inadequate working capital and economic viability of the products, some of the plants of the company are not utilised appropriately which may lead to obsolescence due to non-working for long and frequent shut-down in running plants.

Our opinion is not modified in respect of this matter.

Other Matter

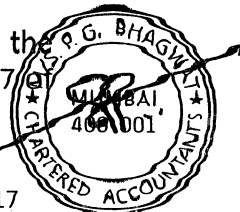
We did not audit the financial statements / information of the Kochi unit included in the standalone financial statement of the Company whose financial statements / information reflecting the total assets of Rs. 11,104.65 Lakhs (excluding inter-branch balance) as at 31st March 2017 and total revenue of Rs. 10,809.92 Lakhs for the year ended on that date, as considered in the standalone financial statement. The financial statement / information of the unit has been audited by the Independent Branch Auditors whose report has been furnished to us and our opinion in so far as it relates to the amounts and disclosures included in respect of this unit is based solely on the report of such Branch Auditor.

Our opinion is not modified in respect of this matter.

The matters described in the basis of Qualified Opinion paragraph above and the going concern matter described in Emphasis of Matter paragraph above, in our opinion may have an adverse impact on the functioning of the Company.

Report on Other Legal and Regulatory Requirements

1. As required by the Companies (Auditor's Report) Order, 2016 issued by the Central Government of India in terms of sub-section (11) of section 143 of the Act, we give in the Annexure A, a statement on the matters specified in paragraphs 3 and 4 of the Order.
2. As required by the directions and sub-directions issued by the office of the Comptroller & Auditor General of India under section 143(5) of the Act, we give in the Annexure B, a statement on the matters referred to in those directions.
3. As required by Section 143 (3) of the Act, we report that:
 - (a) We have sought and 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 it appears from our examination of those books.
 - (c) The report on the accounts of the Branch office of the Company audited under section 143(8) of the Act by the Branch Auditors have been sent to us and have been properly dealt with by us in preparing this report.
 - (d) The Balance Sheet, the Statement of Profit and Loss, and the Cash Flow Statement dealt with by this Report are in agreement with the books of account.
 - (e) In our opinion, the aforesaid standalone financial statements comply with the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014.



- (f) On the basis of the written representations received from the directors as on 31st March, 2017 taken on record by the Board of Directors, none of the directors is disqualified as on 31st March, 2017 from being appointed as a director in terms of Section 164 (2) of the Act.
- (g) With respect to the adequacy of the internal financial controls over financial reporting of the Company and the operating effectiveness of such controls, refer to our separate report in Annexure C.
- (h) With respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, in our opinion and to the best of our information and according to the explanations given to us:
- The Company has disclosed the impact of pending litigations on its financial position in its financial statements— Refer Note 42 to the financial statements.
 - The Kochi unit of the Company has entered into long term supply contract with Gas Authority of India Limited (GAIL) for the supply of Liquefied Natural Gas in the year 2011 for the period of 15 years ending in 2026. Material foreseeable loss on this contract is not quantifiable in current scenario. Other than this, the Company did not have any long term contracts including derivative contracts for which there were any material foreseeable losses.
 - There were no amounts, required to be transferred, to the Investor Education and Protection Fund by the Company.
 - The Company has provided requisite disclosures in its financial statements as to holdings as well as dealings in Specified Bank Notes during the period from 8 November, 2016 to 30 December, 2016. (Refer Note 45).

In Kochi unit, the Company has received amounts from employees in SBN after 8th of Nov 2016, which are classified as receipt from permitted transactions.

We have verified the closing cash balance with the books of accounts. However, details in respect of Specified Bank Notes is as produced to us by the management, as necessary evidence regarding the same was not available for our verification.

For M/S P. G. BHAGWAT

Chartered Accountants

Firm's Registration Number 10118VA

Shriniwas Shreeram Gadgil
Partner

Membership Number: 120570



Place: Mumbai

Date: 29th May 2017

Annexure A to the Auditors' Report

(Referred to in our above report of even date)

1.

(a) The company has maintained proper records showing full particulars including quantitative details and situation of fixed assets.

(b) The fixed assets have been physically verified by the management at reasonable intervals.

In Kochi unit, verification of the fixed assets was carried out during the year. The discrepancies noticed on the verification of fixed assets have been properly dealt with in the books of account.

In Rasayani unit, the Company carried out Impairment Study by an external independent agency and incorporated the impairment losses appropriately in the books of account.

(c) The title deeds of immovable properties are held in the name of the company;

2.

(a) The inventory has been physically verified by the management at reasonable intervals during the year.

(b) In case of Rasayani unit, the verification of chemicals stores in non-working plants were not taken by dip measurement. Instead, reliance was placed on the meter reading device installed. The Company has maintained proper records of inventory. As explained to us, the discrepancies between the physical inventory and the book records noticed on physical verification were not material.

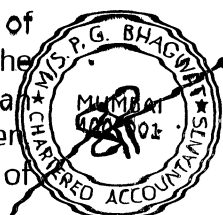
3. As explained to us, the Company has granted secured loans to its subsidiary – Hindustan Fluorocarbons Ltd. and unsecured advance in the nature of loan to its joint venture subsidiary company – HOC-Chematur Ltd. Covered in the register maintained under section 189 of the Act.

The loan to Hindustan Fluorocarbons Ltd. is interest free to the extent of Rs. 2744.06 lakhs under BIFR agreement and has varying interest rates of 10.25% to 14.5% on amount of Rs.453.01 lakhs. Both the principal amount and the interest on this loan has not been received by company as per stipulation.

The advance to HOC- Chematur Ltd. of Rs. 1064.46 lakhs is interest free and there is no stipulation as to repayment of principal. The advance has been fully written off against provision made in previous year as it is doubtful of recovery.

In both the above cases, except follow up, the company has not taken any other steps for recovery of dues.

4. According to the information and explanations given to us by the management, the company has not entered into any transaction regarding the provisions of section 185 & 186 of the Companies Act, 2013 except for guarantee given by the Holding Company of Rs.1103 Lakhs for the loans taken by subsidiary – Hindustan Fluorocarbons Ltd., from bank. Based on the information and explanations given the terms and conditions of this guarantee are not prejudicial to the interest of the Holding Company.



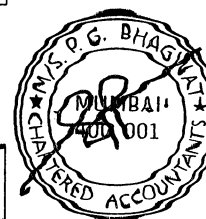
5. The Company has not accepted any deposits from the public and hence the directives issued by the Reserve Bank of India and the provisions of Sections 73 to 76 or any other relevant provisions of the Act and the Companies (Acceptance of Deposit) Rules, 2015 with regard to the deposits accepted from the public are not applicable.
6. We have broadly reviewed the books of accounts maintained by the company in pursuance to the rules made by the Central Government for maintenance of cost records under sub-section (1) of Section 148 of the Act, for the certain products of the company and are of the opinion that prima facie and prescribed accounts and records have been maintained. We have not, however made a detailed examination of the records with a view to determine whether they are accurate or complete.
7.
 - (a) According to the information and explanations given to us by the management and on the basis of our examination of the books of account carried on by us and records, the Company has not deposited undisputed statutory dues, including Provident Fund, Service Tax, Duty of Customs, Duty of Excise, except Employees State Insurance, Income-Tax, Sales tax, Value added Tax, cess etc. since October 2013. There is no undisputed arrears of statutory dues outstanding as at 31st March, 2017 for the period of more than 6 Months from the date they became payable except for as stated below:

