



Alufluoride Limited

***An ISO 9001, 14001
&
OHSAS 18001 - Company***



***Annual Report
2004 - 2005***



Alufluoride Limited

Board of Directors

Dr. T.R. Ramachandran
Smt. A. Jyothsana
Sri. Vemulapalli Ashok
Sri. Venkat Akkineni
Sri. M. Balarama Krishnaiah - APIDC Nominee
Sri. V.S. Prasad, Managing Director

Auditors

Messrs Rao & Kumar
Chartered Accountants
Soudamani, Siripuram
Visakhapatnam - 530 003

Bankers

State Bank of India

Registered Office

Alufluoride Limited
Victory Court, Nowroji Road,
Visakhapatnam - 530 002, A.P, India.
Phone : 91-891-2535606, 2535607
Fax : 91-891-2560036
Email : alufluoride@nettlinx.com
Website : <http://www.alufluoride.com>

Registrars & Share Transfer Agents

Ikon Visions Private Limited
Flat No.33, Sanali Heavens
8-3-948, Ameerpet
Hyderabad - 500 073
Phone : 91-40-23744138, 23744356
Fax : 91-40-55829559
Email : ikonvisions@yahoo.com

Factory

Mulagada Village
Mindhi Post
Visakhapatnam - 530 012, A.P, India.
Phone : 91-891-2577077, 2577094
Fax : 91-891-2560036



Alufluoride Limited

NOTICE TO SHARE HOLDERS

NOTICE is hereby given that Annual General Meeting of Alufluoride Limited will be held at the Registered Office of the Company at Victory Court, Nowroji Road, Visakhapatnam-530 002 on Monday, the 5 September, 2005 at 11.00 A.M. to transact the following business:

ORDINARY BUSINESS :

1. To receive, consider and adopt the Audited Profit & Loss Account for the year ended 31 March, 2005 and Balance Sheet as at that date and the Directors' and Auditors' Report thereon.
2. To elect a Director in place of Sri Vemulapalli Ashok who retires by rotation, and being eligible offers himself for reappointment.
3. To elect a Director in place of Sri Venkat Akkineni who retires by rotation, and being eligible offers himself for reappointment.
4. To appoint Auditors and to fix their remuneration.

SPECIAL BUSINESS

5. To Consider and, If thought fit, to pass with or without modification the following resolution as a Special Resolution :

Reappointment of Sri V.S. Prasad as Managing Director.

"RESOLVED THAT pursuant to the provisions of Sections 198, 269, 309, 310, 311, 316, Schedule XIII and other applicable provisions if any of the Companies Act, 1956, consent of the Company be and is hereby accorded to the reappointment of Sri V.S. Prasad as Managing Director of the Company at the following Remuneration for a further period of five years with effect from 12 August, 2004 to 11 August, 2009.

1. Remuneration :

- i) Salary - Rs.1,00,000/- P.M.
- ii) Commission @ 1 % on the net profits of the Company computed in the manner laid down in the Section 309 (5) of the Companies Act, 1956.

2. Perquisites :

In addition to the Salary and Commission, the Managing Director shall be entitled to the Perquisites, classified under Category A, B, and C, as per statement annexed provided that the Perquisites in the said Category 'A' shall be restricted to an amount equivalent to the annual salary.

"RESOLVED FURTHER THAT the Salary and perquisites aforesaid be paid and allowed, as minimum remuneration to the Managing Director during the remaining period of his tenure, in the event of loss or inadequacy of profits in any financial year".

STATEMENT OF PERQUISITES REFERRED TO IN THE RESOLUTIONS RELATING TO THE REMUNERATION OF THE MANAGING DIRECTOR

CATEGORY 'A'

i) Housing :

- a) The expenditure incurred by the Company on hiring furnished accommodation for him will be subject to a ceiling of 60 % of salary.
- b) Where accommodation in the Company - owned house is provided, he shall pay to the Company, by way of rent 10% of the salary. Wherever the Company does not provide accommodation, House rent allowance shall be paid in accordance with (a) above, and
- c) The expenditure incurred by the Company on gas, electricity, water and furnishing will be evaluated as per Income-Tax rules, 1962. This will, however, be subject to a ceiling of 10 % of the salary paid to him.

ii) Medical benefits for self and family :

Reimbursement of expenses actually incurred, the total cost of which to the Company shall not exceed one month's salary in a year or three months' salary over a period of three years.



