



Creating the right formula
for growth



GUJARAT
FLUOROCHEMICALS
LIMITED



GROUP COMPANY

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Gujarat Fluorochemicals Limited

GUJARAT FLUOROchemicals LIMITED

TWENTY-FIRST ANNUAL GENERAL MEETING

Saturday, the 20th September, 2008

at 11.30a.m.

at

Survey No. 16/3, 26&27

Ranjitnagar 389 380

Taluka Ghoghamba

Dist. Panchmahals

Gujarat

BOARD OF DIRECTORS

Shri D.K. Jain

Shri Shailendra Swarup

Shri V.P. Mittal

Shri P.K. Jain

Shri V.K. Jain

Shri O.K. Sachdeva

Shri J.S. Bedi

Shri O.P. Lohia

Dr. S. Rama Iyer

Shri Deepak Asher

Chairman

Managing Director

Whole-Time Director

Whole-Time Director

*Director and Group Head
Corporate Finance*

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 :

Intime Spectrum Registry Ltd.

308, 1st Floor,

Jaldhara Complex

Opp. Manisha Society

Vadodara - 390 015

- 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.

Audit Committee

Shri D.K. Jain

Shri V.P. Mittal

Shri Shailendra Swarup

Company Secretary

Shri B.V. Desai

Auditors

M/s. Patankar & Associates

Chartered Accountants

Bankers

Canara Bank

State Bank of Saurashtra

Bank of Maharashtra

ABN Amro Bank N.V.

ICICI Bank

United Bank of India

Oriental Bank of Commerce

UCO Bank

Registered Office

S/No. 16/3, 26&27,

Ranjitnagar 389 380

Taluka Ghoghamba,

Dist. Panchmahals,

Gujarat.

Tel.: 02678-248 153

Corporate Office

ABS Towers, 2nd Floor,

Old Padra Road,

Vadodara 390 007,

Gujarat. 0265 - 308 111

PLANT LOCATION

Ranjitnagar Project

Survey No. 16/3, 26 & 27,

Ranjitnagar 389 380,

Taluka Ghoghamba,

District Panchmahals,

Gujarat - State

Dahej Project

Plot No. 12A,

GIDC Dahej Industrial Estate,

Taluka Vasra,

District Bharuch,

Gujarat - State

Wind Farm Project

Village Gudhe, Panchgini,

Maharashtra State

Village Sadiya & Ossiya,

Rajasthan State

GUJARAT FLUOROchemicals LIMITED

NOTICE

NOTICE is hereby given to the Members of **Gujarat Fluorochemicals Limited** that the **Twenty-First Annual General Meeting** of the Company will be held at the Registered Office of the Company at Survey No. 16/3, 26 & 27, Ranjitnagar 389 380, Taluka Ghoghamba, District Panchmahals, Gujarat, on Saturday, the 20th September, 2008, 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, 2008, 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 note payment of interim dividends and declare final dividend for the year ended 31st March, 2008.
3. To appoint a Director in place of Shri DK Jain who retires by rotation and being eligible offers himself for re-appointment.
4. To appoint a Director in place of Shri Shailendra Swarup 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.

SPECIAL BUSINESS

6. To consider and, if, thought fit, to pass, with or without modification, the following resolution as an Ordinary Resolution:
 "RESOLVED THAT Dr S Rama Iyer, who having been appointed as an Additional Director and in respect of whom Notice under Section 257 of the Companies Act, 1956, has been received from a Member of the Company be and is hereby appointed as a Director of the Company."
7. To consider and, if, thought fit, to pass, with or without modification, the following resolution as an Ordinary Resolution:
 "RESOLVED THAT Shri Deepak Asher, who having been appointed as an Additional Director and in respect of whom Notice under Section 257 of the Companies Act, 1956, has been received from a Member of the Company be and is hereby appointed as a Director of the Company."
8. 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, Shri DK Sachdeva be re-appointed, as a Whole-Time Director of the Company, for the period from 29.11.2008 to 28.11.2009 on the following terms :

I. SALARY

- a) Salary and allowances of upto Rs 25.00 lacs per annum as may be decided by the Managing Director of the Company.
- b) 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 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."