Rasayani Unit

(Rs in lakhs)			
Sr. No.	Name of Statute	Nature of Dues	Outstanding Amount
1	The Employees' Provident Funds And Miscellaneous Provisions Act, 1952	Employees Provident Fund contribution	5,743.16
2	The Employees' Provident Funds And Miscellaneous Provisions Act, 1952	Employees' Pension Fund contribution	431.97
3	Works Contract Tax Act, 1989	Works Contract Tax	1.64
4	Income Tax Act, 1961	Tax deducted at source	403.76
5	Central Sales Tax	Central Sales Tax	34.12
6	Professional Tax	Professional Tax	74.98
7	Gram Panchayat	Gram Panchayat Tax	80.53
8	Tahsildar	N. A. Assessment Tax	2.54
		TOTAL	6,772.71

Kochi Unit

(Rs in lakhs)			
Sr. No.	Name of Statute	Nature of Dues	Outstanding Amount
1	The Employees' Provident Funds And Miscellaneous Provisions Act,	Employees Provident Fund contribution	1,156.88



	1952		
2	Income Tax Act, 1961	TDS - Salary	411.84
3	Excise Act	Excise duty	512.27
4	Professional Tax	Professional Tax	12.89
		TOTAL	2,093.87

- (b) According to the information and explanation given to us, there are no disputed dues of income tax, sales tax, service tax, duty of customs duty, excise duty, value added tax and cess which have not been deposited as at 31st March 2017 other than those shown below:

Rasayani Unit

(Rs. in lakhs)

Sr. No.	Name of the Statute	Nature of Dues	Period to which the dispute relates	Amount of Dispute	Forum where dispute is pending
1	Central Excise Act, 1944	Molten Sulphur Classification	Feb-97 to Jun-98	15.53	Customs, Excise and Service Tax Appellate Tribunal
2	Central Excise Act, 1944	Molten Sulphur Classification	Sept-94 to Jan-97	22.76	Customs, Excise and Service Tax Appellate Tribunal
3	Central Excise Act, 1944	Shortage of Inputs	1998-01	18.66	Pending at high court
4	Central Excise Act, 1944	Shortage of Inputs	July-01 to Sept-02	5.85	Commissionerate
5	Central Excise Act, 1944	ARO Case (Aniline Valuation)	July-03 to May-06	19.29	Customs, Excise and Service tax appellate
6	Central Excise Act, 1944	Clearance of SSA to Fertilizer Manufacturing Units	Sept-96 to Mar-00	112.78	Pending remanded by CEGAT but Central Excise department filed appeal in High Court
7	Central Excise Act, 1944	N2O4 Exemption	Jan.,06 to Feb-08	104.63	Customs, Excise and Service Tax Appellate Tribunal
8	Central Excise Act, 1944	Duty on clearance on Molten Sulphur	Nov-98 to Dec-98	5.05	Deputy commissioner central excise

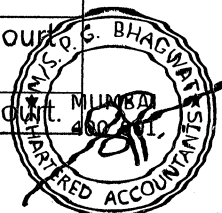
M/s P. G. BHAGWAT

Chartered Accountants

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9	Central Excise Act, 1944	Duty on clearance on Molten Sulphur	Dec-98 to Jan-99	2.59	Deputy commissioner central excise
10	Finance Act, 1944	Wrong credit avails on Angels, bar and HR coils and Plates	May-07 to Jul-10	1.44	Appeal filed before Assistant commissioner Central Excise
11	Finance Act, 1944	Cleaning, gardening and rent a cab services	Oct-09 to Nov-11	8.88	Deputy commissioner central excise
12	Finance Act, 1944	Service tax on canteen services	Feb-07 to Mar-11	66.96	Commissioner of Central Excise Custom and Service Tax.
13	Finance Act, 1944	Capital goods Bills of entry	27.11.2013 to 18.12.2014	17.58	Appeal filed before Hon'ble Comm.C excise Appeals Mumbai.II
14	Finance Act, 1944	Flood case	Jan-07	9.34	Appeal is to be filed in CESTATE
15	Finance Act, 1944	Reversal Penalty and int. payment as O-inO	Oct.,13 to Mar-15	10.95	Assistant commissioner Central Excise
16	Finance Act, 1944	Molten Sulphur	1999	7.62	Commissioner of Central Excise Appeals, Mumbai – II
17	Finance Act, 1944	Shortage of inputs		13.64	Commissioner of Central Excise
18	Finance Act, 1944	Reversal of cenvat	2006-07	18.66	Commissioner of Central Excise se
19	Finance Act, 1944	Service tax credit works	2015-16	17.80	Joint commissioner Central Excise
20	Finance Act, 1944	Contract Service		8.90	Appeal is to be filed before Hon'ble Comm. Central Excise Appeals Mumbai – II
21	Income Tax Act, 1961	Penalty u/s 271(1)(c)	A.Y 1999-00	91.07	Bombay High Court
22	Income Tax Act, 1961	Penalty u/s 271(1)(c)	A.Y 1999-00	57.55	Bombay High Court
23	Income Tax Act, 1961	Penalty u/s 271(1)(c)	A.Y 2003-04	607.25	Bombay High Court
24	Income Tax Act, 1961	Penalty u/s 271(1)(c)	A.Y 2004-05	63.23	Bombay High Court
25	Income Tax	Disallowance of	A.Y.	404.71	Bombay High Court

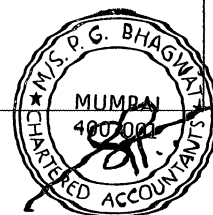


	Act, 1961	Expenses	2011-12		Awaiting for hearing.
26	Income Tax Act, 1961	Disallowance of Expenses	A.Y. 2012-13	81.03	Bombay High Court. Awaiting for hearing.
27	Income Tax Act, 1961	Disallowance of Expenses	A.Y. 2013-14	106.51	Bombay High Court. Awaiting for hearing.
			TOTAL	1,900.26	

Kochi Unit

(Rs. in lakhs)

Sr. No.	Name of Statute	Nature of Dues	Period to which the dispute relates	Amount of Dispute	Forum where dispute is pending
1	Finance Act, 1994- Service Tax	Transportation of Excise Goods to Rasayani Depot- Service Tax. Pending for hearing.	Apr-03 to Dec-06	43.36	CESTAT, Bangalore
2	Finance Act, 1994- Service Tax	Insurance Renewal /Tyre re trading Charges - Service Tax. Pending for hearing	Jul-11 to May-12	3.17	CESTAT, Bangalore
3	Finance Act, 1994- Service Tax	Bus, Car transportation to employees-Service Tax. Pending for hearing	Nov-11 to Jun-12	1.10	Commissioner (Appeals), Ernakulam
4	Finance Act, 1994- Service Tax	Insurance renewal/Tyre re trading charge-Service Tax. Pending for hearing	Jun-12 to May-13	10.96	Commissioner (Appeals), Ernakulam
5	Finance Act, 1994- Service Tax-	Availing of Cenvat credit on the service tax paid for outdoor Catering , Insurance renewal /Transit insurance/Group Insurance and tyre re trading Charges. Department filed appeal to CESTAT. Pending for hearing	Apr-06 to Jan-13	83.32	CESTAT, Bangalore



