



GUJARAT FLUOROCHEMICALS LIMITED

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12TH
ANNUAL REPORT
1998-99



GUJARAT FLUOROchemicalS LIMITED

TWELFTH ANNUAL GENERAL MEETING

On Friday, the 24th September, 1999
at 10.30 a.m.

at

S/No. 16/3, 26 & 27

Ranjitnagar 389 380

Taluka Ghoghamba

Dist. Panchmahals

Gujarat

Request to Shareholders

1. Shareholders are requested to bring their copy of the Annual Report alongwith them at the Annual General Meeting as copies of the Report will not be distributed at the Meeting.
2. Kindly send all your transfer deeds together with Share Certificates for transfer of Shares at the following address :

MCS Limited

Neelam Apartment,
88, Sampatrao Colony,
Behind Federation Building
R. C. Dutt Road, Vadodara - 390 005.

3. Kindly notify change of your address and write only to the Registrar and Transfer Agents in respect of any matter connected with your Shares.

BOARD OF DIRECTORS

| | |
|---------------------------|----------------------------|
| Shri L. K. Jain | <i>Chairman</i> |
| Shri D. K. Jain | |
| Shri M. R. B. Punja | |
| Shri Shailendra Swarup | |
| Shri Vinay Sharma, I.A.S. | <i>Nominee-GIIC</i> |
| Shri V. K. Jain | <i>Managing Director</i> |
| Shri D. K. Sachdeva | <i>Whole-Time Director</i> |

COMPANY SECRETARY

Shri B. V. Desai

AUDITORS

M/s. Patankar & Associates
Chartered Accountants

BANKERS

Canara Bank
State Bank of Saurashtra
Bank of Maharashtra

REGISTERED OFFICE & PLANT

S/No. 16/3, 26 & 27,
Ranjitnagar 389 380
Taluka Ghoghamba,
Dist. Panchmahals,
Gujarat.

CORPORATE OFFICE

ABS Towers, 2nd floor,
Old Padra Road,
Vadodara 390 007,
Gujarat.



NOTICE

NOTICE is hereby given to the Members of **Gujarat Fluorochemicals Limited** that the **Twelfth Annual General Meeting** of the Company will be held at the Registered Office of the Company at S/No. 16/3, 26 & 27, Ranjitnagar 389 380, Taluka Ghoghamba, District Panchmahals, Gujarat, on **Friday, the 24th day of September, 1999, at 10:30 am**, to transact the following business :

1. To receive, consider and adopt the Profit and Loss Account for the year ended 31st March, 1999, the Balance Sheet as at that date, the report of the Auditors thereon and the report of the Board of Directors for the said year.
2. To declare dividend for the year ended 31st March, 1999.
3. To appoint a Director in place of Shri LK Jain who retires by rotation and being eligible offers himself for re-appointment.
4. To appoint a Director in place of Shri MRB Punja who retires by rotation and being eligible offers himself for re-appointment.
5. To appoint Auditors to hold office from the conclusion of this meeting until the conclusion of the next Annual General Meeting and to fix their remuneration.

By Order of the Board of Directors

New Delhi
31st July, 1999

D.K. JAIN
Director

Registered Office :
S/No. 16/3, 26 & 27,
Ranjitnagar 389 380
Taluka Ghoghamba,
District Panchmahals,
Gujarat

Note :

- a) A MEMBER ENTITLED TO ATTEND THE MEETING AND VOTE THEREAT IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF AND THE PROXY NEED NOT BE A MEMBER. DULY EXECUTED PROXIES MUST BE REGISTERED WITH THE COMPANY NOT LATER THAN FORTY-EIGHT HOURS BEFORE THE SCHEDULED TIME OF THE MEETING.
- b) The Register of Members and the Share Transfer Books of the Company will be closed from 17th September, 1999 to 24th September, 1999 (both days inclusive).
- c) Those Members who have not received interim dividend and / or final dividend for 1994-95 and / or 1995-96 and / or 1996-97 and / or 1997-98, declared and paid by the Company, are requested to write to our Registrar & Share Transfer Agents at the following address :

MCS Limited
Neelam Apartment
88, Sampatrao Colony
Behind Federation Building
R.C. Dutt Road
VADODARA 390 005

GUJARAT FLUOROchemicals LIMITED**DIRECTORS' REPORT**

To the Members of
GUJARAT FLUOROchemicals LIMITED

Your Directors take pleasure in presenting to you their Twelfth Annual Report for the year ended 31st March, 1999.

