



Alufluoride Limited

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

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***Annual Report
2008 - 2009***

Board of Directors

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

Auditors

Messrs Rao & Kumar
Chartered Accountants
SOUDAMANI
Siripuram
Visakhapatnam 530 003

Bankers

State Bank of India
IDBI Bank Ltd
HDFC Bank Ltd
Punjab National Bank Ltd
ABN Amro Bank Ltd

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 500 034
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



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 Anar Center, Nowroji Road, Visakhapatnam 530 002 on Friday, the 25 September, 2009 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, 2009 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 Dr. T.R. Ramachandran who retires by rotation, and being eligible offers himself for reappointment.
4. To elect a Director in place of Sri Ashok Vemulapalli who retires by rotation, and being eligible offers himself for reappointment.
5. To appoint Auditors and to fix their remuneration.

SPECIAL BUSINESS:

6. 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, consent be and is hereby accorded for the appointment of Smt. Jyothsana Akkineni as Executive Director of the Company w.e.f. 13 July, 2009 for a period of 3 years."

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

Visakhapatnam
13 July, 2009

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, 2009 to 25 September, 2009 (both days inclusive).
4. The Board of Directors had in their meeting held on 13 July, 2009 recommended a Dividend of 12% 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. 6**

Smt Jyothsana Akkineni, aged 53 years, is a Post Graduate and has vast business experience. She is a Promoter of the Company. She has been actively participating in the affairs of the Company since its inception. Considering her services to the company your Directors had in their meeting held on 13 July, 2009 appointed her as Executive Director of the Company for a period of 3 years.

As per the provisions of Section 269 of the Companies Act, 1956 read with Schedule XIII, her appointment as Executive Director should be ratified by the members in their meeting.

Your directors recommend the resolution for your approval.

Sri Venkat Akkineni, Smt. Jyothsana Akkineni & Sri Ashok Vemulapalli 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 Smt. Jyothsana Akkineni, Executive 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, 2009.

FINANCIAL RESULTS

The financial results of the Company for the year 2008-09 are summarized below:

	(Rs. in lakhs)	
	31-03-2009	31-03-2008
	Rs.	Rs.
Sales and other revenue	2,085.18	1,988.12
Profit before Finance charges, Depreciation, Tax & other adj's	509.83	374.23
Less : Finance charges	1.28	3.41
Profit before Depreciation, Tax & other adj's	508.55	370.82
Less: Depreciation	70.79	69.73
Profit before Tax & other adj's	437.76	301.09
Less : Loss on sale / Diminution in value of Investments	56.51	21.88
Provision for current tax & FBT	159.80	66.15
Taxes of earlier years	(0.58)	4.09
Deferred Tax Asset / Liability adj's (17.46)		(7.83)
Profit before appropriations	239.49	216.80
Less : Provision for		
General Reserve	6.00	—
Proposed Dividend	84.00	70.00
Corporate Dividend tax	14.28	11.90
Surplus carried to Balance Sheet	135.21	134.90

OPERATIONS

Your Directors are to report that, during the year, due to world wide severe financial recession, the producers of Phosphatic Fertilizer could not produce their targeted production and as a result, the Company could not get the required Hydrofluosilicic Acid (acid), which is our major raw material. During the year, the acid supplies from M/s Coromandel Fertilizers Ltd (CFL) were only 1,621 MT as against the contracted quantity of 4,000 TPA. During the year, due to short supplies of acid, the Company could able to produce 3,328 MT only as against 4,004 MT in 2007-08.

During the year, the Company sold 3,333 MT of Aluminium Fluoride as against 4,036 MT during 2007-08. With improved selling price, the Sales & other Income during the year were reported at Rs.2,085.18 lakhs as against Rs.1,988.12 lakhs during 2007-08. With efficient working capital management, increased Aluminium Fluoride selling price, effective cost control measures, the Company posted satisfactory financial results, even though the Plant could not run to its full capacity. As per the details summarized above, the Company made a Profit of Rs.239.49 lakhs after tax, deferred tax adj's, and loss on sale/diminution in value of investments as against Rs. 216.80 lakhs during 2007-08

DIVIDEND

Your Directors are pleased to recommend a Dividend of 12% (Rs.1.20 per share) for the year 2008-09.

OUTLOOK FOR THE CURRENT YEAR

The Company succeeded in its efforts of exploring an alternate Hydrofluosilicic Acid supplier and has signed a contract for good acid supplies for the current year. With increased acid supplies, though the selling price of Aluminium Fluoride has drastically reduced (due to world wide recession), the Company is planning to run the plant at full capacity and build up a good market share for a better financial position for the Company in the coming years.