6	ESI Corporation	IC No. 88 of 2004 HOCL Vs. ESI Corporation & another before employee Insurance Court (Industrial Tribunal) filed by HOCL challenging the Order of ESI corporation for payment of ESI contribution during the period from 01.04.1992 to 31.10.1992 amounting to ₹ 2,17,000	2004	2.17	ESI Court , Ernakulam
7	Central Sales Tax Act 1956	Levy of interest-CST	2005-06	155.23	Tribunal, Dept. of Commercial Taxes, Ernakulam
8	KVAT Act 2003	Levy of interest-KVAT	2005-06	152.63	Tribunal, Dept. of Commercial Taxes, Ernakulam
9	Central Sales Tax Act 1956 - Input tax credit	Input tax credit	2012-13	73.36	D.C. (Appeals), Dept. of Commercial Taxes, Ernakulam
10	KVAT Act 2003	KVAT Act 2003- Demand under Sec.25(1)	2011-12	714.58	Commissioner of Commercial Taxes, Thiruvananthapuram.
				1,239.88	

8. In our opinion & according to the information and explanation given to us, in absence of adequacy of funds the company has made default in repayment of dues to banks and government loan as per stipulation. Details for the default made by the company are as follows:

Government Loan –

(Rs. In Lakhs)

S.N.	Amount of default as at 31 st March 2017	Period of Default
1	61.60	2002-03



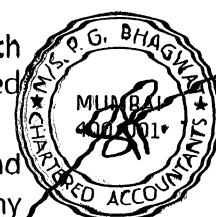
2	152.60	2003-04
3	212.60	2004-05
4	268.50	2005-06
5	328.50	2006-07
6	388.50	2007-08
7	448.50	2008-09
8	804.50	2009-10
9	749.10	2010-11
10	749.10	2011-12
11	687.50	2012-13
12	828.50	2013-14
13	768.50	2014-15
14	412.00	2015-16
15	844.20	2016-17
Total	7644.20	

Canara Bank Loan –

(Rs. In Lakhs)

S.N.	Amount of default as at 31 st March 2017	Period of Default
1	58.43	2015-16
2	117.10	2016-17
Total	175.53	

9. In our opinion and according to the information and explanations given to us, the Company has not raised money by way of public issue/ follow-on offer (including debt instruments)/term loan. The company has received Government loan during the year and the same was applied for the purpose for which it was raised.
10. Based on the audit procedures performed and the information & explanations given by the management, we report that no fraud by the company or on the company by its officers or employees has been noticed or reported during the year.
11. Based upon the audit procedures performed and the information and explanations given by the management, the managerial remuneration has been paid or provided in accordance with the requisite approvals mandated by the provisions of section 197 read with Schedule V to the Companies Act.
12. In our opinion, the Company is not a Nidhi Company. Therefore, the provisions of clause 3 (xii) of the Order are not applicable to the Company.
13. In our opinion, all transactions with the related parties are in compliance with section 177 and 188 of Companies Act, 2013 and the details have been disclosed in the Financial Statements as required by the applicable accounting standards.
14. Based upon the audit procedures performed and the information and explanations given by the management, the company has not made any preferential allotment or private placement of shares or fully or partly convertible



M/s P. G. BHAGWAT

Chartered Accountants

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debentures during the year under review. Accordingly, the provisions of clause 3 (xiv) of the Order are not applicable to the Company and hence not commented upon.

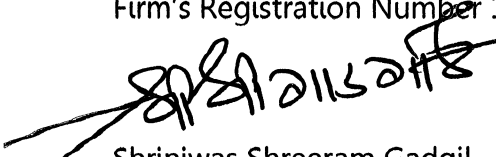
15. Based upon the audit procedures performed and the information and explanations given by the management, the company has not entered into any non-cash transactions with directors or persons connected with him. Accordingly, the provisions of clause 3 (xv) of the Order are not applicable to the Company and hence not commented upon.

16. In our opinion, the company is not required to be registered under section 45IA of the Reserve Bank of India Act, 1934 and accordingly, the provisions of clause 3 (xvi) of the order are not applicable to the Company and hence not commented upon.

For M/S P. G. BHAGWAT

Chartered Accountants

Firm's Registration Number 101118W

Shriniwas Shreeram Gadgil

Partner

Membership Number: 120570



Place: Mumbai

Date: 29th May 2017

Annexure B to the Auditors' Report

To the Members of Hindustan Organic Chemicals Limited For the year ended 31st March, 2017 (Referred to in paragraph 2 under Report on Other Legal and Regulatory Requirements)

As required by the directions and sub-directions issued by the Office of the Comptroller and Auditor General of India under Section 143(5) of the Companies Act, 2013, we give below our comments on the matters referred therein

1. Whether the Company has clear title/lease deeds for freehold and leasehold respectively? If not please state the area of freehold & leasehold land for which title/lease deeds are not available?

Based on the information & Explanation given to us we report that the Company has clear titles/lease deeds for freehold and leasehold respectively.

2. Please report whether there are any cases of waiver/ write off of debts/loans/interest etc., if yes, the reasons there for and the amount involved.

Rasayani unit:

During the year, the Rasayani unit of the company has written off Rs. 12.98 Lakhs due from M/s NOCIL.

Kochi unit:

Kochi unit has not written off any debt / loan / interest etc. during the year.

3. Whether proper records are maintained for inventories lying with third parties & assets received as gift from Govt. or other authorities?

As informed to us, there are no inventories lying with third parties and there are no assets received as gift from Govt. or other authorities during the year.

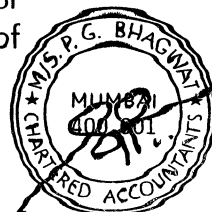
Sub-directions u/s 143(5) of the Companies Act, 2013

1. State the area of land under encroachment and briefly explain the steps taken by the Company to remove the encroachment.

Rasayani Unit:

As informed to us, in Rasayani Unit, 40 acres (approx) land is under encroachment. The management has not taken any effective action for eviction of the encroachers. The land area allotted by the Government of Maharashtra is not earmarked and measured. Detail of encroachment is given on approximate basis.

It is recommended to obtain exact measurement report duly certified by collector to earmarked encroached area and fencing of total area. Thereafter actual area of encroachment can be measured correctly.



Kochi Unit:

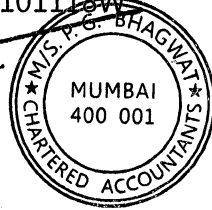
In Kochi Unit, we are informed that no encroachment of land has been noticed.

2. Average salary, retirement age etc. and assumptions made by the actuary regarding the discount rates, future cost increase, mortality rate etc. for arriving at the provisions for liability of retirement benefits viz., gratuity, leave encashment, post-retirement medical benefits etc.

The particulars furnished to the actuary and the assumption made by the actuary for arriving at the provisions for liability of retirement benefits have prima facie been verified by us.

For M/S P. G. BHAGWAT
Chartered Accountants
Firm's Registration Number 101118W

[Handwritten Signature]



Shriniwas Shreeram Gadgil
Partner
Membership Number: 120570

Place: Mumbai
Date: 29th May 2017

Annexure C to the Auditors' Report**Report on the Internal Financial Controls under Clause (i) of Sub-section 3 of Section 143 of the Companies Act, 2013 ("the Act")**

We have audited the internal financial controls over financial reporting of Hindustan Organic Chemicals Limited ("the Company") as of 31 March 2017 in conjunction with our audit of the standalone financial statements of the Company for the year ended on that date.

