



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



***Annual Report  
2006 - 2007***



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#### **Board of Directors**

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

#### **Auditors**

Messrs Rao & Kumar  
Chartered Accountants  
54-11-43/6, Krishna College Road  
Maddilapalem  
Visakhapatnam – 530 022

#### **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@hotmail.com](mailto:alufluoride@hotmail.com)  
[alufluoride@nettlinx.com](mailto: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 - 500 034  
Phone : 91-40-23545913, 23545914, 23545915  
Fax : 91-40-23553214  
Email : [mail@xlsoftech.com](mailto:mail@xlsoftech.com)  
[xlfield@rediffmail.com](mailto:xlfield@rediffmail.com)

#### **Factory**

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



## 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 5 September, 2007 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, 2007 and Balance Sheet as at that date and the Directors' and Auditors' Report thereon.
2. To elect a Director in place of Dr. T. R. Ramachandran who retires by rotation, and being eligible offers himself for reappointment.
3. To elect a Director in place of Sri Ashok Vemulapalli who retires by rotation, and being eligible offers himself for reappointment.
4. To appoint Auditors and to fix their remuneration.

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

Visakhapatnam  
11 July, 2007

**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 3 September, 2007 to 5 September, 2007 (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 Ltd.  
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, 2007.

## FINANCIAL RESULTS

The financial results of the Company for the year 2006-07 are summarized below :

	(Rs. in lakhs)	
	31-03-2007	31-03-2006
	Rs.	Rs.
Sales and other revenue	2244.94	1964.22
Profit before Finance charges,		
Depreciation, Taxation & other adj's	450.77	116.87
Less : Finance charges	9.19	18.21
Profit before Depreciation,		
Taxation & other adj's	441.58	98.66
Less: Depreciation	68.33	67.69
Profit before Taxation & other adj's	373.25	30.97
Less : Provision for Income Tax	41.72	2.76
Profit after Income Tax and before		
Deferred Tax adj's	331.53	28.21
Less: Provision for current year's		
Deferred tax Asset / Liability	122.44	11.17
Profit after tax	209.09	17.04
Balance brought forward from		
last year	(23.61)	(40.65)
Surplus / (Deficit) carried to Balance		
Sheet	185.48	(23.61)

## OPERATIONS

Your Directors are glad to report that, with the efficient working capital management, optimum production facilities, continuous cost control measures, with the increased selling price of Aluminium Fluoride, reduction in interest & other charges etc etc, the Company made a record Profit for the year 2006-07.

Sales and other revenue during the year amounted to Rs. 2244.94 lakhs as compared to Rs.1964.22 lakhs during 2005-06. The Company earned a record Cash Profit of Rs.399.86 lakhs during the year 2006-07 as compared to Rs.95.90 lakhs during 2005-06. The Company registered a Net Profit of Rs.209.09 lakhs after tax, Deferred tax as compared to Rs.17.04 lakhs during 2005-06. During the year, the carried forward losses of the Company have been wiped out and surplus Profit recorded in the Balance Sheet to an amount of Rs.185.48 lakhs as against Rs.23.61 lakhs accumulated losses during 2005-06.

During the year, the acid supplies from M/s Coromandel Fertilisers Ltd (CFL) have substantially reduced to 2,439 MT as against agreed quantity of 4,000 TPA. Your Directors are hopeful that CFL will improve the acid supplies to the agreed level. However – conversion on adhoc basis – the Company made Aluminium Fluoride (AlF<sub>3</sub>) Production of 4,344 MT during the year as against 4,673 MT in 2005-06.

Your Directors, have succeeded in maintaining increased AlF<sub>3</sub> production with quality, image, service in order to establish good market share in the industry.

In order to consolidate operations, establish good results for the future years and to improve Shareholder's value, your Directors have not recommended any dividend.

## DEBT – FREE COMPANY

Your Directors are glad to report that during the year, the Company has totally repaid all the loans and became a DEBT – FREE Company.



## OUTLOOK FOR THE CURRENT YEAR

With the operational efficiency and increased production capacity to 6,000 TPA – even though the landed cost of Hydrofluosilicic acid is more from various suppliers, Company became a **DEBT-FREE COMPANY**, your Directors are hopeful of establishing good results in the current year and expect to improve the financial position of the Company.

