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for growth



GUJARAT
FLUOROCHEMICALS
LIMITED



GROUP COMPANY

22nd Annual Report 2008-09

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Gujarat Fluorochemicals Limited

GUJARAT FLUOROchemicals LIMITED

TWENTY-SECOND ANNUAL GENERAL MEETING

Monday, the 29th June, 2009

at 3.00 p.m.

at

Survey No. 16/3, 26&27

Ranjitnagar 389 380

Taluka Ghoghamba

Dist. Panchmahal

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 :

Link Intime India Pvt. 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.

BOARD OF DIRECTORS

Shri D.K. Jain

Shri Shailendra Swarup

Shri V.P. Mittal

Shri Pavan Jain

Shri Vivek Jain

Shri D.K. Sachdeva

Shri J.S. Bedi

Shri O.P. Lohia

Dr. S. Rama Iyer

Shri Deepak Asher

Shri S.P. Jain

Chairman

Managing Director

Whole-Time Director

Whole-Time Director

Director and Group Head

Corporate Finance

Additional Director

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

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. Panchmahal,

Gujarat.

Tel.: 02678-248 153

Corporate Office

ABS Towers, 2nd Floor,

Old Padra Road,

Vadodara 390 007,

Gujarat. 0265 - 308 1111

PLANT LOCATION

Ranjitnagar Project

Survey No. 16/3, 26 & 27,

Ranjitnagar 389 380,

Taluka Ghoghamba,

District Panchmahal,

Gujarat - State

Dahej Project

Plot No. 12A,

GIDC Dahej Industrial Estate,

Taluka Vagra,

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-Second 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 Panchmahal, Gujarat, on Monday, the 29th June, 2009, at 3:00 pm, to transact the following business :

ORDINARY BUSINESS

1. To receive, consider and adopt the Profit and Loss Account for the year ended 31st March, 2009, 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 final dividend for the year ended 31st March, 2009.
3. To appoint a Director in place of Shri VP Mittal who retires by rotation and being eligible offers himself for re-appointment.
4. To appoint a Director in place of Shri PK Jain 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 Shri Shanti Prasad Jain, 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 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 29.11.2009 to 28.11.2010 on the following terms and conditions :

I. SALARY

- a) Salary and allowances of upto Rs 30.00 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 I : 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."

8. To consider and, if, thought fit, to pass, with or without modification, the following resolution as a 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 re- appointed, as a Whole-Time Director of the Company, for the period from 01.12.2009 to 30.11.2010 and that he be paid remuneration for the period from 01.04.2009 to 30.11.2010 as per the following terms and conditions :

I. SALARY

- a) Salary and allowances upto Rs 54.00 lacs as may be decided by the Managing Director of the Company.
- b) Ex-gratia : Upto Rs 5.00 lacs subject to overall ceiling laid down in Section 198 and 309 of the Companies Act, 1956.

II. PERQUISITES

Perquisites will be restricted to Rs 15.00 lacs. 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 50,000 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 3.00 lacs 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

Noida
22nd May, 2009

DK JAIN
Chairman

Registered Office :

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

Note :

- 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.
- The Register of Members and the Share Transfer Books of the Company will be closed from 22nd June, 2009 to 29th June, 2009 (both days inclusive).
- 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.
- Those Members who have not received interim dividend and / or final dividend for 2002-2003 and / or 2003-2004 and / or 2004-2005 and / or 2005-06 and / or 2006-2007 and / or 2007-08 declared and paid by the Company, are requested to write to our Registrar & Share Transfer Agents at the following address :

Link Intime India Private 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

Shri Shanti Prasad Jain is appointed as an additional director of the Company pursuant to Section 260 of the Companies Act, 1956, read with the Articles of Association of the Company with effect from 22nd May, 2009. The term of his office expires at the ensuing Annual General Meeting of the Company. The Company has received notice from the Member proposing to appoint Shri Shanti Prasad Jain as Director 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 Shri Shanti Prasad Jain to the extent of his appointment as Director of the Company.



Gujarat Fluorochemicals Limited

Item No. 7

At the Twenty-First General Meeting of the Company, the Members had re-appointed Shri DK Sachdeva as a Whole-Time Director of the Company for a period from 29th November, 2008 to 28th November, 2009. 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.

Item No. 8

At the Twenty-First Annual General Meeting of the Company, the Members had re-appointed Shri JS Bedi as a Whole-Time Director of the Company for a period from 1st December, 2008 to 30th November, 2009. 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.

By Order of the Board of Directors

Noida
22nd May, 2009

DK JAIN
Chairman

Registered Office :

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

DIRECTORS' REPORT

To the Members of

GUJARAT FLUOROCHEMICALS LIMITED

Your Directors take pleasure in presenting to you their Twenty-Second Annual Report for the year ended 31st March, 2009.

1. FINANCIAL RESULTS

Following are the working results for the year 2008-2009:

(Rs in lacs)

	2008-2009	2007-2008
Turnover	104452.17	72321.56
Gross Profit before Interest and Depreciation	57427.46	49463.52
Less: Interest	4999.97	2764.00
Profit before Depreciation	52427.49	46699.52
Less: Depreciation and amortization for the year	4718.44	1383.28
Less: Provision for diminution in value of investments	268.09	1019.62
Profit before Taxation	47440.96	44296.62
Provision for Taxation	13427.34	12251.92
Profit for the year	34013.62	32044.70
Add: Profit brought forward from previous year	80.56	271.33
	34094.18	32316.03
Appropriations		
Capital Redemption Reserve	59.30	0.00
Proposed Dividend written back	-4.88	0.00
Transferred to General Reserve	29372.39	27494.49
Interim dividend	0.00	2894.50
Proposed Dividend subject to approval of the shareholders	3844.75	1157.80
Tax on Dividend	653.42	688.69
Balance carried to Balance Sheet	169.20	80.55
	34094.18	32316.03

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 chlormethanes 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 has incorporated a subsidiary company "Inox Wind Limited" for manufacturing wind turbines, in pursuance of its business plans to set up and operate wind farms. It is also in the process of acquiring land and setting up an operating team for this business.

b) Opportunities and threats

The Refrigerant Gas Business of your Company is operating at near full capacity. The key threat to the Refrigerant Gas Business continues to be pressures on margins due to competition from China. However, your Company's competitive advantage is likely to be further enhanced with the full operations of the integration projects at Dahej.

On the Carbon Credit Business, your Company continues its strong presence in the international markets, and the sale of Carbon Credits to European 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 sourcing 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 24 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 operate at near full capacity levels, into the future.

On the Carbon Credit front, it is expected that with stabilising energy prices, prices of Carbon Credits generated by your Company should remain firm. There is still some uncertainty about the market post 2012, over which some clarity could evolve over the next year(s).

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.