Management's Responsibility for Internal Financial Controls

The Company's management is responsible for establishing and maintaining internal financial controls based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls over Financial Reporting issued by the Institute of Chartered Accountants of India ('ICAI'). These responsibilities include the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the orderly and efficient conduct of its business, including adherence to company's policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information, as required under the Companies Act, 2013.

Auditors' Responsibility

Our responsibility is to express an opinion on the Company's internal financial controls over financial reporting based on our audit. We conducted our audit in accordance with the Guidance Note on Audit of Internal Financial Controls over Financial Reporting (the "Guidance Note") and the Standards on Auditing, issued by ICAI and deemed to be prescribed under section 143(10) of the Companies Act, 2013, to the extent applicable to an audit of internal financial controls, both applicable to an audit of Internal Financial Controls and, both issued by the Institute of Chartered Accountants of India. Those Standards and the Guidance Note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate internal financial controls over financial reporting was established and maintained and if such controls operated effectively in all material respects.

Our audit involves performing procedures to obtain audit evidence about the adequacy of the internal financial controls system over financial reporting and their operating effectiveness. Our audit of internal financial controls over financial reporting included obtaining an understanding of internal financial controls over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the



assessed risk. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the Company's internal financial controls system over financial reporting.

Meaning of Internal Financial Controls over Financial Reporting

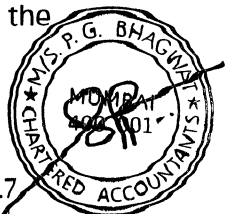
A company's internal financial control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal financial control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorisations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorised acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Inherent Limitations of Internal Financial Controls over Financial Reporting

Because of the inherent limitations of internal financial controls over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may occur and not be detected. Also, projections of any evaluation of the internal financial controls over financial reporting to future periods are subject to the risk that the internal financial control over financial reporting may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Opinion

In our opinion, the Company has, in all material respects, an adequate internal financial controls system over financial reporting and such internal financial controls over financial reporting were operating effectively as at 31 March 2017, based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India except as reported below:



M/s P. G. BHAGWAT

Chartered Accountants

MUMBAI OFFICE

Jiji House, 17, D. Sukhadwala Marg,

Fort, Mumbai - 400001.

Tel : 022 - 65652008

Email : shriniwas_gadgil@pgbhagwatca.com

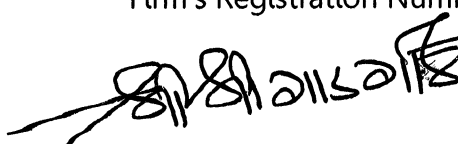
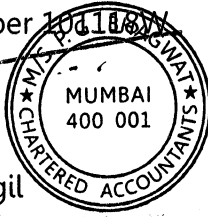
Web : www.pgbhagwatca.com

- (a) The Company should improve system of follow up with all creditors/debtors to ensure periodic reconciliation with parties because very few confirmations received during the year.
- (b) The Company needs to implement program for physical verification of all movable and immovable assets on periodic basis in addition to impairment study done by external independent agency.

For M/S P. G. BHAGWAT

Chartered Accountants

Firm's Registration Number 100118001

Shrinivas Shreeram Gadgil

Partner

Membership Number: 120570

Place: Mumbai

Date: 29th May 2017

INDEPENDENT AUDITOR'S REPORT

To the Members of HINDUSTAN ORGANIC CHEMICALS LIMITED

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Hindustan Organic Chemicals Limited ("the Holding Company") and its subsidiary (the Holding Company and its subsidiary together referred to as the "the group"), comprising of the Consolidated Balance Sheet as at 31st March,, 2017, the Consolidated Statement of Profit and Loss, the Consolidated Cash Flow Statement for the year then ended, and a summary of the significant accounting policies and other explanatory information(hereinafter referred to as "the consolidated financial statements").

Management's Responsibility for the Consolidated Financial Statements

The Holding Company's Board of Directors is responsible for the preparation of these consolidated financial statements in terms of the requirements of the Companies Act, 2013 (hereinafter referred to as "the Act")that give a true and fair view of the consolidated financial position, consolidated financial performance and consolidated cash flows of the Group including its Associates and Jointly controlled entities in accordance with the accounting principles generally accepted in India, including the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies(Accounts) Rules, 2014.

The respective Board of Directors of the companies included in the Group are responsible for maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Group and for preventing and detecting frauds and other irregularities; the selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and the design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error, which have been used for the purpose of preparation of the consolidated financial statements by the Directors of the Holding Company, as aforesaid.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. While conducting the audit, we have taken into account the provisions of the Act, the accounting and auditing standards and matters which are required to be included in the audit report under the provisions of the Act and the Rules made there under.

We conducted our audit in accordance with the Standards on Auditing specified under Section 143(10) of the Act. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and the disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal financial control relevant to the Holding Company's preparation of the consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on whether the Holding Company has an adequate internal financial controls system over financial reporting in place and the operating effectiveness of such controls. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of the accounting estimates made by the Holding Company's Board of Directors, as well as evaluating the overall presentation of the consolidated financial statements.

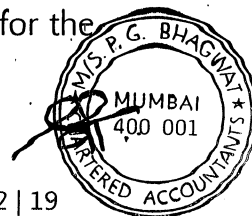
We believe that the audit evidence obtained by us and the audit evidence obtained by the other auditors in terms of their reports referred to in sub-paragraph (a) of the Other Matters paragraph below, is sufficient and appropriate to provide a basis for our audit opinion on the consolidated financial statements.

Basis for Qualified Opinion

- (a) The balances of trade payables, loans & advances and other current assets and other debts / credit balances are pending for confirmations and reconciliations. (Note No. 41). The effect of the same on the loss is not ascertainable.
This matter was qualified in Audit Report on the financial statements for the year ended March 31, 2016 as well.
- (b) The financials of HOC-Chematur Ltd. in which the Holding Company holds 60% of the equity, has not been considered by the management in the consolidated financial statements for reasons stated in Note no. 33 to the consolidated financial statements.
- (c) In absence of current status of pending litigations and financial impact thereof, liabilities under such cases are not ascertainable and the foreseeable loss of the same is not considered while preparing financial results.
- (d) The Kochi unit of the Company has entered into long term supply contract with Gas Authority of India Limited (GAIL) for the supply of Liquefied Natural Gas in the year 2011 for the period of 15 years ending in 2026. Material foreseeable loss on this contract is not quantifiable in current scenario.

Qualified Opinion

In our opinion and to the best of our information and according to the explanations given to us, *except for the effects of the matters described in the Basis for Qualified Opinion*, the aforesaid Consolidated financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India, of the state of affairs of the Company as at 31st March, 2017, and its loss and its cash flows for the year ended on that date.



Emphasis of Matter

- (a) Attention is drawn to the note 28 to the Consolidated financial statements which state that the Government of India has approved the restructuring plan of the Holding Company which includes closure of all plants at Rasayani unit except the Conc. Nitric Acid / N2O4 Plant (which is to be handed over to ISRO) and VRS to the employees (Direct and Indirect) rendered surplus due to shutting down of all plants at Rasayani except those employees associated with operation of CNA/N2O4 plant at Rasayani and the skeletal staff required to implement the proposed restructuring.

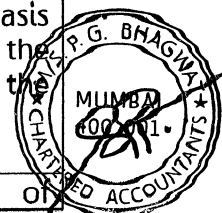
In view of this, the financial statements have been prepared on Going Concern Basis.