9. 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, Shri JS Bedi be appointed, as a Whole-Time Director of the Company, for the period from 01.12.2008 to 30.11.2009 on the following terms and conditions :

I. SALARY

- a) Salary and allowances, including performance linked incentive, etc., of upto Rs 20.00 lacs per annum as may be decided by the Managing Director of the Company.
- b) Ex-gratia : Upto Rs 2.00 lacs per annum subject to overall ceiling laid down in Section 198 and 309 of the Companies Act, 1956.

II. PERQUISITES

Perquisites will be restricted to Rs 10,00,000 per annum. Perquisites are classified into three categories A, B and C as follows :

CATEGORY A

- 1) Housing I : The expenditure incurred by the Company on hiring furnished accommodation for the Whole-Time Director will be subject to a ceiling of Rs 30,000 per month.

Housing II : In case no accommodation is provided by the Company, the Whole-Time Director shall be entitled to House Rent Allowance subject to ceiling laid down in Housing I.

Explanation: The expenditure incurred by the Company on gas, electricity, water and 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: Upto Rs 1,10,000 per annum 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."

10. To consider and, if, thought fit, to pass, with or without modification, the following resolution as a Special Resolution :

"RESOLVED THAT pursuant to the provisions of Section 314 of the Companies Act, 1956, the consent of the Company be and is hereby given for the appointment of Shri Devansh Jain, relative of Shri DK Jain and Shri VK Jain, Directors of the Company, to hold Office or Place of Profit of the Company as Member (Corporate Management Group) with effect from 21st March, 2008 on a remuneration of Rs 40,000/- per month and that all the expenses incurred by Shri Devansh Jain for official work be borne by the Company."

By Order of the Board of Directors

Noida
31st July, 2008

DK JAIN
Chairman

Registered Office :

Survey 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. 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 15th September, 2008 to 20th September, 2008 (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 2001-2002 and / or 2002-2003 and / or 2003-2004 and / or 2004-2005 and / or 2005-2006 and / or 2006-2007 declared and paid by the Company, are requested to write to our Registrar & Share Transfer Agents at the following address :

Intime Spectrum Registry Limited,
308, Jaldhara Complex, First Floor,
Opp Manisha Society, Vasna Road
VADODARA 390 015

ANNEXURE TO THE NOTICE

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

Items No. 6 and 7

Dr S Rama Iyer and Shri Deepak Asher were appointed as additional directors of the Company pursuant to Section 260 of the Companies Act, 1956, read with the Articles of Association of the Company with effect from 19th December, 2007 and 22nd January, 2008 respectively. The terms of their office expire at the ensuing Annual General Meeting of the Company. The Company has received notices from the Members proposing to appoint Dr S Rama Iyer and Shri Deepak Asher as Directors of the Company.

The Directors commend that the proposed Resolutions be approved.

None of the Directors of the Company are interested in the Resolution, except Dr S Rama Iyer and Shri Deepak Asher to the extent of their appointment as Directors of the Company.

Item No. 8

At the Twentieth Annual General Meeting of the Company, the Members had appointed Shri DK Sachdeva as a Whole-Time Director of the Company for a period from 29th November, 2007 to 28th November, 2008. 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.



Gujarat Fluorochemicals Limited

Item No. 9

At the Twentieth Annual General Meeting of the Company, the Members had appointed Shri JS Bedi as a Whole-Time Director of the Company for a period from 31st October, 2006 to 30th November, 2008. 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 JS Bedi to the extent of his appointment as a Whole-Time Director of the Company.

Items No. 10

At the Meeting of the Board of Directors of the Company held on 21st March, 2008, Shri Devansh Jain was appointed as a Member (Corporate Management Group) subject to approval of the Members of the Company. It is desirable to avail services of Shri Devansh Jain on the terms and conditions 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 Jain and Shri VK Jain being relatives of Shri Devansh Jain to the extent of his appointment to hold Office or Place of Profit.

