



Registered Office : Anar Center, Nowroji Road, Visakhapatnam 530 002, AP, India

Dear Shareholder,

RE: Green Initiative in Corporate Governance: Go Paperless

Ref: Your Folio:

The Ministry of Corporate Affairs (MCA) has taken a "Green Initiative in Corporate Governance" (Circular No. 17/2011 dated 21.04.2011 and Circular No. 18/2011 dated 29.04.2011) allowing paperless compliances by Companies through electronic mode. Companies are now permitted to send various notices / documents to its shareholders through electronic mode to the registered e-mail addresses of shareholders.

This move by the Ministry is welcome since it will benefit the society at large through reduction in paper consumption and contribution towards a Greener Environment. It will avoid loss in postal transit, and ensure prompt receipt of communications. Also, your Company will save postal cost which is being incurred every year for sending annual reports etc.

Keeping in view the underlying theme and the circular issued by MCA, we propose to henceforth send all documents to be sent to Shareholders, such as General Meeting Notices (including AGM), Audited Financial Statements, Directors' Report, Auditors' Report in electronic form, to the e-mail address provided by them and made available to us by the Depositories.

Please note that all the above documents will be made available on the Company's website when we switch over for electronic despatches for viewing/download by the shareholders. The physical copies of the Annual Report will also be available at our Registered Office in Visakhapatnam for inspection during office hours.

We request you to send us your e-mail ID to the Company's mail ID "contact@alufluoride.com" with details of your Name and Folio No. / Depository Participant ID (DP ID) and Client ID on or before 30th September, 2011.

In case you desire to receive the above mentioned documents in physical form, you are requested to send an e-mail to contact@alufluoride.com.

Please note that, as a member of the Company, you will be entitled to be furnished free of cost, with a copy of the Balance Sheet of the Company and all other documents required by law to be attached thereto including the Profit & Loss Account and Auditors' Report, upon receipt of a requisition from you, at any time.

We are sure that, as a responsible citizen, you will whole-heartedly support this initiative and will co-operate with the Company in implementing the same.

Best Regards,

For ALUFLUORIDE LIMITED
K. PURUSHOTHAM NAIDU
Compliance Officer

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
ABN Amro Bank Ltd
Axis Bank Ltd

Registered Office

Alufluoride Limited
Anar Center, Nowroji Road,
Visakhapatnam 530 002, AP, India

Phone : (91 891) 254 8568,
Fax : (91 891) 254 8567
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
Mindi Post
Visakhapatnam 530 012, AP, India.
Phone : (91 891) 257 7077, 257 7094
Fax : (91 891) 254 8567

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 16 September, 2011 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, 2011 and Balance Sheet as at that date and the Directors' and Auditors' Report hereon.
2. To elect a Director in place of Smt Jyothsana Akkineni, Executive Director who retires by rotation, and being eligible offers herself for reappointment.
3. To appoint Auditors and to fix their remuneration.

By order of the Board
For ALUFLUORIDE LIMITED

Visakhapatnam
22 July, 2011

VENKAT AKKINENI
Managing Director

NOTES:

1. 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.
2. The Share Transfer Register and Register of Members of the Company will remain closed from 14 September, 2011 to 16 September, 2011 (both days inclusive).
3. Any change of address of the Member may please be notified to the Company quoting the Registered Folio.
4. 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, 2011.

FINANCIAL RESULTS

The financial results of the Company for the year 2010-11 are summarized below:

	(Rs. in lakhs)	
	31-03-2011	31-03-2010
Sales and other revenue	1,911.07	2,721.33
Profit before Finance charges, Depreciation, Tax & other adj's	(27.86)	309.45
Less : Finance charges	1.81	1.53
Profit before Depreciation, Tax & other adj's	(29.67)	307.92
Less: Depreciation	78.40	73.75
Profit before Tax & other adj's	(108.07)	234.17
Less : Loss on sale/Diminution		
in value of Investments	—	—
Provision for current tax & FBT	—	92.66
Taxes of earlier years	0.16	8.07
Deferred Tax Asset/Liability adj's	(26.43)	(20.32)
Profit before appropriations and carried to Balance Sheet	(81.80)	153.76

OPERATIONS

Your Directors are to report that, due to 2009-10 worldwide recession, the Aluminium Fluoride (AlF₃) sale price went down drastically and these levels were continued till 2010-11. Further, due to

lower Hydrofluosilicic Acid supplies, a major raw material, the Company had produced 3,894 MT during the year under review as against 5,090 MT during 2009-10. Coramandel International Ltd., supplied only 1,080 MT acid, which is a lowest acid supply since 1995. During the year, the Company sold 3,963 MT AlF₃ as against 5,006 MT in 2009-10. Due to these factors, the Sales and other Income during the year were reported at Rs. 1,911.07 lakhs as against Rs. 2,721.33 lakhs during 2009-10. However, with efficient working capital management, planned other income and with effective cost control measures, the Company managed to restrict the losses and posted a net loss for the year under review to Rs. 81.80 lakhs as against net profit of Rs. 153.76 lakhs in 2009-10.

DIVIDEND

During the year under review, your Directors are not recommending any dividend.

