



Alufluoride Limited

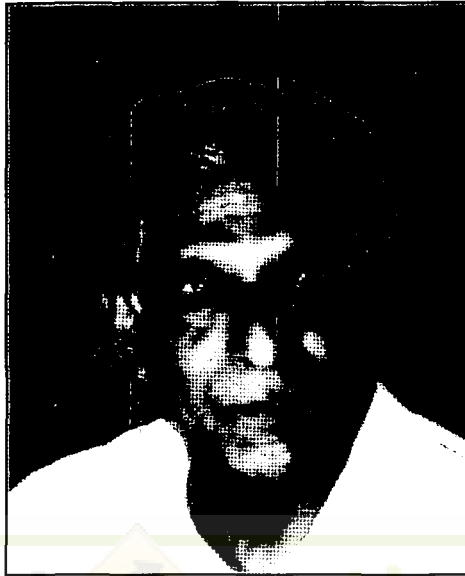
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OHSAS 18001 - Company

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Annual Report
2007 – 2008



V.S. Prasad

1933 - 2008

Managing Director, Alufluoride Ltd.

A few words about a man of few words - disciplined but loving, driven but contented, known to few but mentor to many - his deeds spoke one phrase : a near perfect life



Board of Directors

Dr. T.R. Ramachandran
Sri A.V.V.S.S.Ch.B. Sekhar Babu
Smt. A. Jyothsana
Sri Vemulapalli Ashok
Sri K. Purushotham Naidu, Director (Finance)
Sri Venkat Akkineni, Managing Director

Auditors

Messrs Rao & Kumar
Chartered Accountants
SOUNDAMANI
Siripuram
Visakhapatnam - 530 003

Bankers

State Bank of India

Registered Office

Alufluoride Limited
Anar Center, Nowroji Road,
Visakhapatnam 530 002, AP, India
Phone : (91 891) 253 5606, 253 5607
Fax : (91 891) 256 0036
Email : contact@alufluoride.com
Web : 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) 2354 5913, 2354 5914, 2354 5915
Fax : (91 40) 2355 3214
Email : mail@xlsoftech.com
xlfield@rediffmail.com

Factory

Mulagada Village
Mindhi Post
Visakhapatnam 530 012, AP, India.
Phone : (91 891) 257 7077, 257 7094
Fax : (91 891) 256 0036



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 Anar Center, Nowroji Road, Visakhapatnam 530 002 on Friday, the 25 September, 2008 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, 2008 and Balance Sheet as at that date and the Directors' and Auditors' Report hereon.
2. To declare a dividend.
3. To elect a Director in place of Smt. A. Jyothsana who retires by rotation, and being eligible offers herself for reappointment.
4. To appoint Auditors and to fix their remuneration.

SPECIAL BUSINESS:

5. To consider and if thought fit, to pass the following resolution as an Ordinary Resolution:

"RESOLVED THAT pursuant to the provisions of Sections 198, 269, 309, 310, 311, 316, read with Schedule XIII and other applicable provisions if any of the Companies Act, 1956, and subject to the approval of the members in the ensuing general meeting, consent of the Board be and is hereby accorded for the appointment of Sri Venkat N R Akkineni as the Managing Director of the Company for a period of five years, that is from 16.06.2008 to 15.06.2013 at a remuneration aggregating to 5% of the Net Profits of the Company. However in case of inadequate or absence of profits, he shall be entitled to the following remuneration:

1. Remuneration :

- i) Salary - Rs.1,25,000/- P.M.
- ii) Commission at 1% on the net profits of the Company computed in the manner laid down in 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 of 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.

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.

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'

- a. 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.
- b. Free telephone facility at residence. All personal long distance calls shall be billed by the Company.
- c. 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;
- d. He shall also be entitled to reimbursement of expenses actually and properly incurred by him for the business of the Company; and
- e. 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."

6. To consider and if thought fit, to pass the following resolution as an Ordinary Resolution:

"RESOLVED THAT pursuant to Section 257 and other applicable provisions, if any, of the

Companies Act, 1956, Sri K. Purushotham Naidu who was appointed as the Additional Director of the Company in the Board Meeting held on 26.10.2007 be and is hereby appointed as the Director of the Company, whose office is liable to retire by rotation.

