



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

***Annual Report
2009 - 2010***

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
SUDAMANI
Siripuram
Visakhapatnam 530 003

Bankers

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

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 24 September, 2010 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, 2010 and Balance Sheet as at that date and the Directors' and Auditors' Report thereon.
2. To elect a Director in place of Sri K. Purushotham Naidu who retires by rotation, and being eligible offers himself for reappointment.
3. To elect a Director in place of Sri A.V.V.S.S.Ch. B.Sekhar Babu 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 the following as a Special Resolution.

RESOLVED THAT consent of the members be and is hereby accorded to shift the factory from Mulagada village, Mindi post, Visakhapatnam to such other place as may be decided by the Board of Directors keeping in view of an assured & long term supply of Hydrofluosilicic Acid (a major raw material for producing Aluminium Fluoride).

FURTHER RESOLVED THAT the Board of Directors are authorized to identify the suitable place for shifting in consultation with experts and also to do all necessary acts, including but not limited to appointment of personnel, mobilization of funds, execution of deeds, documents, to give effect to the above resolution.

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

Visakhapatnam
30 July, 2010

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 22 September, 2010 to 24 September, 2010 (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.

EXPLANATORY STATEMENT UNDER SECTION 173 (2) OF THE COMPANIES ACT, 1956**Item No. 5 :**

The Company set up Aluminium Fluoride production plant at Visakhapatnam in 1993-95 at seven acres leased land taken from Visakhapatnam Port Trust at a project cost of Rs.17.50 crores. On 1st January, 1990, the Company entered a long term agreement with M/s Coromandel International Ltd (Erstwhile

M/s Coromandel Fertilizers Ltd), Visakhapatnam (CFL) for supply of 4,000 TPA Hydrofluosilicic Acid (a major raw material for producing Aluminium Fluoride) and the agreement is valid till 31 December, 2010. The Company commenced its commercial operations from 19th January, 1995. The Acid supplies from CFL are totally discouraging and due to continued lower supplies of Acid from CFL, the financials of the Company very much adversely effected. To make use of the existing production capacity of the plant, the Company is bringing good quantities of Acid since 2004 all the way from Tuticorin by road, which involves huge transport cost, since, the acid contains 80% water and have to pay huge transport cost.

Even at these difficult periods, the Company could manage to clear all the term loans and made the Company as a DEBT FREE and had paid Dividends for the last two years – 2007-08 and 2008-09. The Company established good market share of Aluminium Fluoride in the domestic as well as in the overseas market and got good reputation for its product.

The Acid supplies from CFL are deteriorating year after and in near future there is no sign of improvement of acid supplies from CFL. For coming out of these problems and for long term solution, your Directors are proposing to shift the total plant to the place where there is an assured acid supplies are available. Presently, M/s IFFCO Ltd, Paradeep (Orissa) and M/s Sterlite Industries Ltd, Tuticorin (Tamilnadu) are showing interest for supplying Company's required acid supplies on a long term basis and the discussions are in progress.

Your Directors are recommending the resolution for your approval.

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

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, 2010.

FINANCIAL RESULTS

The financial results of the Company for the year 2009-10 are summarized below:

	(Rs. in lakhs)	
	31-03-2010	31-03-2009
	Rs.	Rs.
Sales and other revenue	2,721.33	2,085.18
Profit before Finance charges,		
Depreciation, Tax & other adj's	309.45	509.83
Less : Finance charges	1.53	1.28
Profit before Depreciation,		
Tax & other adj's	307.92	508.55
Less : Depreciation	73.75	70.79
Profit before Tax & other adj's	234.17	437.76
Less : Loss on sale / Diminution		
in value of Investments	—	56.51
Provision for current tax & FBT	92.66	159.80
Taxes of earlier years	8.07	(0.58)
Deferred Tax Asset/Liability adj's	(20.32)	(17.46)
Profit before appropriations	153.76	239.49
Less: Provision for		
General Reserve	—	6.00
Proposed Dividend	—	84.00
Corporate Dividend tax	—	14.28
Surplus carried to Balance Sheet	153.76	135.21

OPERATIONS

Your Directors are to report that, during the year, due to world wide severe financial recession, the international sale prices of Aluminium Fluoride has crashed from USD 1,500 to USD 800 and with the result the Company's sale price also crashed from Rs.65,000/- to Rs.42,000/- pmt. However, there is no correspond reduction in raw material costs. Hydrofluosilicic acid (acid), which is a major raw material, supplies from M/s Coromandel International Ltd (CFL) was further reduced and they had supplied only 1,300 MT as against the contracted quantity of 4,000 TPA.

In spite of all these hurdles, the company could manage to produce record AIF3 production and had produced 5,090 MT during the year as against 3,328 MT in 2008-09. The Company made record sales of AIF3 and had sold 5,006 MT during the year as against 3,333 MT in 2008-09.