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iii) Leave Travel concession :

For self and family, once in a year, incurred in accordance with the rules of the Company.

iv) Club fees :

Fees of clubs, subject to a maximum of two clubs. This will not include admission and life membership fees.

v) Personal accident insurance :

Of an amount, the annual premium of which, does not exceed Rs.4,000/-.

The perquisites, under this category, shall be restricted to an amount equivalent to the annual salary proposed to the Managing Director.

v. Any other Perquisites that may be allowed as per the guidelines issued by the Central Government from time to time.

The Perquisites, under this Category, shall not be included in the computation of the ceiling on remuneration specified in the Resolution."

**By order of the Board
for ALUFLUORIDE LIMITED**

Visakhapatnam
29 July, 2005

V. S. PRASAD
Managing Director

CATEGORY 'B'

Contribution to Provident Fund, Superannuation Fund or Annuity Fund, as per the rules of the Company, to the extent, these are not taxable under the Income-Tax Act, either singly or put together. Gratuity payable, shall not exceed, half a month's salary, for each completed year of service. The Perquisites, under this Category, shall not be included in the computation of the ceiling on remuneration specified in the resolution.

CATEGORY 'C'

- i. Free use of Company's car with driver for the business of the Company. Use of car for private purposes shall be billed by the Company.
- ii. Free telephone facility at residence. All personal long distance calls shall be billed by the Company.
- iii. Leave on full pay and allowances as applicable to other employees of the Company but not exceeding one month's salary for every 11 months service;
- iv. He shall also be entitled to reimbursement of expenses actually and properly incurred by him for the business of the Company ; and

NOTES :

1. The Explanatory Statement pursuant to Section 173 (2) of the Companies Act, 1956 is annexed hereto.
2. A member entitled to attend and vote at the meeting is entitled to appoint a proxy or proxies to attend and vote instead of himself/herself and such proxy or proxies need not be a member or members of the Company. The proxy form duly signed must be deposited at the Regd. Office of the Company not less than 48 hours before the time of holding the meeting.
3. The Share Transfer Register and Register of Members of the Company will remain closed from 2 September, 2005 to 5 September, 2005 (both days inclusive).
4. Any change of address of the Member may please be notified to the Company quoting the Registered Folio.
5. The Company has listed its shares at :
The Stock Exchange, Mumbai
Phiroze Jeejeebhoy Towers
Dalal Street
Mumbai - 400 001.



EXPLANATORY STATEMENT (PURSUANT TO SECTION 173 (2)) OF THE COMPANIES ACT, 1956

ITEM No. 5

The tenure of Sri V.S.Prasad whose appointment as Managing Director, for a period of 5 years, approved by the share holders at their Annual General Meeting held on 26 August, 1999 has expired on 11 August, 2004.

The Remuneration Committee during their meeting held on 31 July, 2004 have recommended reappointment of Sri V.S.Prasad as Managing Director for a further period of five years from 12 August, 2004 to 11 August, 2009 and recommended to continue the existing remuneration package which is being paid to Sri V.S.Prasad with effect from 1 July, 2002. The recommendations of the Remuneration Committee were approved by the Board of Directors of the Company during their meeting held on 31 July, 2004 and re-appointed Sri V.S.Prasad as Managing Director of the Company for a further period of 5 years, at the remuneration package approved by the Remuneration Committee.

In accordance with the provisions of the section 269 and Schedule XIII of the Companies Act, 1956, the reappointment of Sri V.S.Prasad as Managing Director of the Company requires the approval of the share holders by way of a Special Resolution.

None of the Directors excepting Sri V.S.Prasad, Sri Venkata Akkineni, Smt A.Jyothsana and Sri Vemulapalli Ashok are interested in the proposed special resolution.

This explanatory statement together with the terms of re-appointment mentioned in the accompanying notice should be treated as an abstract under section 302 of the Companies Act, 1956, in respect of the Contract proposed to be entered into between the Company and Sri V.S.Prasad, Managing Director.

**By order of the Board
for ALUFLUORIDE LIMITED**

Visakhapatnam
29 July, 2005

V. S. PRASAD
Managing Director



Alufluoride Limited

DIRECTORS' REPORT

To
The Members

Your Directors take pleasure in presenting their Annual Report together with the Audited Statements of Accounts for the year ended 31st March, 2005.