FURTHER RESOLVED THAT subject to the provisions of Section 198, 269, 309, 310, 311, 316 read with Schedule XIII and other applicable provisions, if any, of the Companies Act, 1956, consent be and is hereby accorded for the appointment of Sri K. Purushotham Naidu as the DIRECTOR – FINANCE & ADMINISTRATION and shall be paid the following remuneration:

1. Salary & allowances – Upto Rs.75,000/- pm.
2. Perquisites: As per the Company's policy – like Medical, Bonus, LTA, PF, Gratuity etc.
7. To consider and if thought fit, to pass the following resolution as an Ordinary Resolution:

"RESOLVED THAT pursuant to Section 257 and other applicable provisions, if any, of the Companies Act, 1956 Sri A.V.V.S.S.Ch.B Sekhar Babu, who was appointed as the Additional Director of the Company in the Board Meeting held on 26.10.2007 be and is hereby appointed as the Director of the Company, whose office is liable to retire by rotation.

8. To consider and, if thought fit, to pass with or without modification(s) the following resolution as a special resolution.

"RESOLVED THAT the Equity Shares of the Company be de-listed from The Delhi Stock Exchange Limited in accordance with relevant laws, rules, regulations and guidelines (including statutory modifications(s) or re-enactment(s) thereof for the time being in force and as may be enacted hereafter) and subject to such approvals, permissions and sanctions from such authorities for compliance with such conditions and modifications as may be necessary for this purpose.

RESOLVED FURTHER THAT the Board of Directors of the Company (hereinafter referred to as "the Board") be and is hereby authorised to seek voluntary de-listing without giving an exit option to the shareholders at such time as they may, in



absolute discretion, consider appropriate on the terms and conditions as may be stipulated and in the best interests of the Company.

FURTHER RESOLVED THAT Mr. Venkat Akkineni, Managing Director of the Company be and is hereby authorized to take all necessary steps in this regard and to do all such acts, deeds, matters and things as it may deem necessary, proper or desirable and to settle any questions, doubts or issues that may arise in regard to de-listing of the Equity Shares and to execute all such deeds, documents writings as may be necessary, desirable or expedient and for this purpose.

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

Visakhapatnam
31 July, 2008

VENKAT AKKINENI
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 23 September, 2008 to 25 September, 2008 (both days inclusive).
4. The Board of Directors had in their meeting held on 31 July, 2008 recommended a Dividend of 10% on the Equity Capital of the Company.
5. Any change of address of the Member may please be notified to the Company quoting the Registered Folio.

6. The Company has listed its shares at :

Bombay Stock Exchange Ltd.
Phiroze Jeejeebhoy Towers
Dalal Street
Mumbai 400 001.

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

Item No. 5

Sri Venkat N R Akkineni, aged 53 years, is a renowned Film personality, an industrialist, and has a Masters Degree in Business Administration from University of Wisconsin, USA. He has vast experience in Chemical, Agricultural, Manufacturing, Film production units in the areas of Finance and Administration.

Sri Venkat NR Akkineni is a Promoter Director of the Company since 1991. Due to the sudden demise of Sri V.S. Prasad, Managing Director of the Company, Sri Venkat NR Akkineni took the initiative to come forward as the Managing Director of the Company. The Remuneration Committee has recommended his appointment & the Board of Directors had in their meeting held on 16 June, 2008 appointed him as the Managing Director of the Company w.e.f. 16th June, 2008 for a period of 5 years.

As per the provisions of Section 269 of the Companies Act, 1956 read with Schedule XIII, his appointment has to be ratified by the members in their meeting.

Your Directors recommend the resolution for your approval.

Sri Venkat NR Akkineni, Smt. A. Jyothsana & Sri V Ashok are concerned or interested in the proposed 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 Venkat NR Akkineni, Managing Director.

Item No. 6

Sri K. Purushotham Naidu, aged 52 years, is with



the Company since inception and has over 32 years experience in the fields of accounts, finance and administration. In view of his committed contribution for the success of the Company, the Board of Directors have pleased to take him as an Additional Director with effect from 26 October, 2007 in the Board meeting dated 26 October, 2007.