1. WORKING RESULTS

Following are the working results for the year 1998-99 :

| | Rs in lacs 1998-99 | Rs in lacs 1997-98 |
|---|-----------------------|-----------------------|
| Turnover | 11113.57 | 9047.75 |
| Gross Profit before | | |
| Interest and Depreciation | 4556.82 | 3269.18 |
| Less: Interest | 40.62 | 72.76 |
| Profit before Depreciation | 4516.20 | 3196.42 |
| Less: Depreciation for the year | 174.17 | 168.05 |
| Less: Write off of amortised expenditure | 7.30 | 7.30 |
| Less: Provision for diminution in value of investments | 176.01 | 196.70 |
| Profit before Tax | 4158.72 | 2824.37 |
| Provision for Tax | 575.00 | 440.00 |
| Taxation for earlier years | 96.96 | 0.00 |
| Profit for the year | 3486.76 | 2384.37 |
| Add: Profit brought forward from previous year | 49.65 | 15.52 |
| | <u>3536.41</u> | <u>2399.89</u> |
| Appropriations | | |
| Transferred to General Reserve | 3100.00 | 2000.00 |
| Proposed Dividend | 318.40 | 318.40 |
| Tax on Proposed Dividend | 35.02 | 31.84 |
| Balance carried to Balance Sheet | 82.99 | 49.65 |
| | <u>3536.41</u> | <u>2399.89</u> |

2. OPERATIONS

There has been an increase in the turnover of the company, primarily due to higher quantities in the export markets, and marginally better price realizations. Operating margins saw an improvement due to cost reductions. Income from investing surplus funds also led to an improvement in the bottomline.

Future performance, however, remains uncertain due to the implementation of the phase-out schedule under the Montreal Protocol with effect from July 1999. The company is responding by re-orienting its business strategy in the international markets to protect its interests.

3. DIVERSIFICATION

The company is pursuing implementation of a 43 MW liquid fuel based power project at Karnataka. It is negotiating the EPC and O&M contracts with the help of its technical, legal and financial consultants, and is also in the process of obtaining statutory clearances.

The company has also identified the entertainment industry as a key diversification area, and is considering setting up a national chain of multiplexes. It has completed a preliminary business viability study with the help of McKinsey & Co. Inc., a leading international management consultancy organization specializing in corporate strategy. It has now retained an internationally renowned real-estate consultancy to help it locate and acquire properties in some of the major cities in the country.

The company may implement these projects directly, or through other companies promoted by it.

4. DIVIDEND

Your Directors recommend a dividend of Rs. 2.75 per share (27.50%). The dividend payout for the year will be Rs. 318.40 Lacs. In addition to this the Company shall also pay tax on dividend amounting to Rs. 35.02 lacs under the amended law relating to taxation of dividends, taking the total payout to Rs. 353.42 lacs. Consequently, members will receive entire dividend free of any tax.

5. DIRECTORS

Shri LK Jain and Shri MRB Punja retire by rotation and being eligible, offer themselves for re-appointment.

6. AUDITORS' REPORT

The notes forming part of the accounts are self-explanatory and do not call for any further clarifications under Section 217(3) of the Companies Act, 1956.

7. AUDITORS

Members are requested to appoint Auditors for the current year and to fix, or authorise the Board to fix, their remuneration. The Auditors, M/s. Patankar & Associates, retire and offer themselves for re-appointment. Due notice has been received from



them that their appointment, if made, will be in accordance with the limits specified in Section 224 (1B) of the Companies Act, 1956.

8. CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS AND OUTGO

Information pursuant to 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, relating to the matters contained therein is given by way of an Annexure to this Report.

9. PARTICULARS OF EMPLOYEES

There are no employees drawing remuneration in excess of the limits prescribed under the amended Section 217(2A) of the Companies Act, 1956, read with the Company's (Particulars of Employees) Rules, 1975.

10. RURAL DEVELOPMENT ACTIVITIES

The Company undertakes rural development work as part of its ongoing efforts to improve the quality of life of the people in the areas surrounding its plant. Diligent and sincere efforts in this direction have had a positive impact on the neighbouring community.

11. SAFETY, HEALTH AND ENVIRONMENT

Safety, health and environment have been of prime concern to the Company and necessary efforts were made in this direction in line with the safety, health and environment policy laid down by the Company. Health of employees is being regularly monitored and environment has been maintained as per statutory requirements.

12. INSURANCE

The Company's property and assets have been adequately insured.

13. ACKNOWLEDGEMENT

Your Directors express their gratitude to all other external agencies for the assistance, co-operation and guidance received. Your Directors place on record their deep sense of appreciation for the dedicated services rendered by the workforce of the Company.

By Order of the Board of Directors

D.K. JAIN
Director

V.K. JAIN
Managing Director

New Delhi
31st July, 1999.

ANNEXURE

To The Directors' Report

Information as required under Section 217(1)(e) read with Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988

(A) CONSERVATION OF ENERGY

(a) Energy conservation measures taken ;

1. Installation of Auto Modulation Motor for Controlling and Optimization of Fuel Consumption in boiler.
2. Installation of Steam totaliser in Control Room for measurement of steam generation and computation of steam / fuel ratio.
3. Use of CBFS as fuel to boiler and an alternative to LSHS / LDO.
4. Increase in Cooling Tower fan blade angles from 32° to 44° to improve evaporation rate from the system.
5. Addition of fuel additives in boiler to optimize combustion of fuel in furnace. The stack temperature of fuel gas is maintained low due to lower air requirement for complete combustion of fuel.
6. Addition of chemicals in Cooling Water circulating to various Heat Exchangers, to prevent Fouling of heat exchangers.
7. Regular cleaning of Boiler Smoke Tubes and Furnace Stack Duct to prevent deposition of carbon particles.
8. Continued removal (Purging) of NCG(s) from Refrigerant, circulated in Refrigeration plant to maintain lower Power requirement per ton of Refrigeration.
9. Condensate recovery system continues to contribute towards energy consumption.
10. Power factor has been maintained at 0.97.
11. Sodium vapour lamps and mercury vapour lamps were replaced with lower rating lamps to conserve electrical energy.
12. Tubelights of higher rating were replaced with those of lower rating.
13. Energy busters were installed for saving electrical energy used for airconditioners.
14. Electrical energy consumption is curtailed by stopping non critical drives, whenever possible.
15. Fuel saving was achieved by utilising waste heat of fuel gases for fluorspar drying.

(b) Additional investments and proposals, if any, being implemented for reduction of consumption of energy ;

GUJARAT FLUOROchemicals LIMITED

1. Further utilisation of waste heat in Boiler and process.
2. RO Plant is being installed for Recycling of Blow Down Water from Boiler and Cooling Tower.
3. Utilisation of more energy busters for saving in electrical energy used for airconditioners.
4. There is a proposal to carry out energy audit by a competent third party expert team.

(c) Impact of measures at (a) and (b) above for reduction of energy consumption and consequent impact on the cost of production of goods ;

1. The impact of the measures indicated in (a) and (b) above are expected to be favourable i.e., reduced energy consumption and its consequential effect on cost of production.