FINANCIAL RESULTS

The financial results of the Company for the year 2004-05 are summarized below :

	(Rs. in lakhs)	
	31-03-2005 Rs.	31-03-2004 Rs.
Sales and other revenue	1268.05	1398.71
Profit before Interest, Depreciation & write offs and Taxation	48.70	354.88
Less : Interest	28.07	57.94
Profit before Depreciation & write offs and Taxation	20.63	296.94
Less: Depreciation & write offs	67.86	74.32
Profit before Tax & other adj's	(47.23)	222.62
Less : Provision for Income Tax	—	16.60
Profit after Income Tax and before Deferred Tax adj's	(47.23)	206.02
Less: Provision for current year's Deferred tax Asset / Liability adj.	16.62	(60.68)
Profit after Income Tax and before adj's	(30.61)	145.34
Add : Prior Period Adjustments	0.11	—
Profit after tax	(30.50)	2145.34
Balance brought forward from last year & Adj's	(10.15)	(155.49)
Surplus/(Deficit) carried to Balance Sheet	(40.65)	(10.15)

OPERATIONS

Your Directors are to report that, due to short supply of Hydrofluosilicic Acid and price increase of Alumina Hydrate - a major raw material for producing Aluminium Fluoride (AlF₃) during mid of April, 2004 - after finalisation of annual sale contracts with various Customers, the cost of Production of AlF₃ has gone up steeply. The Customers have not considered the Company's request for corresponding price increase of AlF₃ but has assured the Company to increase the price in 2005-06. With efficient working capital management, continuous cost control measures, with reduction of interest & other charges etc etc your Directors have succeeded in minimizing the losses to a great extent during the year under review.

During the year 2004-05, the Company registered production of 3218 MT of Aluminium Fluoride as compared to 3846 MT during 2003-04. Sales and other revenue amounted to Rs.1268.05 lakhs during 2004-05 as compared to Rs.1398.71 lakhs during 2003-04. The Company earned a cash profit of Rs.20.63 lakhs during the year 2004-05 as compared to Rs.296.94 lakhs during 2003-04. The Company registered a Net loss of Rs.30.50 lakhs after tax, Deferred tax & prior period adj's as compared to Rs.145.34 lakhs Profit during 2003-04. The carried forward losses of the Company has increased to Rs.40.65 lakhs during 2004-05 as against Rs.10.15 lakhs during 2003-04.

TERM LOAN DUES

Your Directors are glad to report that during the year, a total amount of Rs.111 lakhs including prepayments was made to State Bank of Hyderabad, Visakhapatnam. As on date, an amount of Rs.68.70 lakhs is outstanding. Your Directors are planning to clear the total loan by end of March' 06 to make the Company a DEBT FREE Company.

OUTLOOK FOR THE CURRENT YEAR

Your Directors are to report that, during the year 2005-06, the sale price of Aluminium Fluoride has increased. Your Directors are making every effort to increase the Turnover & revenues of the Company during the current year 2005-06. With reduced interest



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burden, increased AIF3 selling price, ongoing operational efficiency etc etc your Directors are confident in presenting good results in the coming years.

EXPORTS

Your Directors are glad to report that the Company has registered an Export Sales of Rs.361.66 lakhs (FOB) during 2004-05 as compared to Rs.461.82 lakhs (FOB) during 2003-04 and planning to continue export of Aluminium Fluoride with the increased orders at better price realisation to Middle East etc.

ENVIRONMENT & SAFETY MEASURES

Following the ISO Certifications of 9001, 14001 and OHSAS 18001 the Company will continue taking all the necessary measures to maintain high standards of Environment, Clean and Green Belt, Water Harvesting, Pollution Control, Health and Safety Precautions etc, etc.

FIXED DEPOSITS/UNSECURED LOANS

Your Directors are to report that an amount of Rs.71.00 lakhs as against Rs.83.40 lakhs outstanding relates to Unsecured loans from the Directors/ Shareholders of the Company. The Company has complied with the provisions of Section 58A of the Companies Act, 1956.

INSURANCE

All the properties of the Company including Buildings, Plant and Machinery and Stocks have been adequately insured.