As per the provisions of Section.260 of the Companies Act, 1956 his term of office expires on the date of Annual General Meeting. A notice pursuant to Section 257 of the Companies Act, 1956 was received from a member signifying his intention to propose the candidature of Sri K Purushotham Naidu to the office of Director of the Company. Further as per the provisions of Section 269 of the Companies Act, 1956 read with Schedule XIII, his appointment as Director Finance has to be ratified by the members in their meeting.

Your Directors recommend the resolution for your approval.

None of the Directors are concerned or interested in the proposed 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 K. Purushotham Naidu, Director-Finance.

Item No. 7

Sri A.V.V.S.S.Ch.B Sekhar Babu, aged 45 years, is a practicing Company Secretary, handled over 30 Public issues and has vast experience in the fields of Secretarial matters, finance, and administration.

Sri A.V.V.S.S.Ch.B Sekhar Babu has been appointed as an Independent Director of the Company in the Board meeting held on 26 October, 2007. As per the provisions of Section.260 of the Companies Act, 1956 his term of office expires on the date of Annual General Meeting.

A notice pursuant to Section 257 of the Companies Act, 1956 was received from a member signifying his intention to propose the candidature of Sri A.V.S.S.Ch.B Sekhar Babu to the office of Director of the Company.

Your Directors recommend the resolution for your approval.

None of the Directors are concerned or interested in the proposed resolution.

Item No. 8

Members are aware that you have accorded approval for delisting the shares of the company from Delhi Stock Exchange in the general meeting held on 16.07.2004. Your Directors have made an application to the Delhi Stock Exchange in this regard. However till date the Delhi Stock Exchange has not accorded its approval. Further Delhi Stock Exchange vide its letter dated 26.07.2008 asked the company to obtain approval from members for the delisting.

Presently the Equity shares of the Company are listed on Bombay Stock Exchange Ltd, which has national wide terminal. The trading volume of the scrips of the Company at the Delhi Stock Exchange Limited is almost nil during the past 5-7 years.

Your Directors are of the view that no particular benefit is available to the shareholders of the Company by continuing the listing of the shares in The Delhi Stock Exchange. Such de-listing will also not affect trading facilities of the shareholders of the Company in view of the dematerialisation of shares, listing of shares at BSE and availability of on-line trading. The Company is therefore, contemplating the possibility of de-listing its shares from the aforesaid Stock Exchange without giving an exit option to the shareholders, as the securities of the Company continue to be listed at Bombay Stock Exchange Ltd.

As per the provisions of Securities and Exchange Board of India (Delisting of Securities) Guidelines, 2003, delisting of securities from a stock exchange requires prior approval of members by way of Special Resolution.

Your Directors recommend the resolution for your approval. None of the Directors are concerned or interested in the proposed resolution.

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

Visakhapatnam
31 July, 2008

VENKAT AKKINENI
Managing Director



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, 2008.

FINANCIAL RESULTS

The financial results of the Company for the year 2007-08 are summarized below:

	(Rs. in lakhs)	
	31-03-2008	31-03-2007
Sales and other revenue	2,218.50	2,244.94
Profit before Finance charges, Depreciation, Tax & other adj's	374.23	451.51
Less : Finance charges	3.41	9.19
Profit before Depreciation, Tax & other adj's	370.82	442.32
Less: Depreciation	69.73	68.33
Profit before Tax & other adj's	301.09	373.99
Less : Provision for Diminution in value of Investments	21.88	-
Income tax of earlier years	4.09	-
Provision for FBT & Income tax	66.15	42.46
Profit after Income Tax and before Deferred Tax adj's	208.97	331.53
Less: Provision for Deferred tax Asset / Liability adj's	(7.83)	122.44
Profit after tax	216.80	209.09
Balance brought forward from last year	185.48	(23.61)
Amount available for appropriations	402.28	185.48
Less: Provision for Proposed Dividend	70.00	-
Income tax on proposed Dividend	11.90	-
Balance transferred to Balance Sheet	320.38	185.48

