



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

*Annual Report
2011 - 2012*

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
Axis Bank Ltd

Registered Office & Factory

Alufluoride Limited
Mulagada, Mindi
Visakhapatnam 530 012, AP, India.

Phone: (91 891) 254 8568, 257 7077
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

NOTICE TO SHARE HOLDERS

NOTICE is hereby given that Annual General Meeting of Alufluoride Limited will be held at Anar Centre, Nowroji Road, Visakhapatnam 530 002 on Tuesday, the 25 September, 2012 at 11.00 AM to transact the following business:

ORDINARY BUSINESS:

1. To receive, consider and adopt the Audited Profit and Loss Account for the year ended 31 March, 2012 and Balance Sheet as at that date and the Directors' and Auditors' Report hereon.
2. To elect a Director in place of Dr. T.R. Ramachandran, Director who retires by rotation and being eligible offers himself for re-appointment.
3. To elect a Director in place of Sri Ashok Vemulapalli, Director, who retires by rotation and being eligible offers himself for re-appointment.
4. To appoint Auditors and to fix their remuneration.

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

Visakhapatnam
30 July, 2012

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 Registered 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 21 September, 2012 to 25 September, 2012 (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, 2012.

FINANCIAL RESULTS

The financial results of the Company for the year 2011-12 are summarized below :

	(Rs. in lakhs)	
	31-03-2012	31-03-2011
Sales and other revenue	2,560.42	1,886.51
Profit before Finance charges, Depreciation, Tax & other adj's	258.40	(27.86)
Less : Finance charges	0.55	1.81
Profit before Depreciation, Tax & other adj's	257.85	(29.67)
Less: Depreciation	80.19	78.40
Profit before Tax & other adj's	177.66	(108.07)
Less: Provision for current tax	55.80	—
Taxes of earlier years	(0.29)	0.16
Deferred Tax Asset/Liability adj's	(10.58)	(26.43)
Profit before appropriations and carried to Balance Sheet	132.73	(81.80)

OPERATIONS

Your Directors are to report that, with the improved supply of Hydrofluosilicic Acid, a major raw material for producing Aluminium Fluoride (AlF₃), the Company produced 4,436 MT of AlF₃ during the year under review as against 3,894 MT during 2010-11. During the year the Company sold 4,451 MT AlF₃ as against 3,963 MT in 2010-11. With the increased sale price of AlF₃, Sales and other Income during the year under review, reported at Rs. 2,560.42 lakhs as against Rs. 1,886.51 lakhs during 2010-11. With efficient working capital management, planned other income and with effective cost control measures, the Company posted a net profit of Rs. 132.73 lakhs for the year under review as against net loss of Rs. 81.80 lakhs in 2010-11.

DIVIDEND

In view of the proposed shifting of the Plant to the place where the Company will get assured acid supplies, your Directors are not recommending any Dividend.

OUTLOOK FOR THE CURRENT YEAR

The sale price of Aluminium Fluoride for the current year has increased. However, the Company has a huge pending export order, which is to be executed at the 2009 recession price levels. To improve the profitability levels compared to the last year, the Company requested and obtained the overseas client's permission for executing part pending order in 2012-13 and agreed to complete the balance in 2013-14. Though the adjacent fertilizer complex supplied record low supplies of 742 MT acid in 2011-12, the Company is confident of getting its required acid supplies from long distance suppliers, to maintain the last year's (2011-12) AlF₃ Production & Sales levels and to post good returns.

EXPORTS

During the year under review, the Company registered an Export sale of Rs. 85.78 lakhs as against Rs.410.18 lakhs during 2010-11.

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. 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, Directors will be retiring by rotation at the Annual General Meeting and are eligible for re-appointment.

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 re-appointment.

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, 2012. 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., 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
30 July, 2012

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, 2012.

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

	01-04-2011 to 31-03-2012	01-04-2010 to 31-03-2011
1. Electricity		
(a) Purchased Unit (KWH)	19,92,680	17,45,200
Total Amount Rs.	87,21,897	78,22,886
Average Rate / Unit (Rs.)	4.38	4.48
(b) Own Generation –		
Through Diesel Generator – 380 + 125 KVA - Unit (KWH)	1,70,760	1,22,816
Average Unit Per litre of Diesel Oil	3.25	3.15
Cost of Diesel per KWH (Rs.)	13.58	12.34
2. Furnace Oil & Coal		
(a) Furnace oil:		
Quantity (Kilo Liters)	92	654
Total Amount (Rs.)	32,93,345	1,87,11,009
Average Rate (Rs.)	35,960	28,620
(b) Coal:		
Quantity (MT)	6,016	2,908
Total Amount	3,06,47,143	1,46,86,263
Average Rate (Rs.)	5,094	5,050
B. Consumption per ton of Production		
Aluminium Fluoride:		
(a) Electricity (KWH)	488	480
(b) Furnace Oil (Kilo Liters)	0.354	0.335
(c) Coal (MT)	1.441	1.497
(Furnace oil & Coal consumptions) Quantity of Furnace oil/Coal consumed / quantity of Aluminium Fluoride produced)		
C. Foreign Exchange Earnings		
(a) Foreign Exchange – F.O.B. (Rs.)	79,29,250	4,22,99,260
(b) Foreign Exchange out go:	4,01,030	7,47,452
(c) Other Components, spare parts & foreign travel (Rs.)	84,533	4,87,920

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. Many Aluminium Smelters in India and abroad are using the Company's product with repeat orders for increased quantities due to its quality and 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 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 and the supplies from them were deteriorating year after year. Consequently, AL's financial results were adversely affected. However during the first quarter of this financial year, there has been an improvement in the supply, though not to the optimum level.

It is reported that, all the Aluminium smelters in India and 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.

The Company is getting offers from Acid producers that they would like to supply the Acid on a long-term basis. The Company is pursuing these various sources for assured supplies from them on a long-term basis. If these efforts are successful, the Company can post good financial results.

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 81 as on 31 March, 2012.

REPORT ON CORPORATE GOVERNANCE FOR THE YEAR ENDED 31 MARCH, 2012

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 16 September, 2011	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	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 2011-12

During the Financial year 2011-12, four Board Meetings were held on 30 April, 2011, 22 July, 2011, 11 November, 2011 and 6 February, 2012.

BOARD COMMITTEES:

Audit Committee:

The Audit Committee comprises of two independent Directors and one Non-Executive Director. The Audit Committee met on 30 April, 2011, 22 July, 2011, 11 November, 2011 and 6 February, 2012. 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 has 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 2011-12 are given below

Name of the Director	Sitting Fee – Board Committee (Rs.)	Salary & Perks (Rs.)	Other Transaction (Rs.)
Mr. Venkat Akkineni	—	29,09,552	—
Mr. Ashok Vemulapalli	3,000	—	9,000
Mrs. Jyothsana Akkineni	—	—	26,057
Dr. T.R. Ramachandran	4,000	—	12,000
Mr. K. Purushotham Naidu	—	11,74,400	—
Mr. A.V.S.S.Ch.B. Sekhar Babu	4,000	—	12,000