DIRECTORS

In accordance with the provisions of the Companies Act, 1956 and the Articles of Association of the Company, Sri Venkat Akkineni and Sri Vemulapalli Ashok will be retiring by rotation at the Annual General Meeting and are eligible for reappointment. The term of appointment of Sri V.S.Prasad as Managing Director expired and resolution to reappoint him as Managing Director for a further period of five years is being proposed.

AUDITORS

M/s. Rao & Kumar, Chartered Accountants, Visakhapatnam, the Auditors of the Company will be retiring at the conclusion of this Annual General Meeting and have conveyed their consent for reappointment.

COST AUDIT

The Company appointed Ms. K. Renuka, Cost Accountant as Cost Auditor of the Company for the year 2004-05 in place of Sri K.Srinivasa Rao who resigned as Cost Auditor. The approval from Central Govt. - change of Cost Auditor - is awaited.

RESPONSIBILITY STATEMENT

As per the provisions of Section 217 (2AA) of the Companies Act, 1956, Directors state :

- i. In the preparation of the annual accounts, the applicable accounting standards have been followed along with proper explanation relating to material departures.
- ii. The Directors have selected such accounting policies and applied them consistently and made judgements and estimates that are reasonable and prudent so as to give true and fair view of the state of affairs of the Company at the end of the financial year and of the Profit and 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 accounts on 'a going concern' basis.

PARTICULARS OF EMPLOYEES

There are no employees falling within the purview of the Section 217(2A) of the Companies Act, 1956 read with Company's (Particulars of Employees) Rules, 1975.



ADDITIONAL INFORMATION

Additional information on conservation of energy, technology absorption and foreign exchange earnings and outgo as required to be disclosed in terms of Section 217(1)(e) of the Companies Act, 1956 read with the Companies (Disclosure of particulars in the Report of the Board of Directors) Rules, 1988 is given in Annexure - 1 and forms part of this report.

CORPORATE GOVERNANCE

Pursuant to Clause 49 of the Listing Agreement, your Company has to mandatorily comply with the requirements of Corporate Governance. A report of compliance of Corporate Governance is annexed together with a Certificate from the Auditors of the Company on compliance.

LISTING OF SECURITIES

The Company's equity shares are listed on The Stock Exchange, Mumbai.

ACKNOWLEDGEMENTS

The Board of Directors of the Company take this opportunity to place on record their appreciation of the cooperation and support extended by State Bank of India and State Bank of Hyderabad. Your Directors also appreciate the sincere and efficient services rendered by the Employees of the Company at all levels towards successful working of the Company.

For and on behalf of the Board

V.S. PRASAD
Managing Director

Dr. T.R. RAMACHANDRAN
Director

Visakhapatnam
29 July, 2005



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ANNEXURE - 1

Information under Section 217(1)(e) of the Companies Act, 1956 read with the Companies (Disclosure of particulars in the Report of Board of Directors) Rules, 1988 for the year ended 31 March, 2005.

A. CONSERVATION OF ENERGY :

The Company continues to adopt various steps to conserve energy and has taken several measures including regular monitoring of consumption and improved maintenance of operations and modification of equipment for reduction in Power consumption. Total energy consumption and consumption per unit of production as prescribed in Form-A are given below :

A. Power and Fuel Consumption

	01-04-2004 to 31-03-2005	01-04-2003 to 31-03-2004
1. Electricity		
(a) Purchased Unit (KWH)	17,03,324	17,39,784
Total Amount Rs.	68,05,822	70,67,443
Average Rate / Unit (Rs.)	4.00	4.06
(b) Own Generation -		
Through Diesel Generator - 380 + 125 KVA		
- Unit (KWH)	7,652	17,756
Average Unit Per litre of Diesel Oil	2.85	3.05
Cost of Diesel per KWH (Rs.)	9.41	7.39
2. Furnace Oil / L.D.O		
Quantity (K.Ltrs)	1,149	1,173
Total Amount (Rs.)	1,31,35,807	1,24,24,773
Average Rate (Rs.)	11,432	10,593
B. Consumption per Unit of Production		
(a) Aluminium Fluoride		
Electricity (KWH)	532	457
Furnace Oil. L.D.O. (K.Ltrs)	0.357	0.305
C. Foreign Exchange Earnings		
(a) Foreign Exchange - F.O.B. Rs.	3,61,66,136	4,38,51,114
(b) Foreign Exchange out go :		
(c) Other Components, spare parts & foreign travel etc (Rs.)	19,56,276	10,82,476