(d) Total energy consumption and energy consumption per unit of production as per Form A;

| | Current Year | Previous Year |
|---|-----------------|------------------|
| A Power and Fuel Consumption | | |
| 1. Electricity | | |
| a Purchased | | |
| Units (in lacs) | 81.81 | 75.65 |
| Total Amount (Rs in lacs) | 363.66 | 317.78 |
| Rate/Unit (Rs.) | 4.45 | 4.20 |
| b Own Generation | | |
| Units (in lacs) | 0.36 | 0.90 |
| 2 Coal | 0 | 0 |
| 3 Furnace Oil | | |
| Quantity (k. ltrs.) | 1921.04 | 1790.74 |
| Total Amount (Rs. in lacs) | 119.59 | 117.14 |
| Average Rate (Rs.) | 6.23 | 6.54 |
| B Consumption per unit of production | | |
| 1 Electricity KWH/MT | 576 | 582 |
| 2 Fuel Oil LTR/MT | 135 | 136 |
| 3 Coal | 0 | 0 |
| 4 Others | 0 | 0 |

(B) TECHNOLOGY ABSORPTION

- (e) efforts made in technology absorption as per Form B ;

Research and Development

1. Specific areas in which R & D carried out by the Company

- i. Close study of the plant to improve the plant throughput, to improve efficiency and product quality.
- ii. Development of alternative and quicker methods of analysis to save time and cost.

- iii. Study the utilisation of by-products for various value added products.
- iv. Study on plant corrosion to improve technique to reduce down-time and to study use of better material of construction.
- v. The Plants are being revamped for getting higher throughput. The benefit will be available in the next Financial Year.
- vi. The spent Caustic from CFC Plant is being re-used in scrubbing system of Pollution Control thereby achieving a large saving.

2. Benefits derived as a result of the above R & D

- i. Improved throughput improved efficiency, better quality, better capacity utilisation, and consistency in product quality and improved profitability.

3. Future plan of action

- i. The Company proposes to develop various value-added products based on Hydrofluoric Acid and other grades of gases.

Technology absorption, adaptation and innovation :

1. Efforts, in brief, made towards technology absorption, adaptation and innovation.

- i. Plant personnel were given exclusive training for better technology absorption and innovation.
- ii. Technological information is up-dated by discussions with the collaborators, Engineers, Consultants and through technical literature.

2. Benefits derived as a result of the above efforts.

- i. Improvements carried out in AHF plant have resulted in lowering of corrosion, increasing throughput and efficiency and in increasing the continuity of operations.

(C) FOREIGN EXCHANGE EARNINGS AND OUTGO

- (f) Foreign exchange - Refer to Note No. 17 of Annual Accounts
used
- Foreign exchange - Refer to Note No. 18 of Annual Accounts
earned

By Order of the Board of Directors

D.K. JAIN
Director

V.K. JAIN
Managing Director

New Delhi
31st July, 1999.



AUDITORS' REPORT

To the Shareholders

We have audited the attached Balance Sheet of Gujarat Fluorochemicals Limited as at 31st March, 1999 and also the Profit and Loss Account of the Company for the year ended on that date annexed thereto and report that:

1. As required by the Manufacturing and Other Companies (Auditor's Report) Order, 1988 issued by the Company Law Board in terms of Section 227 (4A) of the Companies Act, 1956, we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.
2. Further to our comments in the Annexure referred to in paragraph 1 above, we report that:
 - a) We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit;
 - b) In our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of such books;

- c) The Balance Sheet and Profit and Loss Account dealt with by the report are in agreement with the books of account.
- d) In our opinion, the Profit and Loss Account and the Balance Sheet comply with the accounting standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956.
- e) In our opinion and to the best of our information and according to the explanations given to us, the said accounts give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view :
 - i. In the case of the Balance Sheet, of the state of affairs of the Company as at 31st March, 1999, and
 - ii. In the case of the Profit and Loss Account, of the profit for the year ended on that date.

For Patankar & Associates
Chartered Accountants

Pune
29th May, 1999

R.R.MUNAGEKAR
Partner