Alufluoride Limited

EXPORTS

Due to very low exchange rate, the Company could not take up any exports during the financial year 2008-09. However, with the improved exchange rates supported by forward exchange contracts, the Company has taken some exports of AIF3 for the financial year 2009-10 and plan to continue the exports in the coming years 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.

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

M/s. D.V.J. Rao & Associates, Cost Accountants, Visakhapatnam as Cost Auditors have been appointed to conduct Cost Audit for the year ended

31 March, 2009. They will submit their report to the Board of Directors before filing it to the Ministry of Corporate Affairs, New Delhi.

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

As required by the provisions of Section 217(2A) of the Companies Act, 1956, read with Companies (Particulars of Employees) Rules, 1975, as amended, the names and other particulars of the employees are furnished below.

Name & Designation	: Mr. Venkat Akkineni
Remuneration	: Rs.25,20,869/-
Qualification & Experience:	MBA Finance (USA)
Date of joining	: 14.08.1991
Age (years)	: 54
Last Employment	: Managing Director
	: M/s. Annapurna Studios (P) Ltd.



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.

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, HDFC Bank Ltd, ABN AMRO Bank Ltd and Punjab National Bank. 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
13 July, 2009

Dr. T.R. RAMACHANDRAN
Director

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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, 2009.

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

A. Power and Fuel Consumption

	01-04-2008 to 31-03-2009	01-04-2007 to 31-03-2008
1. Electricity		
(a) Purchased Unit (KWH)	14,12,512	18,53,831
Total Amount Rs.	55,60,852	67,88,104
Average Rate / Unit (Rs.)	3.94	3.66
(b) Own Generation –		
Through Diesel Generator – 380 + 125 KVA		
Unit (KWH)	56,360	12,444
Average Unit/Per litre of Diesel Oil	3.15	2.78
Cost of Diesel per KWH (Rs.)	11.30	12.65
2. Furnace Oil / L.D.O.		
Quantity (K. Ltrs)	1,101	1,417
Total Amount (Rs.)	2,68,08,381	2,56,18,791
Average Rate (Rs.)	24,349	18,080
B. Consumption per ton of Production		
a) Aluminium Fluoride		
Electricity (KWH)	441	466
Furnace Oil / L.D.O. (K. Ltrs)	0.331	0.354
C. Foreign Exchange Earnings		
(a) Foreign Exchange – F.O.B. Rs.	—	5,41,55,884
(b) Foreign Exchange out go :	—	—
(c) Other Components, spare parts & foreign travel etc (Rs.)	16,55,534	6,24,661


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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 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 ensures pollution abatement, import substitution, conservation of natural resources like Fluorspar & Sulphur, cost effective product, conversion of 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 & abroad are using the Company's product with repeat orders for increased quantities due to its quality & service.

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 Fertilizers Ltd, Visakhapatnam (CFL). As per the agreement, CFL is to supply 4,000 TPA of Hydrofluosilicic Acid (Acid) exclusively to AL. However, since inception CFL was unable to supply the contracted quantity. Consequently, AL's financial results were adversely affected.

AL continues to request CFL for improved acid supplies and hopes that 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 in an increased demand for AlF₃.

The only risk & concern for the Company is availability of Acid. When the acid is procured from other sources, the landed cost increases significantly 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 with optimized production.

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 61 as on 31 March, 2009.



REPORT ON CORPORATE GOVERNANCE FOR THE YEAR ENDED 31 MARCH, 2009

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:

Director	No. of Board Meetings attended	Attendance at the previous AGM held on 6 September, 2008	No. of outside Directorships held	Executive/ Non Executive Independent
Mr. V.S. Prasad *	1	Present	4	Executive
Mr. Venkat Akkineni	5	Present	5	Executive
Mr. Ashok Vemulapalli	5	Present	2	Non – Executive
Mrs. Jyothsana Akkineni	5	Present	3	Executive
Dr. T.R. Ramachandran	3	Present	1	Independent
Mr. K. Purushotham Naidu	5	Present	—	Executive
Mr. A.V.S.S.Ch.B. Sekhar Babu	5	Present	—	Independent

* Expired on 20 May, 2008

BOARD MEETINGS HELD DURING THE YEAR 2008-09

During the Financial year 2008-09, five Board Meetings were held on 30 April, 2008, 16 June, 2008, 31 July, 2008, 25 October, 2008 and 17 January, 2009.

BOARD COMMITTEES :

Audit Committee :

The Audit Committee comprises of two independent Directors and one Non-Executive Director. The Audit Committee met on 5 April, 2008, 31 July, 2008, 25 October, 2008 and 17 January, 2009. The Company Secretary acts as the Secretary of the Committee.