The net worth of the group is fully eroded. The group has incurred cash losses in the current and in previous years. The group's Current Liabilities exceeded its Current Assets as at the balance sheet date. These conditions indicate the existence of material uncertainty that may cast significant doubt on the group's ability to continue as a going concern.

In absence of adequacy of funds, the group has not paid salaries to its employees, dues to many of its vendors, statutory dues and has defaulted to its vendors for more than a year. Further, due to inadequate working capital and economic viability of the products, some of the plants of the group are not utilised appropriately which may lead to obsolescence due to non-working for long and frequent shut-down in running plants.

- (b) The Group have a few difference in accounting policies of the Holding Company and the Subsidiary Company which are listed below:

S. N.	Policy	As followed by the Holding Company	As followed by the Subsidiary Company
1	Valuation of Inventory – Raw Materials	At cost on weighted average basis.	At cost on weighted average basis or net realisable value (NRV) whichever is lower
2	Valuation of Inventory – Stores & Spares	At cost on weighted average basis.	At cost on weighted average basis or net realisable value (NRV) whichever is lower
3	Valuation of Inventory – Intermediate Products	At cost	At cost on weighted average basis or net realisable value (NRV) whichever is lower
4	Valuation of Inventory – By Products	At estimated NRV	At NIL value
5	Revenue Recognition – Sale of Scrap	At the time of disposal	On receipt basis
6	Revenue Recognition – Interest Income	Recognized when no significant uncertainty as to its realization exists.	On a time proportion basis taking into account the amount outstanding and the applicable rate of interest
7	Refurbishment	In line with the	Amortised over a period of



	Expenditure on Plant & Machinery	Depreciation policy in accordance with the provisions of the Companies Act 2013	five years from the year if expenditure in accordance with the BIFR Modified Draft Rehabilitation Scheme.
8	Borrowing Costs	Borrowing Costs in the nature of Bond Issue Expenses are being charged off against Securities Premium Account as per the provisions of the Companies Act, 2013	Borrowing costs relating to the acquisition of the Fixed Assets are capitalised as part of the cost of the asset. All other borrowing costs are charged to revenue.
9	Prior Period Adjustments	Items of income / expenses above Rs. 10,000/- in each case relating to previous years, are accounted as prior period adjustments.	There is no specific policy

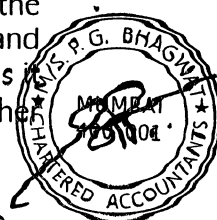
As per the information and explanation given to us, the impact of differences as above is not material with the respect to the Group as a whole.

Our opinion is not modified in respect of this matter.

Other Matter

We did not audit the financial statements / financial information of the subsidiary whose financial statements / financial information reflect total assets of Rs. 3,522.35 Lakhs as at 31st March, 2017, total revenues of Rs. 3431.38 Lakhs and net cash flows amounting to Rs. 92.99 Lakhs for the year ended on that date, as considered in the consolidated financial statements. We also did not audit the financial statements / information of the Kochi unit included in the Consolidated financial statement of the Company whose financial statements / information reflecting the total assets of Rs. 11,104.65 Lakhs (excluding inter-branch balance) as at 31st March 2017 and total revenue of Rs. 10,809.92 Lakhs for the year ended on that date, as considered in the consolidated financial statements.

These financial statements / financial information have been audited by other auditors whose reports have been furnished to us by the Management and our opinion on the consolidated financial statements, in so far as it relates to the amounts and disclosures included in respect of the subsidiary and Kochi unit, and our report in terms of sub-sections (3) and (11) of Section 143 of the Act, insofar as it relates to the aforesaid subsidiary is based solely on the reports of the other auditors.

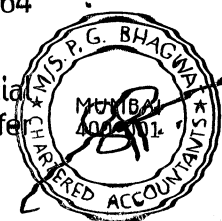


Our opinion on the consolidated financial statements, and our report on Other Legal and Regulatory Requirements below, is not modified in respect of the above matters with respect to our reliance on the work done and the reports of the other auditors and the financial statements / financial information certified by the Management.

The matters described in the basis of Qualified Opinion paragraph above and the going concern matter described in Emphasis of Matter paragraph above, in our opinion may have an adverse impact on the functioning of the Company.

Report on Other Legal and Regulatory Requirements

1. As required by the Companies (Auditor's Report) Order, 2015 ("the Order"), issued by the Central Government of India in terms of sub-section (11) of Section 143 of the Act, based on the comments in the auditors' reports of the Holding company, subsidiary companies, associate companies and jointly controlled companies incorporated in India, we give in the Annexure A, a statement on the matters specified in paragraphs 3 and 4 of the Order, to the extent applicable.
2. As required by the directions and sub-directions issued by the office of the Comptroller & Auditor General of India under section 143(5) of the Act, we give in the Annexure B, a statement on the matters referred to in those directions.
3. As required by Section 143 (3) of the Act, we report that:
 - (a) We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit of the aforesaid consolidated financial statements.
 - (b) In our opinion, proper books of account as required by law relating to preparation of the aforesaid consolidated financial statements have been kept so far as it appears from our examination of those books and the reports of the other auditors.
 - (c) The report on the accounts of the Branch office of the Company audited under section 143(8) of the Act by the Branch Auditors have been sent to us and have been properly dealt with by us in preparing this report.
 - (d) The Consolidated Balance Sheet, the Consolidated Statement of Profit and Loss, and the Consolidated Cash Flow Statement dealt with by this Report are in agreement with the relevant books of account maintained for the purpose of preparation of the consolidated financial statements.
 - (e) In our opinion, the aforesaid consolidated financial statements comply with the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014.
 - (f) On the basis of the written representations received from the directors of the Holding Company as on 31st March, 2017 taken on record by the Board of Directors of the Holding Company and the reports of the statutory auditors of its subsidiary company, none of the directors of the Group companies is disqualified as on 31st March, 2017 from being appointed as a director in terms of Section 164 (2) of the Act.
 - (g) With respect to the adequacy of the internal financial controls over financial reporting of the Company and the operating effectiveness of such controls, refer to our separate report in Annexure C.



(h) With respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, in our opinion and to the best of our information and according to the explanations given to us:

- i. The consolidated financial statements disclose the impact of pending litigations on the consolidated financial position of the Group- Refer Note 42 to the financial statements.
- ii. The Kochi unit of the Company has entered into long term supply contract with Gas Authority of India Limited (GAIL) for the supply of Liquefied Natural Gas in the year 2011 for the period of 15 years ending in 2026. Material foreseeable loss on this contract is not quantifiable in current scenario. Other than this, the Company did not have any long term contracts including derivative contracts for which there were any material foreseeable losses.
- iii. There were no amounts which were required to be transferred to the Investor Education and Protection Fund by the Holding Company, and its subsidiary company.
- iv. The Holding Company has provided requisite disclosures in the consolidated financial statements as to holdings as well as dealings in Specified Bank Notes during the period from 8 November, 2016 to 30 December, 2016. (Refer Note 46).

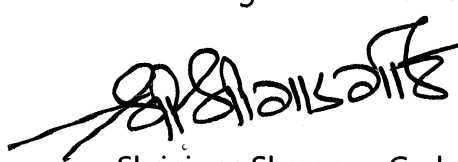
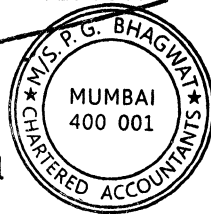
In Kochi unit, the Company has received amounts from employees in SBN after 8th of Nov 2016, which are classified as receipt from permitted transactions.

