



GUJARAT FLUOROCHEMICALS LIMITED

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14TH
ANNUAL REPORT
2000 – 2001



GUJARAT FLUOROchemicals LIMITED

FOURTEENTH ANNUAL GENERAL MEETING

On Saturday, the 30th June, 2001
at 11.30 a.m.
at
S/No. 16/3, 26 & 27
Ranjitnagar 389 380
Taluka Goghamba
Dist. Panchmahals
Gujarat

Request to Shareholders

- 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.
- Kindly send all your transfer deeds together with Share Certificates for transfer of Shares to our Registrar and Share Transfer Agents at the following address :

MCS Limited
Neelam Apartment,
88, Sampatrao Colony,
R. C. Dutt Road, Vadodara - 390 005.
- Kindly notify change of your address and write only to the Registrar and Share Transfer Agents in respect of any matter connected with your Shares.

BOARD OF DIRECTORS

Shri L. K. Jain *Chairman*
Shri D. K. Jain
Shri M. R. B. Punja
Shri Shailendra Swarup
Shri V. K. Jain *Managing Director*
Shri D. K. Sachdeva *Whole-Time Director*

AUDIT COMMITTEE

Shri L. K. Jain
Shri D. K. Jain
Shri V. K. Jain

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 **Fourteenth 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 Goghamba, District Panchmahals, Gujarat, on **Saturday, the 30th day of June, 2001, at 11:30 am**, to transact the following business :

ORDINARY BUSINESS

1. To receive, consider and adopt the Profit and Loss Account for the year ended 31st March, 2001, 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, 2001.
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 has expressed a desire to retire from the Board. To consider, and if thought fit, to pass with or without modification, the following resolution as an Ordinary Resolution :

"RESOLVED THAT due notice signifying the intention of a Member to propose the appointment of Shri VP Mittal as Director having been received pursuant to Section 257 of the Companies Act, 1956, Shri VP Mittal be and is hereby appointed as Director of the Company liable to retire by rotation."
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.

SPECIAL BUSINESS

6. To consider and, if, thought fit, to pass, with or without modification, the following resolution as an Ordinary Resolution :

"RESOLVED THAT pursuant to the provisions of Section 198, 269, 309, Schedule XIII and all other applicable provisions, if any, of the Companies Act, 1956, the remuneration of Shri Dinesh K Sachdeva be and is hereby revised with effect from 01.04.2000 to 28.11.2001, as given below, and he be re-appointed, as a Whole-Time Director of the Company, for the period from 29.11.2001 to 28.11.2006 on the said terms :

I. SALARY

- a) Salary Rs 34,100 per month with annual increment(s) as may be decided by the Managing Director of the Company.
- b) Furnishing allowance Rs 350 per month.
- c) Ex-gratia : 20% of the monthly basic salary payable per annum at the end of the year subject to overall ceiling laid down in Section 198 and 309 of the Companies Act, 1956.

II. PERQUISITES

Perquisites will be restricted to Rs 5,00,000 per annum. Perquisites are classified into three categories A, B and C as follows :

CATEGORY A

1. **Housing** : The expenditure incurred by the Company on hiring furnished accommodation for the Whole-Time Director will be subject to a ceiling of Rs 20,000 per month.

Explanation : The expenditure incurred by the Company on gas, electricity, water and

GUJARAT FLUOROCHEMICALS LIMITED

furnishings shall be valued as per the Income Tax Rules, 1962.

2. **Medical Reimbursement** : Expenses incurred for the Whole-Time Director and his family subject to a ceiling of Rs 15,000 per annum.
3. **Leave Travel Concession** : 6% of the basic salary per month for the Whole-Time Director and his family, once in a year incurred in accordance with the rules specified by the Company.

CATEGORY B

The Whole-Time Director shall also be eligible to the following perquisites :

1. Contribution to provident fund, superannuation fund or annuity fund to the extent these either singly or put together are not taxable under the Income Tax Act, 1961.
2. Gratuity payable at a rate not exceeding half month's salary for each completed year of service.
3. Encashment of leave is as per the rules of the Company.

CATEGORY C

Provision of Car for use on Company's business and telephone at residence will not be considered as perquisites. Personal long distance calls on telephone and use of Car for private purpose shall be billed by the Company to the individual Whole-Time Director.

Notwithstanding anything contained hereinabove where in any financial year, during the currency of the tenure of the Whole-Time Director, the Company has no profits or its profits are inadequate, it will pay him

above remuneration by way of salary and perquisites."

By Order of the Board of Directors

New Delhi
10th May, 2001.