The Sales & other Income during the year were reported at Rs.2,721.33 lakhs as against Rs.2,085.18 lakhs during 2008-09. With efficient working capital management, increased Aluminium Fluoride production, effective cost control measures, though the average sale price of AIF3 has dropped by over Rs.9,000/- pmt when compared to 2008-09, the Company posted satisfactory financial results. As per the details summarized above, the Company made a Profit of Rs.153.76 lakhs after tax, deferred tax adj's, and loss on sale/diminution in value of investments as against Rs. 239.49 lakhs during 2008-09.

DIVIDEND

In view of proposed shifting of the plant to the place where the Company will have an assured Acid supplies are available and to improve the shareholder's value, your Directors have not recommended any Dividend for the year 2009-10.

OUTLOOK FOR THE CURRENT YEAR

The Company had finalized all the sale contracts for 2010-11 at the very competitive current prices and hopeful of break even the operations. The company is making all its every effort to shift the

plant to the place where there is an assured acid is available to reduce the huge transport cost to bare minimum and to post good financial results on a long term basis. As the global financial recession is in the fag end, the Company is hopeful of establishing good financial results in near future.

EXPORTS

Your Directors are glad to report that, the Company restarted its exports again and registered Export Sales of Rs.801.93 lakhs during the year as against Rs.NIL in 2008-09. Your Directors are planning to increase the Export sales for the current year though the export realization is at break even levels but to establish good international market share for the Company in the coming periods.

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, Sri K.Purushotham Naidu and Sri A.V.V.S.S.Ch.B.Sekhar Babu 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, 2010. 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

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, HDFC Bank Ltd, ABN

AMRO Bank Ltd, Axis Bank Ltd and Punjab National 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
30 July, 2010

Dr. T.R. RAMACHANDRAN
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, 2010.

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

	01-04-2009 to 31-03-2010	01-04-2008 to 31-03-2009
1. Electricity		
(a) Purchased Unit (KWH)	20,60,872	14,12,512
Total Amount Rs.	75,31,095	55,60,852
Average Rate / Unit (Rs.)	3.65	3.94
(b) Own Generation –		
Through Diesel Generator – 380 + 125 KVA		
- Unit (KWH)	1,44,084	56,360
Average Unit Per litre of Diesel Oil	3.23	3.15
Cost of Diesel per KWH (Rs.)	10.87	11.30
2. Furnace Oil / L.D.O.		
Quantity (K. Ltrs)	1,691	1,101
Total Amount (Rs.)	4,35,85,661	2,68,08,381
Average Rate (Rs.)	25,781	24,349
B. Consumption per ton of Production		
a) Aluminium Fluoride		
Electricity (KWH)	433	441
Furnace Oil / L.D.O. (K. Ltrs)	0.332	0.331
C. Foreign Exchange Earnings		
(a) Foreign Exchange – F.O.B. Rs.	8,46,04,133	—
(b) Foreign Exchange out go :	3,38,565	11,32,250
(c) Other Components, spare parts & foreign travel etc (Rs.)	2,62,300	5,23,284

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 International 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 and the supplies from them are deteriorating year after year. Consequently, AL's financial results were adversely affected.

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.

The Company is getting offers from Acid producers that they would like to supply the Acid on a long term

basis. The Company is also approaching various acid suppliers for supplies from them on an assured as well on a long term basis. If these efforts are successful, the Company prefer to shift the total plant to the place where there is an assured acid supply available, by which it can reduce the acid transport cost and can post good financial results on a long term basis.

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 69 as on 31 March, 2010.

REPORT ON CORPORATE GOVERNANCE FOR THE YEAR ENDED 31 MARCH, 2010

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 Attendances 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 25 September, 2009	No. of outside Directorships held	Executive/ Non Executive Independent
Mr. Venkat Akkineni	4	Present	5	Executive
Mr. Ashok Vemulapalli	4	Present	5	Non – Executive
Mrs. Jyothsana Akkineni	4	Present	3	Executive
Dr. T.R. Ramachandran	4	Present	1	Independent
Mr. K. Purushotham Naidu	4	Present	–	Executive
Mr. A.V.S.S.Ch.B. Sekhar Babu	4	Present	–	Independent

BOARD MEETINGS HELD DURING THE YEAR 2009-10

During the Financial year 2009-10, four Board Meetings were held on 30 April, 2009, 13 July, 2009, 15 October, 2009 and 28 January, 2010.

BOARD COMMITTEES :

Audit Committee :

The Audit Committee comprises of two independent Directors and one Non-Executive Director. The Audit Committee met on 30 April, 2009, 13 July, 2009, 15 October, 2009 and 28 January, 2010. The Company Secretary acts as the Secretary of the Committee.

The terms of reference of the Audit Committee mandated by your Board of Directors, which are also in line with the Statutory and regulatory requirements are;