We have verified the closing cash balance with the books of accounts. However, details in respect of Specified Bank Notes is as provided by the management of respective entities, as necessary evidence regarding the same was not available for our verification.

For M/S P. G. BHAGWAT

Chartered Accountants

Firm's Registration Number 101118W

Shriniwas Shreeram Gadgil
Partner

Membership Number: 120570

Place: Mumbai

Date: 29th May 2017

Annexure A to the Auditors' Report

As referred in paragraph 1 under Report on Other Legal and Regulatory Requirements of our audit report of even date, the following statement is based in the comments in the Auditor's report on the Consolidated financial statement of the Holding company and its subsidiary incorporated in India (referred to as "the Group") for the year ended 31st March 2017:

1.

- (a) The Group has maintained proper records showing full particulars including quantitative details and situation of fixed assets.
- (b) The fixed assets have been physically verified by the management at reasonable intervals.

In Kochi unit, verification of the fixed assets was carried out during the year. The discrepancies noticed on the verification of fixed assets have been properly dealt with in the books of account.

In Rasayani unit, the Company carried out Impairment Study by an external independent agency and incorporated the impairment losses appropriately in the books of account.

- (c) The title deeds of immovable properties are held in the name of the company;

2.

- (a) The inventory has been physically verified by the management at reasonable intervals during the year.
- (b) In case of Rasayani unit, the verification of chemicals stores in non-working plants were not taken by dip measurement. Instead, reliance was placed on the meter reading device installed. The Company has maintained proper records of inventory. As explained to us, the discrepancies between the physical inventory and the book records noticed on physical verification were not material.

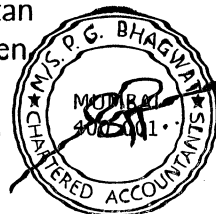
3. As explained to us, the Holding Company has granted secured loans to its subsidiary – Hindustan Fluorocarbons Ltd. and unsecured advance in the nature of loan to its joint venture subsidiary company – HOC-Chematur Ltd. Covered in the register maintained under section 189 of the Act.

The loan to Hindustan Fluorocarbons Ltd. is interest free to the extent of Rs. 2744.06 lakhs under BIFR agreement and has varying interest rates of 10.25% to 14.5% on amount of Rs.453.01 lakhs. Both the principal amount and the interest on this loan has not been received by company as per stipulation.

The advance to HOC- Chematur Ltd. of Rs. 1064.46 lakhs is interest free and there is no stipulation as to repayment of principal. The advance has been fully written off against provision made in previous year as it is doubtful of recovery.

In both the above cases, except follow up, the company has not taken any other steps for recovery of dues.

4. According to the information and explanations given to us by the management, the Group has not entered into any transaction regarding the provisions of section 185 & 186 of the Companies Act, 2013 except for guarantee given by the Holding Company of Rs.1,103 Lakhs for the loans taken by subsidiary – Hindustan Fluorocarbons Ltd., from bank. Based on the information and explanations given

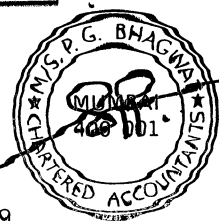


the terms and conditions of this guarantee are not prejudicial to the interest of the Holding Company.

5. The Group has not accepted any deposits from the public and hence the directives issued by the Reserve Bank of India and the provisions of Sections 73 to 76 or any other relevant provisions of the Act and the Companies (Acceptance of Deposit) Rules, 2015 with regard to the deposits accepted from the public are not applicable.
6. We have broadly reviewed the books of accounts maintained by the Group in pursuance to the rules made by the Central Government for maintenance of cost records under sub-section (1) of Section 148 of the Act, for the certain products of the company and are of the opinion that prima facie and prescribed accounts and records have been maintained. We have not, however made a detailed examination of the records with a view to determine whether they are accurate or complete.
7.
 - (a) According to the information and explanations given to us by the management and on the basis of our examination of the books of account carried on by us and records, the Holding Company has not deposited undisputed statutory dues, including Provident Fund, Service Tax, Duty of Customs, Duty of Excise, except Employees State Insurance, Income-Tax, Sales tax, Value added Tax, cess etc. since October 2013. There is no undisputed arrears of statutory dues outstanding as at 31st March, 2017 for the period of more than 6 Months from the date they became payable except for as stated below:

Rasayani Unit

(Rs in lakhs)			
Sr. No.	Name of Statute	Nature of Dues	Outstanding Amount
1	The Employees' Provident Funds And Miscellaneous Provisions Act, 1952	Employees Provident Fund contribution	5,743.16
2	The Employees' Provident Funds And Miscellaneous Provisions Act, 1952	Employees' Pension Fund contribution	431.97
3	Works Contract Tax Act, 1989	Works Contract Tax	1.64
4	Income Tax Act, 1961	Tax deducted at source	403.76
5	Central Sales Tax	Central Sales Tax	34.12
6	Professional Tax	Professional Tax	74.98
7	Gram Panchayat	Gram Panchayat Tax	80.53
8	Tahsildar	N. A. Assessment Tax	2.54
		TOTAL	6,772.71



Kochi Unit

(Rs in lakhs)

Sr. No.	Name of Statute	Nature of Dues	Outstanding Amount
1	The Employees' Provident Funds And Miscellaneous Provisions Act, 1952	Employees Provident Fund contribution	1,156.88
2	Income Tax Act, 1961	TDS - Salary	411.84
3	Excise Act	Excise duty	512.27
4	Professional Tax	Professional Tax	12.89
		TOTAL	2,093.87

Subsidiary Company

(Rs in lakhs)

Sr. No.	Name of Statute	Nature of Dues	Outstanding Amount
1	The Employees' Provident Funds And Miscellaneous Provisions Act, 1952	Employees Provident Fund contribution	348.28
		TOTAL	348.28

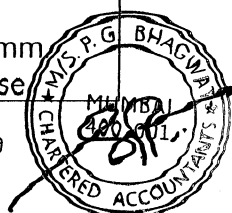
(b) According to the information and explanation given to us, there are no disputed dues of income tax, sales tax, service tax, duty of customs duty, excise duty, value added tax and cess which have not been deposited as at 31st March 2017 other than those shown below:

Rasayani Unit

(Rs. in lakhs)

Sr. No.	Name of the Statute	Nature of Dues	Period to which the dispute relates	Amount of Dispute	Forum where dispute is pending
1	Central Excise Act, 1944	Molten Sulphur Classification	Feb-97 to Jun-98	15.53	Customs, Excise and Service Tax Appellate Tribunal
2	Central Excise Act, 1944	Molten Sulphur Classification	Sept-94 to Jan-97	22.76	Customs, Excise and Service Tax Appellate Tribunal
3	Central Excise Act, 1944	Shortage of Inputs	1998-01	18.66	Pending at high court
4	Central Excise Act, 1944	Shortage of Inputs	July-01 to Sept-02	5.85	Commissionerate
5	Central Excise Act, 1944	ARO Case (Aniline Valuation)	July-03 to May-06	19.29	Customs, Excise and Service tax appellate