By Order of the Board of Directors

Noida
31st July, 2008

DK JAIN
Chairman

Registered Office :

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



DIRECTORS' REPORT

To the Members of

GUJARAT FLUOROchemicals LIMITED

Your Directors take pleasure in presenting to you their Twenty-First Annual Report for the year ended 31st March, 2008.

1. FINANCIAL RESULTS

Following are the working results for the year 2007-2008:

(Rs in lacs)

	2007-2008	2006-2007
Turnover	72321.56	57376.72
Gross Profit before Interest and Depreciation	49463.52	37767.04
Less: Interest	2764.00	495.63
Profit before Depreciation	46699.52	37271.40
Less: Depreciation and amortization for the year	1383.28	2297.24
Less: Provision for diminution in value of investments	1019.62	27.58
Profit before Taxation	44296.62	34946.59
Less: Provision for Taxation	12251.92	10760.11
Profit for the year	32044.70	24186.48
Add: Profit brought forward from previous year	271.33	102.49
	32316.03	24288.97
Appropriations		
Transferred to General Reserve	27494.49	20700.00
Interim dividend	2894.50	2315.60
Proposed Dividend subject to approval of the shareholders	1157.80	578.90
Tax on Dividend	688.69	423.14
Balance carried to Balance Sheet	80.55	271.33
	32316.03	24288.97

2. MANAGEMENT DISCUSSION AND ANALYSIS REPORT

a) Industry structure and developments

There are 4 major manufacturers of Refrigerant Gases in India, of which your company is the largest. Around 90% of your company's production is exported to around 75 countries across the globe. The Refrigerant Gas market in India comprises of two distinct customer categories - distributors, who cater to the replacement demand, and OEs, who represent requirements for new equipment. Internationally, the market is serviced predominantly by a network of distributors



The Company has been successful implementing a Clean Development Mechanism Project which effects Greenhouse Gas Emission Reductions by Thermal Oxidation of HFC23, and earns Carbon Credits. Your Company is amongst the larger Carbon Credit generating projects in the world. Industrial installations and utilities in Europe and Japan buy these Carbon Credits for compliance under the Kyoto Protocol and / or the European Union Emissions Trading Scheme.

Your company has set up a chemical complex at an industrial plot allotted to it at Dahej, GIDC Estate, Taluka Vagra, District Bharuch, Gujarat. The chemical complex comprises of a 30 MW Captive Power Plant, a 54,000 tpa Caustic Soda / Chlorine Plant, a 41,630 tpa Chloromethane Plant and a 5,500 tpa Poly Tetra Fluoro Ethane (PTFE) Plant. All these projects have now been commissioned and are currently operating at around 40% capacity utilization. All the chlorine and most of the chloromethanes produced will be used captively. The Company will sell the Caustic Soda and the PTFE in the domestic and export markets. The PTFE plant is the largest in the country.

Your Company is currently evaluating the Wind Energy Business for significant investments going forward. Preliminary studies conducted by the company with the assistance of McKinsey & Co. Inc, international strategy consultants, suggest that this would be a good business with ample growth opportunity and stable and attractive returns if implemented well. Currently, the wind energy business is fragmented, with 95% capacity held by small investors.

b) Opportunities and threats

The Refrigerant Gas Business of your Company will continue to grow at a robust pace in line with its business plan, due to the inherent cost-competitiveness your Company enjoys, the distribution network it has built up, and quality of the product of your Company. Your Company's competitive advantage is likely to be further enhanced with the commissioning of all its integration projects at Dahej. The key threats to the Refrigerant Gas Business continues to be pressures on margins due to competition from China, and any proposal to accelerate the phase-out of HCFCs under the Montreal Protocol.

On the Carbon Credit Business, your Company has, till the end of the last financial year, been issued 12.95 million Carbon Credits (CERs) by CDM Executive Board, which have already been sold. The sale of Carbon Credits to buyers has added a healthy revenue stream to your Company's operating results and is expected to do so, right upto 2012, and potentially beyond. The key threat to this business is the price volatility in the carbon markets, but your Company has implemented an effective price hedging strategy to mitigate this risk.