LK JAIN
Chairman

Registered Office :
S/No. 16/3, 26 & 27,
Ranjitnagar 389 380
Taluka Goghamba,
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. 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 26th June, 2001 to 30th June, 2001 (both days inclusive).
- c) The Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956 in respect of the Special Business as set out above is annexed hereto.
- d) 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 and / or 1998-99, and / or 1999-2000 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
R.C. Dutt Road
VADODARA 390 005



ANNEXURE TO THE NOTICE

Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956

Item No. 4

Shri MRB Punja is due for retiring by rotation at the ensuing Annual General Meeting. Shri MRB Punja has expressed a desire to retire from the Board. The Company has received a notice from a Member proposing to appoint Shri VP Mittal as a Director of the Company.

The Directors commend that the proposed Resolution be approved.

None of the Directors of the Company is concerned or interested in the proposed Resolution.

Item No. 6

At the Tenth Annual General Meeting of the Company, the Members had appointed Shri DK Sachdeva as a Whole-Time Director of the Company for a period of

five years from 29th November, 1996 to 28th November, 2001. It is desirable that the Company should continue to avail his services as a Whole-Time Director of the Company, on the terms as contained in the Resolution.

The Directors commend that the proposed Resolution be approved.

None of the Directors of the Company is concerned or interested in the proposed Resolution except Shri DK Sachdeva to the extent of his appointment as a Whole-Time Director of the Company.

By Order of the Board of Directors

New Delhi
10th May, 2001.

LK JAIN
Chairman

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

GUJARAT FLUOROchemicals LIMITED**DIRECTORS' REPORT**

To the Members of
GUJARAT FLUOROchemicals LIMITED

Your Directors take pleasure in presenting to you their Fourteenth Annual Report for the year ended 31st March, 2001.

1. WORKING RESULTS

Following are the working results for the year 2000-2001 :

	(Rs in lacs)	
	2000-2001	1999-2000
Turnover	12009.33	12562.03
Gross Profit before Interest and Depreciation	4288.94	5431.20
Less : Interest	38.17	69.59
Profit before Depreciation	4250.77	5361.61
Less : Depreciation for the year	276.25	248.13
Less : Write off of amortised expenditure	2.16	5.81
Less : Provision for diminution in value of investments	641.54	70.92
Profit before Taxation	3330.82	5036.75
Provision for Taxation	775.00	1010.00
Taxation for earlier years	-15.29	0.00
Profit for the year	2571.11	4026.75
Add : Profit brought forward from previous year	99.19	82.99
	<u>2670.30</u>	<u>4109.74</u>
Appropriations		
Transferred to General Reserve	2200.00	3625.00
Interim Dividend	0.00	347.34
Proposed Dividend (subject to approval of the Shareholders)	347.34	0.00
Tax on Dividend	35.43	38.21
Balance carried to Balance Sheet	87.53	99.19
	<u>2670.30</u>	<u>4109.74</u>

Consequent to the implementation of the Montreal Protocol by developing countries, your Company has started phasing out CFC production in terms of its obligations under the Protocol. Your Company had, since the past few years, begun shifting its focus to HCFC production and exports, so as to reduce its dependence on CFCs. This has helped, to some extent, in reducing the impact, on the financial performance of the Company, of complying with the phase-out schedule stipulated by the Protocol and Government Order issued thereunder.

However, HCFC margins are also under pressure due to the idle capacity created by CFC phase-outs all over the world. Your Company is trying to meet these challenges by improving production efficiencies and a rigorous control over costs.

Your Company has, during the year, received compensation amounting to Rs 3462.21 lakhs, equivalent to USD 7.52 million, out of total compensation of USD 26.82 million expected to be received by it, for phased reduction and cessation of CFC production and fulfilling its other obligations under the Protocol. Your Company has been advised that the compensation is a capital receipt and hence the amount received during the year is directly credited to Capital Reserve.

2. DIVERSIFICATION

As you are aware, your Company is setting up a national chain of Family Entertainment Centres, with Multiplex Cinema Theatres being the key element. For this purpose, it has promoted a wholly-owned subsidiary, with an authorized capital of Rs 50 crores. The subsidiary company is presently working on four projects in different parts of Western India, and is negotiating further sites for implementation. Your Company has already invested Rs 25 crores in the equity of that company, and is actively negotiating with financial institutions for tying up the debt funding for these projects.

Your Company has also decided to enter the IT-enabled services business, by setting up, to start with, a 150 seat call centre / remote transaction



processing facility. It proposes to implement this business in a separate wholly-owned subsidiary company, which has already been incorporated.

3. RESPONSIBILITY STATEMENT

Your Directors would like to confirm that

- I. in the preparation of the Annual Accounts, the applicable Accounting Standards have been followed;
- 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 a true and fair view of the state of affairs of the Company at the end of the Financial Year and of the Profit or 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 the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- IV. the Directors have prepared the Annual Accounts on a going concern basis.