6	Central Excise Act, 1944	Clearance of SSA to Fertilizer Manufacturing Units	Sept-96 to Mar-00	112.78	Pending remanded by CEGAT but Central Excise department filed appeal in High Court
7	Central Excise Act, 1944	N2O4 Exemption	Jan.,06 to Feb-08	104.63	Customs, Excise and Service Tax Appellate Tribunal
8	Central Excise Act, 1944	Duty on clearance on Molten Sulphur	Nov-98 to Dec-98	5.05	Deputy commissioner central excise
9	Central Excise Act, 1944	Duty on clearance on Molten Sulphur	Dec-98 to Jan-99	2.59	Deputy commissioner central excise
10	Finance Act, 1944	Wrong credit avails on Angels, bar and HR coils and Plates	May-07 to Jul-10	1.44	Appeal filed before Assistant commissioner Central Excise
11	Finance Act, 1944	Cleaning, gardening and rent a cab services	Oct-09 to Nov-11	8.88	Deputy commissioner central excise
12	Finance Act, 1944	Service tax on canteen services	Feb-07 to Mar-11	66.96	Commissioner of Central Excise Custom and Service Tax.
13	Finance Act, 1944	Capital goods Bills of entry	27.11.2013 to 18.12.2014	17.58	Appeal filed before Hon'ble Comm. C excise Appeals Mumbai.II
14	Finance Act, 1944	Flood case	Jan-07	9.34	Appeal is to be filed in CESTATE
15	Finance Act, 1944	Reversal Penalty and int. payment as O-inO	Oct.,13 to Mar-15	10.95	Assistant commissioner Central Excise
16	Finance Act, 1944	Molten Sulphur	1999	7.62	Commissioner of Central Excise Appeals, Mumbai – II
17	Finance Act, 1944	Shortage of inputs		13.64	Commissioner of Central Excise
18	Finance Act, 1944	Reversal of cenvat	2006-07	18.66	Commissioner of Central Excise se
19	Finance Act, 1944	Service tax credit works	2015-16	17.80	Joint commissioner Central Excise
20	Finance Act, 1944	Contract Service		8.90	Appeal is to be filed before Hon'ble Comm Central Excise



					Appeals Mumbai-II
21	Income Tax Act, 1961	Penalty u/s 271(1)(c)	A.Y 1999-00	91.07	Bombay High Court
22	Income Tax Act, 1961	Penalty u/s 271(1)(c)	A.Y 1999-00	57.55	Bombay High Court
23	Income Tax Act, 1961	Penalty u/s 271(1)(c)	A.Y 2003-04	607.25	Bombay High Court
24	Income Tax Act, 1961	Penalty u/s 271(1)(c)	A.Y 2004-05	63.23	Bombay High Court
25	Income Tax Act, 1961	Disallowance of Expenses	A.Y. 2011-12	404.71	Bombay High Court. Awaiting for hearing.
26	Income Tax Act, 1961	Disallowance of Expenses	A.Y. 2012-13	81.03	Bombay High Court. Awaiting for hearing.
27	Income Tax Act, 1961	Disallowance of Expenses	A.Y. 2013-14	106.51	Bombay High Court. Awaiting for hearing.
			TOTAL	1,900.26	

Kochi Unit

(Rs. in lakhs)

Sr. No.	Name of Statute	Nature of Dues	Period to which the dispute relates	Amount of Dispute	Forum where dispute is pending
1	Finance Act,1994-Service Tax	Transportation of Excise Goods to Rasayani Depot- Service Tax. Pending for hearing.	Apr-03 to Dec-06	43.36	CESTAT, Bangalore
2	Finance Act,1994-Service Tax	Insurance Renewal /Tyre re trading Charges - Service Tax. Pending for hearing	Jul-11 to May-12	3.17	CESTAT, Bangalore
3	Finance Act,1994-Service Tax	Bus, Car transportation to employees-Service Tax. Pending for hearing	Nov-11 to Jun-12	1.10	Commissioner (Appeals), Ernakulam
4	Finance Act,1994-Service Tax	Insurance renewal/Tyre re trading charge-Service Tax. Pending for hearing	Jun-12 to May-13	10.96	Commissioner (Appeals), Ernakulam



5	Finance Act,1994- Service Tax-	Availing of Cenvat credit on the service tax paid for outdoor Catering , Insurance renewal /Transit insurance/Group Insurance and tyre re trading Charges. Department filed appeal to CESTAT. Pending for hearing	Apr-06 to Jan-13	83.32	CESTAT, Bangalore
6	ESI Corporation	IC No. 88 of 2004 HOCL Vs. ESI Corporation & another before employee Insurance Court (Industrial Tribunal) filed by HOCL challenging the Order of ESI corporation for payment of ESI contribution during the period from 01.04.1992 to 31.10.1992 amounting to ` 2,17,000	2004	2.17	ESI Court , Ernakulam
7	Central Sales Tax Act 1956	Levy of interest-CST	2005-06	155.23	Tribunal, Dept. of Commercial Taxes, Ernakulam
8	KVAT Act 2003	Levy of interest-KVAT	2005-06	152.63	Tribunal, Dept. of Commercial Taxes, Ernakulam
9	Central Sales Tax Act 1956 - Input tax credit	Input tax credit	2012-13	73.36	D.C. (Appeals), Dept. of Commercial Taxes, Ernakulam
10	KVAT Act 2003	KVAT Act 2003- Demand under Sec.25(1)	2011-12	714.58	Commissioner of Commercial Taxes, Thiruvanantha puram.
				1,239.88	

8. In our opinion & according to the information and explanation given to us, in absence of adequacy of funds the company has made default in repayment of dues to banks and government loan as per stipulation. Details for the default made by the company are as follows:



Government Loan –

(Rs. In Lakhs)

S.N.	Amount of default as at 31 st March 2017	Period of Default
1	61.60	2002-03
2	152.60	2003-04
3	212.60	2004-05
4	268.50	2005-06
5	328.50	2006-07
6	388.50	2007-08
7	448.50	2008-09
8	804.50	2009-10
9	749.10	2010-11
10	749.10	2011-12
11	687.50	2012-13
12	828.50	2013-14
13	768.50	2014-15
14	412.00	2015-16
15	844.20	2016-17
Total	7644.20	

Canara Bank Loan –

(Rs. In Lakhs)

S.N.	Amount of default as at 31 st March 2017	Period of Default
1	58.43	2015-16
2	117.10	2016-17
Total	175.53	

Government Plan Loan –

(Rs. In Lakhs)

S.N.	Amount of default as at 31 st March 2017	Period of Default
1	572.00	2016-17
Total	572.00	



9. In our opinion and according to the information and explanations given to us, the Group has not raised money by way of public issue/ follow-on offer (including

debt instruments)/term loan. The Group has received Government loan during the year and the same was applied for the purpose for which it was raised.