## EXPORTS

Your Directors are glad to report that the Company has registered a record Export Sales of Rs.1210.53 lakhs (FOB) during 2006-07 as compared to Rs.541.20 lakhs (FOB) during 2005-06. Your Directors are planning to continue export of Aluminium Fluoride for the current year, even though the current exchange realization for USD is unfavourable.

## 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 glad to report that during the year, the Company had repaid the Unsecured Loans taken from the Directors/Shareholders of the Company and made the Company **DEBT – FREE** Company.

## 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, Dr. T.R. Ramachandran and Sri Ashok Vemulapalli 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, 2007 as recommended by the Board has been received vide order No.52/151/CAB-2000, dated 22 May, 2006.

## 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 Bombay Stock Exchange Ltd, 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 IDBI Bank 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, **Dr.T.R.RAMACHANDRAN**  
11 July, 2007 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, 2007.

## 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

	01-04-2006 to 31-03-2007	01-04-2005 to 31-03-2006
<b>1. Electricity</b>		
(a) Purchased Unit (KWH)	17,92,412	20,13,174
Total Amount Rs.	66,95,869	73,01,775
Average Rate / Unit (Rs.)	3.73	3.63
(b) Own Generation –		
Through Diesel Generator – 380 + 125 KVA		
- Unit (KWH)	27,697	9,336
Average Unit Per litre of Diesel Oil	3.02	2.97
Cost of Diesel per KWH (Rs.)	11.56	12.72
<b>2. Furnace Oil / L.D.O.</b>		
Quantity (K. Ltrs)	1,372	1,599
Total Amount (Rs.)	2,18,41,232	2,30,62,829
Average Rate (Rs.)	15,919	14,423

## B. Consumption per tonne of Production

a) Aluminium Fluoride		
Electricity (KWH)	419	433
Furnace Oil / L.D.O. (K. Ltrs)	0.316	0.342

## C. Foreign Exchange Earnings

(a) Foreign Exchange – F.O.B. Rs.	12,10,53,442	5,41,20,734
(b) Foreign Exchange out go :	—	—
(c) Other Components, spare parts & foreign travel etc (Rs.)	45,19,731	31,79,205

## MANAGEMENT DISCUSSION AND ANALYSIS

### INDUSTRY STRUCTURE AND DEVELOPMENT

Alufluoride Ltd (AL) is the only Company in Andhra Pradesh producing high purity Aluminium Fluoride (AlF<sub>3</sub>) 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. AlF<sub>3</sub> is used as flux in reducing the melting point of Alumina during the electrolytic process of producing Aluminium. All Aluminium Smelters in India & abroad are using the Company's product with repeat orders for increased quantities due to its quality and service with low impurities.

### FUTURE OUTLOOK, OPPORTUNITIES, THREATS, RISKS & CONCERNS

Alufluoride Ltd (AL) set up the project in 1995 to produce AlF<sub>3</sub> 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 effected.

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 AlF<sub>3</sub>.

The only risk & concern for the Company is availability of Hydrofluosilicic Acid (Acid). If the acid is procured from other sources, the landed cost will be very high due to transport cost. As the Company is Debt free, with efficient working capital management, improved AlF<sub>3</sub> sales realization etc, your Directors are hopeful of improved financial results with optimum production facilities.

### 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 attribute to the extremely cordial atmosphere prevailing in the Company. The total number of employees stood at 70 as on 31 March, 2007.



## REPORT ON CORPORATE GOVERNANCE FOR THE YEAR ENDED 31 MARCH, 2007

### 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, 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 attendance 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 6 September, 2006	No. of outside Directorships held	Executive/ Non Executive Independent
Mr. V.S. Prasad	4	Present	4	Executive
Mr. Venkat Akkineni	3	Present	5	Non – Executive
Mr. Ashok Vemulapalli	2	Present	2	Non – Executive
Mrs. A. Jyothsana	4	Present	3	Non – Executive
Mr. M. Balarama Krishnaiah	4	Present	12	Independent
Dr. T.R. Ramachandran	2	Present	1	Independent

### BOARD MEETINGS HELD DURING THE YEAR 2006-07

During the Financial year 2006-07, four Board Meetings were held on 29 April, 2006, 31 July, 2006, 31 October, 2006, 3 January, 2007.

### BOARD COMMITTEES :

#### Audit Committee :

The Audit Committee comprises of two independent Directors and one Non-Executive Director. The Audit Committee met on 12 April, 2006, 31 July, 2006, 31 October, 2006, 3 January, 2007. The Company Secretary acts as the Secretary of the Committee.