



Alufluoride Limited

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

Report  Junction.com

***Annual Report
2005 - 2006***



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

XL Softech Systems Ltd.
3, Sagar Society
Road No.2, Banjara Hills
Hyderabad - 500 073
Phone : 91-40-23545913, 23545914, 23545915
Fax : 91-40-23553214
Email : mail@xlsoftech.com
xlfield@rediffmail.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 Wednesday, the 6 September, 2006 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, 2006 and Balance Sheet as at that date and the Directors' and Auditors' Report hereon.
2. To elect a Director in place of Sri M. Balarama Krishnaiah who retires by rotation, and being eligible offers himself for reappointment.
3. To elect a Director in place of Smt Akkineni Jyothsana who retires by rotation, and being eligible offers herself for reappointment.
4. To appoint Auditors and to fix their remuneration.

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

Visakhapatnam
31 July, 2006

V. S. PRASAD
Managing Director

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 4 September, 2006 to 6 September, 2006 (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 :
Bombay Stock Exchange Limited
Phiroze Jeejeebhoy Towers
Dalal Street
Mumbai - 400 001.



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, 2006.

FINANCIAL RESULTS

The financial results of the Company for the year 2005-06 are summarized below :

(Rs. in lakhs)

	31-03-2006 Rs.	31-03-2005 Rs.
Sales and other revenue	1964.22	1268.05
Profit before Finance charges, Depreciation, Taxation & other adj's	116.87	48.70
Less : Finance charges	18.21	28.07
Profit before Depreciation, Taxation & other adj's	98.66	20.63
Less: Depreciation	67.69	67.86
Profit before Taxation & other adj's	30.97	(47.23)
Less : Provision for Income Tax	2.76	—
Profit after Income Tax and before Deferred Tax adj's	28.21	(47.23)
Less: Provision for current year's Deferred tax Asset / Liability	11.17	16.62
Profit after Income Tax and before adj's	17.04	(30.61)
Add : Prior Period Adjustments	—	0.11
Profit after tax	17.04	(30.50)
Balance brought forward from last year	(40.65)	(10.15)
Surplus / (Deficit) carried to Balance Sheet	(23.61)	(40.65)

OPERATIONS

Your Directors are glad to report that, the Company has succeeded in sourcing alternate supplier for supply of major raw material Hydrofluosilicic Acid (Acid) for the year – for conversion on adhoc basis - and made a record Aluminium Fluoride Production of 4,673 MT as against 3,218 MT in 2004-05. During the year, the acid supplies from M/s Coromandel Fertilisers Ltd., continues to be in the lower side at 3,206 MT as against the agreed quantity of 4,000 TPA.

Your Directors have succeeded in highest ever production resulting in improved operating results. This has been possible with efficient working capital management, continuous cost control measures, reduction of interest, other charges etc., etc.

During the year 2005-06, Sales and other revenue amounted to Rs.1964.22 lakhs as compared to Rs.1268.05 lakhs during 2004-05. The Company earned a cash profit of Rs.98.66 lakhs during the year 2005-06 as compared to Rs. 20.63 lakhs during 2004-05. The Company registered a Net Profit of Rs.17.04 lakhs after tax, Deferred tax & prior period adj's as compared to Net loss of Rs.30.50 lakhs during 2004-05. The carried forward losses of the Company has been reduced to Rs.23.61 lakhs during 2005-06 as against Rs.40.65 lakhs during 2004-05. Due to inadequacy of Profits, your Directors have not recommended any Dividend.

TERM LOAN DUES

Your Directors are glad to report that during the year, the Company had repaid the total term loan dues to State Bank of Hyderabad, Visakhapatnam and made the Company as a DEBT – FREE Company.

OUTLOOK FOR THE CURRENT YEAR

With the operational efficiency, the Production capacity has been increased to 6,000 TPA as against 5,000 TPA. All efforts are being made to source Hydrofluosilicic Acid (acid) supplies from various parties – on adhoc conversion basis though expensive - to enable produce AIF3 to the maximum. Your Directors expect better results with reduced interest burden, increased AIF3 selling price, ongoing operational efficiency etc etc.