OPERATIONS

Your Directors are to report that, during the year, due to world wide shortage of Rock Phosphate, increased international price of Sulphur and increased ocean freight, the producers of Phosphatic Fertilizer have faced a severe set back in production. Consequently, they could not reach the targeted production and therefore the Company could not get the required Hydrofluosilicic Acid, a by-product of Phosphoric Acid and a major raw material for the production of Aluminium Fluoride (AlF₃). During the year, the acid supplies from M/s Coromandel Fertilizers Ltd (CFL) were only 2,430 MT as against the contracted quantity of 4,000 TPA. During the year, the Company targeted a production over 4,800 MT and expected to have good financial results. However, due to the above-mentioned reason, the production of AlF₃ was limited to 4,004 MT as against 4,344 MT in 2006-07.

With efficient working capital management, optimized production, effective cost control measures, the Company posted satisfactory financial results, even though the Plant could not run to full capacity during the year. As per the details summarized above, the Company made a Profit of Rs. 216.80 lakhs after tax, deferred tax adj's, provision for diminution of value of investments as against Rs. 209.09 lakhs during 2006-07. The Sales & Other revenue during the year amounted to Rs. 2,218.50 lakhs as compared to Rs. 2,244.94 lakhs during 2006-07. The decline in sales is due to decline in sales quantity - 4,036 MT AlF₃ as against 4,306 MT during 2006-07.

DIVIDEND

In memory of the Founder & Managing Director, Late Sri V.S. Prasad, who had spared no efforts and had shown exemplary commitment to it's shareholders and made the Company Debt-free, financially healthy and strong, your Directors are pleased to recommend a Dividend of 10% (Rs.1/- per share) for the year 2007-08.

OUTLOOK FOR THE CURRENT YEAR

For the year, 2008-09, Govt. of India, has taken all measures to help the Phosphatic Fertilizer Industries by revising/modifying the subsidy rules etc, and with the result, the Company is hoping good Hydrofluosilicic Acid supplies for increased AlF₃



production. With increased demand for AIF3 and with the increased current selling price of AIF3, 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 Federation of Andhra Pradesh Chamber of Commerce & Industry, Hyderabad has announced FAPCCI Awards 2006-07 and chosen the Company for the Award of Outstanding Export Performance, which is an evidence for the Company's efforts of converting waste into wealth. The Company has registered an export Sales of Rs. 541.56 lakhs as against 1,210.53 lakhs during 2006-07. Due to high exchange rate fluctuation, short supplies of Acid and a favourable domestic sale price of AIF3 during 2007-08, your Directors have reduced Exports, but are keen to continue export sales to have an overseas market share.

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.. The Company proposes an energy audit during the current year.

FIXED DEPOSITS/UNSECURED LOANS

Your Directors are glad to report that during the year, the Company had repaid all Unsecured Loans taken from the Directors/Shareholders of the Company and made the Company DEBT-FREE.

INSURANCE

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

DIRECTORS

Sri V.S Prasad, founder & Promoter of the Company has expired on 20 May, 2008. He was instrumental in the formation of the Company and its overall development.

During the year under review, Sri A.V.S.S.Ch.B. Sekhar Babu, a practicing Company Secretary, was appointed as the Independent Director of the Company with effect from 26th October, 2007.

In consideration of Sri K. Purushotham Naidu, General Manager - Finance's valuable contributions to the success of the Company since its inception, your Directors have inducted him as Director with effect from 26th October, 2007.

Andhra Pradesh Industrial Development Corporation Ltd. (APIDC) has withdrawn its nominee Sri M. Balarama krishnaiah from the Board of Directors of the Company.

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

Ms. K. Renuka, Cost Auditor of the Company has resigned. Your Directors has appointed M/s D.V.J. Rao & Associates, Cost Accountants, Visakhapatnam as Cost Auditors of the Company for the year 2007-08 & 2008-09. Approval for the change of Cost Auditor from Govt. of India 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.

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, 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

VENKAT AKKINENI
Managing Director

Visakhapatnam
31st July, 2008

Dr. T.R.RAMACHANDRAN
Director