4. DIVIDEND

Your Directors recommend a dividend of Rs 3.00 per share (30%) subject to approval of the Shareholders. The dividend payout for the year will be Rs 382.77 lacs (inclusive of tax).

5. DIRECTORS

Shri LK Jain and Shri MRB Punja retire by rotation. Shri MRB Punja has expressed a desire to retire from the Board at the ensuing Annual General Meeting. The Company has received a notice from a Member proposing to appoint Shri VP Mittal as a Director of the Company. Shri LK Jain being eligible, offers himself for re-appointment.

The Board places on record its sincere appreciation of the valuable guidance provided by Shri MRB Punja during the tenure of his service as a Director of your Company.

6. SUBSIDIARY COMPANY

The Balance Sheet, Auditors' Report and Directors' Report and a Statement of your Company's interest in *Inox Leisure Limited*, as required under Section 212 of the Companies Act, 1956, for the period ended 30th June, 2000 and 31st March 2001 are annexed hereto.

7. 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.

8. 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.

9. AUDIT COMMITTEE

The Company has constituted an Audit Committee pursuant to the provisions of Section 292A of the Companies Act, 1956.

10. 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.

11. 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 Companies (Particulars of Employees) Rules, 1975.

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12. 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.

13. 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.

14. INSURANCE

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

15. 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

New Delhi
10th May, 2001.

LK JAIN
Chairman

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 Optimisation of Fuel Consumption in boiler.
2. Installation of Steam totaliser in Control Room

and in Boiler House for measurement of steam generation and monitoring of steam / fuel ratio.

3. Optimum use of LSHS in place of LDO for cost economy.
4. Increase in Cooling Tower fan blade angles from 32° to 44° to improve evaporation rate from the system.
5. Use of permeate from RO plant as boiler make-up feed water led to reduction in fuel consumption.
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 improved to 0.98 to 0.99 by incorporating additional Capacitor Bank.
11. Installations of an additional cooling tower to improve Cooling System of Refrigerant Section.
12. Shifting of Refrigerant Condenser System from 5th floor to 3rd floor resulting in better cooling and saving of energy.
13. Introduction of Automatic Temperature Control for Cooling Tower Fans has resulted in saving of energy.
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.
16. Modification of bag filter resulted in better utilization of waste heat and has reduced air consumption.
17. Electrical Energy Audit was carried out by Envy Consultants, Vadodara.



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

1. Further utilisation of waste heat in Boiler and process.
2. Installation of Auto Power Factor Correction Panel for improving Power Factor.
3. Utilisation of more energy busters for saving in electrical energy used for airconditioners.

(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)	98.03	92.87
Total Amount (Rs in lacs)	524.81	464.19
Rate/Unit (Rs.)	5.35	5.00
B Own Generation		
Units (in lacs)	0.23	0.55
2 Coal	0	0
3 Furnace Oil		
Quantity (k. ltrs.)	2165.84	2301.31
Total Amount (Rs. in lacs)	241.06	208.93
Average Rate (Rs.)	11.13	9.08

B Consumption per unit of production

1 Electricity KWH/MT	567	520
2 Fuel Oil LTR/MT	125	127
3 Coal	0	0
4 Others	0	0

(B) TECHNOLOGY ABSORPTION

- (a) 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 downtime and to study use of better material of construction.
 - v. 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.

GUJARAT FLUORO CHEMICALS LIMITED

- 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 used - Refer to Note No. 15 of Annual Accounts
- Foreign exchange earned - Refer to Note No. 16 of Annual Accounts

By Order of the Board of Directors

New Delhi
10th May, 2001.**LK JAIN**
Chairman**STATEMENT PURSUANT TO SECTION 212 OF THE COMPANIES ACT, 1956**

1. Name of the Company : Inox Leisure Limited
2. Financial year ended : 31st March, 2001
3. Shares held by the Holding Company in the Subsidiary Company : 2,49,99,300 Equity Shares of Rs 10 each (77,50,000 Equity Shares of Rs. 10 each as at 30th June, 2000)
4. Holding Company's Interest : 99.99%
5. The net aggregate of Profits or Losses for the current and previous financial periods of the Subsidiary so far as it concerns the Members of the Holding Company : The Company has not commenced business activity and hence, has prepared a Statement of Pre-operative Expenditure pending Allocation.
 - a) dealt with or provided for in the accounts of the Holding Company
 - b) not dealt with or provided for in the accounts of the Holding Company

By Order of the Board of Directors

New Delhi
10th May, 2001.**LK JAIN**
Chairman