Alufluoride Limited

EXPORTS

Your Directors are glad to report that the Company has registered an Export Sales of Rs.541.20 lakhs (FOB) during 2005-06 as compared to Rs.361.66 lakhs (FOB) during 2004-05 and planning to continue export of Aluminium Fluoride with the increased orders at better price realisation to Middle East and other Countries.

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.35.10 lakhs as against Rs.71.00 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 M.Balarama Krishnaiah and Smt Akkineni Jyothsana will be retiring by rotation at the Annual General Meeting and are eligible for reappointment.

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 approval of Central Government for the appointment of Ms.K.Renuka, Cost Accountant to conduct the Cost Audit in respect of Aluminium Fluoride & related Products manufactured by the Company for the year ended 31 March, 2006 as recommended by the Board has been received vide order No.52/151/CAB-2000, dated 20, August, 2005.

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.
- v. 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.

**Alufluoride Limited****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 Bombay Stock Exchange Limited, 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, State Bank of Hyderabad and IDBI Ltd. 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

Visakhapatnam
31 July, 2006

M. BALARAMA KRISHNAIAH
Director



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, 2006.

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 tonne of production as prescribed in Form-A are given below :

A. Power and Fuel Consumption

	01-04-2005 to 31-03-2006	01-04-2004 to 31-03-2005
1. Electricity		
(a) Purchased Unit (KWH)	20,13,174	17,03,324
Total Amount Rs.	73,01,775	68,05,822
Average Rate / Unit (Rs.)	3.63	4.00
(b) Own Generation -		
Through Diesel Generator - 380 + 125 KVA		
- Unit (KWH)	9,336	7,652
Average Unit Per litre of Diesel Oil	2.97	2.85
Cost of Diesel per KWH (Rs.)	12.72	9.41
2. Furnace Oil / L.D.O		
Quantity (K.Ltrs)	1,599	1,149
Total Amount (Rs.)	2,30,62,829	1,31,35,807
Average Rate (Rs.)	14,423	11,432
B. Consumption per tonne of Production		
(a) Aluminium Fluoride		
Electricity (KWH)	433	532
Furnace Oil. L.D.O. (K.Ltrs)	0.342	0.357
C. Foreign Exchange Earnings		
(a) Foreign Exchange - F.O.B. Rs.	5,41,20,734	3,61,66,136
(b) Foreign Exchange out go :	—	—
(c) Other Components, spare parts & foreign travel etc (Rs.)	31,79,205	19,56,276



MANAGEMENT DISCUSSION AND ANALYSIS

INDUSTRY STRUCTURE AND DEVELOPMENT

Alufluoride Ltd (AL) is the only Company in Andhra Pradesh producing high purity Aluminium Fluoride (AlF₃) with the new technology developed by Alusuisse, Switzerland. This technology facilitates conversion of Fluorine effluents from Phosphatic Fertilizer Complex into Hydrofluosilicic Acid and then to Aluminium Fluoride. The project is a pollution abatement, import substitution, conserving natural resources like Fluorspar & Sulphur, cost effectiveness, converting waste into wealth and earning valuable foreign exchange to the Nation. AlF₃ is used as flux in reducing the melting point of Alumina during the electrolytic process of producing Aluminium. All Aluminium Smelters in India & some abroad are using the Company's product with repeat orders for increased quantities due to its quality with low impurities.

FUTURE OUTLOOK, OPPORTUNITIES, THREATS, RISKS & CONCERNS

Alufluoride Ltd (AL) set up the project in 1995 to produce AlF₃ and related products, based on an agreement between AL and M/s Coromandel Fertilisers Ltd, Visakhapatnam (CFL). As per the agreement, CFL has to supply 4,000 TPA of Hydrofluosilicic Acid (Acid) exclusively to AL. However, practically from the beginning CFL failed in meeting the contractual obligation with continued short supplies of acid. Consequently, AL's financial results were very much adversely affected.