10. Based on the audit procedures performed and the information & explanations given by the management, we report that no fraud by the company or its subsidiary or on the company or its subsidiary by its officers or employees has been noticed or reported during the year.
11. Based upon the audit procedures performed and the information and explanations given by the management, the managerial remuneration has been paid or provided in accordance with the requisite approvals mandated by the provisions of section 197 read with Schedule V to the Companies Act.
12. In our opinion, the Company, as a Group, is not a Nidhi Company. Therefore, the provisions of clause 3 (xii) of the Order are not applicable to the Company.
13. In our opinion, all transactions with the related parties are in compliance with section 177 and 188 of Companies Act, 2013 and the details have been disclosed in the consolidated financial statements as required by the applicable accounting standards.
14. Based upon the audit procedures performed and the information and explanations given by the management, the Group has not made any preferential allotment or private placement of shares or fully or partly convertible debentures during the year under review. Accordingly, the provisions of clause 3 (xiv) of the Order are not applicable to the Company and hence not commented upon.
15. Based upon the audit procedures performed and the information and explanations given by the management, the group has not entered into any non-cash transactions with directors or persons connected with him. Accordingly, the provisions of clause 3 (xv) of the Order are not applicable to the Company and hence not commented upon.
16. In our opinion, the company is not required to be registered under section 45IA of the Reserve Bank of India Act, 1934 and accordingly, the provisions of clause 3 (xvi) of the order are not applicable to the Company and hence not commented upon.

For M/S P. G. BHAGWAT

Chartered Accountants

Firm's Registration Number



Shriniwas Shreeram Gadgil

Partner

Membership Number: 120570

Place: Mumbai

Date: 29th May 2017

Annexure B to the Auditors' Report

To the Members of Hindustan Organic Chemicals Limited For the year ended 31st March, 2017 (Referred to in paragraph 2 under Report on Other Legal and Regulatory Requirements)

As required by the directions and sub-directions issued by the Office of the Comptroller and Auditor General of India under Section 143(5) of the Companies Act, 2013, we give below our comments on the matters referred therein

1. Whether the Company has clear title/lease deeds for freehold and leasehold respectively? If not please state the area of freehold & leasehold land for which title/lease deeds are not available?

Based on the information & Explanation given to us we report that the Company has clear titles/lease deeds for freehold and leasehold respectively.

2. Please report whether there are any cases of waiver/ write off of debts/loans/interest etc., if yes, the reasons there for and the amount involved.

Rasayani unit:

During the year, the Rasayani unit of the company has written off Rs. 12.98 Lakhs due from M/s NOCIL.

Kochi unit.

Kochi unit has not written off any debt / loan / interest etc. during the year.

3. Whether proper records are maintained for inventories lying with third parties & assets received as gift from Govt. or other authorities?

As informed to us, there are no inventories lying with third parties and there are no assets received as gift from Govt. or other authorities during the year.

Sub-directions u/s 143(5) of the Companies Act, 2013

1. State the area of land under encroachment and briefly explain the steps taken by the Company to remove the encroachment.

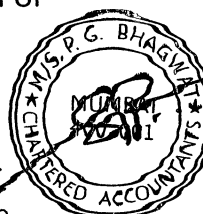
Rasayani Unit:

As informed to us, in Rasayani Unit, 40 acres (approx) land is under encroachment. The management has not taken any effective action for eviction of the encroachers. The land area allotted by the Government of Maharashtra is not earmarked and measured. Detail of encroachment is given on approximate basis.

It is recommended to obtain exact measurement report duly certified by collector to earmarked encroached area and fencing of total area. Thereafter actual area of encroachment can be measured correctly.

Kochi Unit:

In Kochi Unit, we are informed that no encroachment of land has been noticed.



M/s P. G. BHAGWAT

Chartered Accountants

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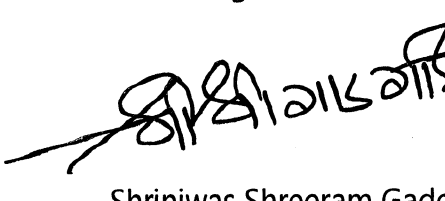
2. Average salary, retirement age etc. and assumptions made by the actuary regarding the discount rates, future cost increase, mortality rate etc. for arriving at the provisions for liability of retirement benefits viz., gratuity, leave encashment, post-retirement medical benefits etc.

The particulars furnished to the actuary and the assumption made by the actuary for arriving at the provisions for liability of retirement benefits have prima facie been verified by us.

For M/S P. G. BHAGWAT

Chartered Accountants

Firm's Registration Number 101118W



Shriniwas Shreeram Gadgil

Partner

Membership Number: 120570

Place: Mumbai

Date: 29th May 2017

Annexure C to the Auditors' Report**Report on the Internal Financial Controls under Clause (i) of Sub-section 3 of Section 143 of the Companies Act, 2013 ("the Act")**

In conjunction with my / our audit of the consolidated financial statements of the Company as of and for the year ended March 31, 2017, we have audited the internal financial controls over financial reporting of Hindustan Organic Chemicals Limited ((hereinafter referred to as "the Holding Company") and its subsidiary company as of that date.

Management's Responsibility for Internal Financial Controls

The respective Board of Directors of the of the Holding company and its subsidiary company are responsible for establishing and maintaining internal financial controls based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India (ICAI).

These responsibilities include the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the orderly and efficient conduct of its business, including adherence to the respective company's policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information, as required under the Companies Act, 2013.

Auditors' Responsibility

Our responsibility is to express an opinion on the Company's internal financial controls over financial reporting based on our audit.

We conducted our audit in accordance with the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting (the "Guidance Note") issued by the ICAI and the Standards on Auditing, issued by ICAI and deemed to be prescribed under section 143(10) of the Companies Act, 2013, to the extent applicable to an audit of internal financial controls, both issued by the Institute of Chartered Accountants of India. Those Standards and the Guidance Note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate internal financial controls over financial reporting was established and maintained and if such controls operated effectively in all material respects.

Our audit involves performing procedures to obtain audit evidence about the adequacy of the internal financial controls system over financial reporting and their operating effectiveness. Our audit of internal financial controls over financial reporting included obtaining an understanding of internal financial controls over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the



assessed risk. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.

We believe that the audit evidence we have obtained and the audit evidence obtained by the other auditors in terms of their reports referred to in the Other Matters paragraph below, is sufficient and appropriate to provide a basis for our audit opinion on the Company's internal financial controls system over financial reporting.

Meaning of Internal Financial Controls over Financial Reporting

A company's internal financial control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal financial control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorisations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorised acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Inherent Limitations of Internal Financial Controls Over Financial Reporting

Because of the inherent limitations of internal financial controls over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may occur and not be detected. Also, projections of any evaluation of the internal financial controls over financial reporting to future periods are subject to the risk that the internal financial control over financial reporting may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Opinion

In our opinion, the Holding Company and its subsidiary company have, in all material respects, an adequate internal financial controls system over financial reporting and such internal financial controls over financial reporting were operating effectively as at March 31, 2017, based on the internal control over financial reporting criteria established by the Company considering the essential components of internal

M/s P. G. BHAGWAT

Chartered Accountants

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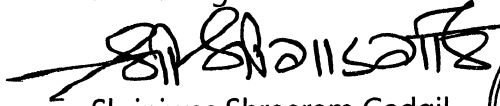
control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India except as reported below:

- (a) The Company should improve system of follow up with all creditors/debtors to ensure periodic reconciliation with parties because very few confirmations received during the year.
- (b) The Company needs to implement program for physical verification of all movable and immovable assets on periodic basis in addition to impairment study done by external independent agency.

For M/S P. G. BHAGWAT

Chartered Accountants

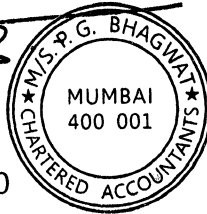
Firm's Registration Number 101118W



Shrinivas Shreeram Gadgil

Partner

Membership Number: 120570



Place: Mumbai,

Date: 29th May 2017