OUTLOOK FOR THE CURRENT YEAR

Due to lower acid supplies in 2010-11, the Company was unable to complete the execution of the orders in full and had requested the customers to defer the dispatch schedule to 2011-12. With the result, a pending export order of 2,000 MT is to be executed at the recession price levels, during the current year. However, with the increased AlF₃ sale price and stable acid supplies, the Company is confident of breaking even and will attempt to achieve marginal profits.

The Company is making all efforts to shift the plant to a location where there is an assured acid availability to avoid very high transport costs and achieve good financial results on a long term basis.

EXPORTS

During the year under review, the Company registered an Export sale of Rs. 410.18 lakhs as against Rs.801.93 lakhs during 2009-10.

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, Smt Jyothsana Akkineni, Executive Director will be retiring by rotation at the Annual General Meeting and is 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, 2011. 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. 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
22 July, 2011

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, 2011.

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

	01-04-2010 to 31-03-2011	01-04-2009 to 31-03-2010
1. Electricity		
(a) Purchased Unit (KWH)	17,45,200	20,60,872
Total Amount Rs.	78,22,886	75,31,095
Average Rate / Unit (Rs.)	4.48	3.65
(b) Own Generation –		
Through Diesel Generator – 380 + 125 KVA		
- Unit (KWH)	1,22,816	1,44,084
Average Unit Per litre of Diesel Oil	3.15	3.23
Cost of Diesel per KWH (Rs.)	12.34	10.87
2. Furnace Oil / L.D.O		
Quantity (K.Ltrs)	654	1,691
Total Amount (Rs.)	1,87,11,009	4,35,85,661
Average Rate (Rs.)	28,620	25,781

B. Consumption per ton of Production

a) Aluminium Fluoride		
Electricity (KWH)	480	433
Furnace Oil / L.D.O. (K.Ltrs)	0.335	0.332

C. Foreign Exchange Earnings

(a) Foreign Exchange – F.O.B. Rs.	4,22,99,260	8,46,04,133
(b) Foreign Exchange out go :	7,47,452	3,38,565
(c) Other Components, spare parts & foreign travel etc (Rs.)	4,87,920	2,62,300

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 80 as on 31 March, 2011.

REPORT ON CORPORATE GOVERNANCE FOR THE YEAR ENDED 31 MARCH, 2011

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 24 September, 2010	No. of outside Directorships held	Executive / Non Executive/ Independent
Mr. Venkat Akkineni	4	Present	7	Executive
Mr. Ashok Vemulapalli	3	Present	5	Non – Executive
Mrs. Jyothsana Akkineni	4	Present	3	Executive
Dr. T.R. Ramachandran	3	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 2010-11

During the Financial year 2010-11, four Board Meetings were held on 28 April, 2010, 30 July, 2010, 30 October, 2010 and 8 February, 2011.

BOARD COMMITTEES:

Audit Committee:

The Audit Committee comprises of two independent Directors and one Non-Executive Director. The Audit Committee met on 28 April, 2010, 30 July, 2010, 30 October, 2010 and 8 February, 2011. 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;

- a) Overview of the company's financial reporting process and the disclosure of its financial information to ensure that the financial statement is correct, sufficient and credible.
- b) Recommending the appointment and removal of external auditors, fixation of audit fee and also approval for payments of any other services.
- c) Reviewing with management the annual financial statements before submission to the Board.
- d) Reviewing with management, external and internal auditors, the adequacy of internal control system.
- e) Reviewing the adequacy of internal audit reporting structure, coverage and frequency of internal audit.
- f) Discussions with internal auditors on any significant findings and follow-up thereon;
- g) Reviewing the findings of any internal investigations by the internal auditors into matters where there is suspected fraud or irregularities or failure of internal control systems of a material nature and reporting the matter to the Board;
- h) Discussion with external auditors before the audit commences - nature and scope of audit as well as have post audit discussions to ascertain any area of concern.
- i) Reviewing the Company's financial and risk management policies.
- j) To look into the reasons for substantial defaults in the payment to the depositors, debenture holders, shareholders (in case of non-payment of declared dividends) and creditors.

Shareholders' Grievances Committee:

The Share Transfer Committee comprising of Sri Venkat Akkineni, Sri. Ashok Vemulapalli and Smt. Jyothsana Akkineni deals with share transfers, complaints/grievances of the shareholders on a regular basis. All the complaints/grievances have generally been resolved to the satisfaction of the members concerned.

Remuneration Committee:

The Committee comprises of two Independent Directors.

The remuneration policy of the Company is based on the principle of attracting best available talent and is in line with the industry standards.

Details of remuneration and payments to Directors during the financial year 2010-11 are given below

Name of the Director	Sitting Fee - Board Committee (Rs.)	Salaries & Perks (Rs.)	Other Transaction (Rs.)
Mr. Venkat Akkineni	---	28,87,817	---
Mr. Ashok Vemulapalli	3,000	---	9,000
Mrs. Jyothsana Akkineni	---	---	23,293
Dr. T.R. Ramachandran	3,000	---	9,000
Mr. K. Purushotham Naidu	---	10,62,803	---
Mr. A.V.S.S.Ch.B. Sekhar Babu	4,000	---	12,000