AL continues to request CFL for improved acid supplies and AL hopes that this position will improve.

It is reported that, all the Aluminium smelters in India & abroad are increasing their Aluminium production capacities and also new Aluminium smelters are coming up with high capacities, resulting increased demand for AlF₃.

The only risk & concern for the Company is availability of Hydrofluosilicic Acid. If the acid is procured from other sources, the landed cost will be very high due to transport cost. As the Company is now Debt free, with efficient working capital management, improved AlF₃ sales realization etc your Directors are hopeful of improved financial results.

INTERNAL CONTROL SYSTEMS AND THEIR ADEQUACY

The Company has an internal control system which provide for:

- Efficient use and safeguarding of resources
- Accurate recording and custody of assets
- Compliance with prevalent statutes, policies, procedures, listing requirements, management guidelines and circulars
- Transactions being accurately recorded, cross verified and promptly reported
- Adherence to applicable accounting standards and policies
- IT systems, which include controls for facilitating the above

The internal control system provides for well documented policies, guidelines, authorizations and approval procedures. The internal audit reports are laid before the Audit Committee and discussions were held periodically by the Audit Committee at its meetings. The observations arising out of audit are subject to periodic review, compliance and monitoring. The significant findings/observations made in internal audit reports, along with the status of action thereon, are reviewed by the Audit Committee of the Board of Directors on a regular basis for further appropriate action, if and as deemed necessary.

HUMAN RESOURCE DEVELOPMENT

The continued Certification of Quality and Environmental Management System adopted by the Company to ISO 9001, 14001 and OHSAS 18001 manifests to the commitment of all the employees to excellence, Committed human resources is principal core strength of your Company and is attributed to the extremely cordial atmosphere prevailing in the Company. The total number of employees stood at 70 as on 31st March, 2006.



Alufluoride Limited

REPORT ON CORPORATE GOVERNANCE FOR THE YEAR ENDED 31 MARCH, 2006

CORPORATE GOVERNANCE :

In terms of Clause 49 of the Listing Agreement, compliance with the requirements of Corporate Governance is mandatory for your Company from the financial year 2001-02 and your Company is following the same.

COMPANY'S PHILOSOPHY :

The Company firmly believes in and has consistently practiced good Corporate Governance. The Company's philosophy on corporate governance envisages the attainment of the highest levels of transparency, accountability and equality, in all facets of its operations, and in all its inter-actions with stakeholders, including shareholders, employees, the Government, lenders, customers etc. The Company believes that all its operations and actions must serve the underlying goal of enhancing overall shareholder value.

BOARD OF DIRECTORS :

Composition of Directors and their Attendances at the Board Meetings during the year and the last Annual General Meeting and outside Directorships are as follows :

Director	No. of Board Meetings attended	Attendance at the previous AGM held on 5 September, 2005	No. of outside Directorships held	Executive/ Non Executive/ Independent
Mr. V.S. Prasad	4	Present	4	Executive
Mr. Venkat Akkineni	3	Present	3	Non - Executive
Mr. Vemulapalli Ashok	4	Present	2	Non - Executive
Mrs. A. Jyothsana	5	Present	3	Non - Executive
Mr. M. Balarama Krishnaiah	3	Present	9	Independent
Dr. T.R. Ramachandran	5	Present	—	Independent

BOARD MEETINGS HELD DURING THE YEAR 2005-06

During the Financial year 2005-06, five Board Meetings were held on 30 April 2005, 29 July, 2005, 24 October, 2005, 5 November, 2005 and 31 January, 2006.

BOARD COMMITTEES :

Audit Committee :

The Audit Committee comprises of two independent Directors and one Non-Executive Director. The Audit Committee met on 30 April, 2005, 29 July, 2005, 24 October, 2005 and 31 January, 2006. The Company Secretary acts as the Secretary of the Committee.