The Chemical Complex at Dahej has diversified the product portfolio of the company, strengthened its cost-competitiveness by making it amongst the most integrated manufacturers of these products in the world, added longevity to its existing Refrigerant Gas Business, and expanded your Company's size in terms of turnover and assets, and add to its profitability. The key threats to this business is availability and cost of energy (being one of the key inputs) and your company's ability to meet the quality standards of the export markets.

The Wind Energy Business is quite nascent in the country, and there is a good opportunity of creating value by identifying viable sites, a cost-effective equipment procurement strategy and ability to raise capital efficiently. Growth opportunities could be greenfield, as well as through consolidation. The key threat in this business is increasing costs due to supply constraints, wind uncertainty, and regulatory restrictions leading to inability to sell the power generated at viable tariffs.

c) Segment-wise and product-wise performance

In line with the requirements of the Accounting Standard on Segment Reporting (AS-17), the Company has disclosed performance of each segment in the Note No 21 of Notes to the Accounts of Annual Report of the Company.

d) Outlook

HCFC22 is expected to witness a growth of around 5% per annum globally, largely due to growth in PTFE demand. Your company, due to its vast marketing reach and increasing cost competitiveness, as also due to faster Montreal Protocol mandated phase-out schedules in developed countries, has been able to maintain a healthy growth rate over the past few years, and expects to be able to maintain the momentum in growth going into the future.

On the Carbon Credit front, it is expected that with rising energy prices and delivery systems getting established, prices of Carbon Credits generated by your Company should firm up. There is still some uncertainty about the market post 2012, over which some clarity could evolve over the next year.

The outlook on the Chemical Complex at Dahej is quite positive, with the firming up of Caustic soda prices domestically, and the improved PTFE realizations expected due to the imposition of anti-dumping duty on Chinese product exported to Europe.

As regards the Wind Energy Business, there continues to be a demand-supply gap for energy in general, and renewable energy in particular, and this should provide the impetus for regulatory regime changes to further improve the viability of this business.

e) Internal control system and their adequacy

The company has an adequate internal audit system commensurate with its size and the nature of its business. The internal audit is carried out by an independent firm of Chartered Accountants, who interact with the Audit Committee on a regular basis, with respect to the scope of audit, significant audit observations, and remedial action required, if any.

f) Discussion on financial performance with respect to operational performance

The financial performance of your Company continues to improve, and is expected to show a more significant improvement in the coming years, with the stabilisation of the chemical complex at Dahej, the firming up of Carbon Credit prices, and the commencement of revenues from the Wind Energy business.

g) Material developments in human resources / industrial relations front, including number of people employed

The company has around 900 employees on its rolls. Your company continues to have cordial and harmonious relations with all its employees.

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 Company had already paid two interim dividends aggregating to Rs 2.50 per share (250%) and your Directors now recommend a final dividend of Rs 1.00 per share (100%) subject to approval of the shareholders. The total dividend payout for the year will be Rs 4740.99 lacs.

5. DIRECTORS

Shri DK Jain and Shri Shailendra Swarup, retire by rotation and being eligible, offer themselves for re-appointment.

Dr S Rama Iyer and Shri Deepak Asher were appointed as additional directors of the Company at the Meeting of the Board of Directors held on 19th December 2007 and 22nd January 2008 respectively. They hold their office upto the 21st Annual General Meeting of the Company. Notices have been received from Members of the Company specifying their intention to propose the candidatures of Dr S Rama Iyer and Shri Deepak Asher as Directors of the Company. The Board recommends their appointments as Directors of the Company.

6. SUBSIDIARY COMPANY

The Balance Sheet, Profit and Loss Account, Auditors' Report and Directors' Report and a Statement of your Company's interest in Inox Leisure Limited and Inox Infrastructure Private Limited, as required under Section 212 of the Companies Act, 1956, for the year ended on 31st March 2008 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.