



GUJARAT
FLUOROchemicals
LIMITED



GROUP COMPANY

23rd Annual Report 2009-10

Creating the right formula
for **growth**



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Gujarat Fluorochemicals Limited

GUJARAT FLUOROchemicals LIMITED

TWENTY-THIRD ANNUAL GENERAL MEETING

Saturday, the 10th July, 2010

at 11.30 a.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

Director

Director

Director

Managing Director

Whole-Time Director

Whole-Time Director

Director

Director

Director and Group Head

Corporate Finance

Director

Audit Committee

Shri D.K. Jain

Shri S.P. Jain

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 - 6198111

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 & Osiya,

Rajasthan State

GUJARAT FLUOROchemicals LIMITED

NOTICE

NOTICE is hereby given to the Members of **Gujarat Fluorochemicals Limited** that the **Twenty-Third 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 Saturday, the 10th July, 2010, 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, 2010, 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, 2010.
3. To appoint a Director in place of Shri OP Lohia who retires by rotation and being eligible offers himself for re-appointment.
4. To appoint a Director in place of Dr S Rama Iyer 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 pursuant to the provisions of Sections 198, 269, 309 and all other applicable provisions, if any, of the Companies Act, 1956 including amendment thereto or re-enactment thereof ("Act") read with Schedule XIII to Act, Shri Dinesh Kumar Sachdeva be re-appointed, as a Whole-time Director of the Company for a further period of one year commencing from 29th November, 2010 on such terms and conditions including remuneration as set out below, with the authority to the Board of Directors / Managing Director to grant increments within the range stated below:

1. Remuneration: Remuneration of upto Rs 35 lakhs per annum.

The aforesaid remuneration is to be bifurcated by way of salary, allowances, performance pay and perquisites as per the rules and regulations of the Company for the time being in force and as determined by the Managing Director of the Company.

In addition to remuneration within the above range, Shri Dinesh Kumar Sachdeva would also be entitled to the Company car with driver, telephone facility, furnished Company owned or leased accommodation, and other perquisites including medical expenses reimbursement and leave travel concession as per the rules of the Company. Use of Car and telephone for the Company's business will not be considered as perquisites. All the perquisites and benefits are to be evaluated as per the Income Tax Rules, 1961.

2. Leave encashment payable in addition to the aforesaid remuneration as per the rules of the Company.
3. Gratuity payable in addition to the above remuneration at the rate of half month's salary for each completed year of service.

However, the overall remuneration to Shri Dinesh Kumar Sachdeva shall not exceed the limits prescribed under Sections 198 and 309 of the Companies Act, 1956 read with Schedule XIII of the Companies Act, 1956.

"RESOLVED FURTHER THAT the Board be and is hereby authorized to take all such steps as may be necessary, proper and expedient to give effect to this resolution."

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 Sections 198, 269, 309 and all other applicable provisions, if any, of the Companies Act, 1956 including amendment thereto or re-enactment thereof ("Act") read with Schedule



Gujarat Fluorochemicals Limited

XIII to Act, Shri JS Bedi be re-appointed as Whole-time Director of the Company for a further period of one year commencing from 1st December, 2010 on such terms and conditions including remuneration as set out below, with the authority to the Board of Directors / Managing Director to grant increments within the range stated below:

1. Remuneration: Remuneration of upto Rs 40 lakhs per annum.

The aforesaid remuneration is to be bifurcated by way of salary, allowances, performance pay and perquisites as per the rules and regulations of the Company for the time being in force and as determined by the Managing Director of the Company.

In addition to remuneration within the above range, Mr JS Bedi would also be entitled to the Company car with driver, telephone facility, insurance for self; furnished Company owned or leased accommodation, and other perquisites including medical expenses reimbursement and leave travel concession as per the rules of the Company. Use of Car and telephone for the Company's business will not be considered as perquisites. All the perquisites and benefits are to be evaluated as per the Income Tax Rules, 1961.

2. Leave encashment payable in addition to the aforesaid remuneration as per the rules of the Company.
3. Gratuity payable in addition to the above remuneration at the rate of half month's salary for each completed year of service.

However, the overall remuneration to Shri JS Bedi shall not exceed the limits prescribed under Sections 198 and 309 of the Companies Act, 1956 read with Schedule XIII of the Companies Act, 1956

"RESOLVED FURTHER THAT the Board be and is hereby authorized to take all such steps as may be necessary, proper and expedient to give effect to this resolution."

8. 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 sub-section (4) of the Section 309 and other applicable provisions of the Companies Act, 1956 (hereinafter referred to as the "Act"), Shri DK Jain, Chairman of the Company be paid commission for a period of five financial years commencing from the financial year 2009-10, of an amount equal to one percent of the net profits of the Company to be computed in accordance with the provisions of sub-section (1) of Section 198 of the said Act."

"RESOLVED FURTHER THAT the Board be and is hereby authorized to take all such steps as may be necessary, proper and expedient to give effect to this resolution."

By Order of the Board of Directors

Noida
22nd May, 2010

DK JAIN
Chairman

Registered Office :

Survey No. 16/3, 26 & 27, Ranjitnagar 389 380
Taluka Ghoghamba,
District Panchmahal, 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 05th July, 2010 to 10th July, 2010 (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 2002-2003 and / or 2003-2004 and / or 2004-2005 and / or 2005-06 and / or 2006-2007 and / or 2007-08 and / or 2008-09 and / or 2009-10 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

At the Twenty-Second 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, 2009 to 28th November, 2010. 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. 7

At the Twenty-Second 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 1st December, 2009 to 30th November, 2010. 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.

Item No. 8

Section 309(4) of the Companies Act, 1956 permits payment of commission to a director who is not in whole time employment of the Company, with the approval of the Shareholders in General Meeting.

Shri DK Jain, Chairman of your Company, has given valuable guidance to the Company on various aspects of general management, corporate governance and business. It is, therefore, desirable to continue to avail his services for future growth and better prospects of the Company and pay remuneration to him as is permissible under Section 309 (4) of the Companies Act, 1956.

The Directors commend that the proposed resolution be approved.

None of Directors of the Company are concerned or interested in the proposed Resolution, except Shri DK Jain himself, and Shri PK Jain and Shri VK Jain, being relatives of Shri DK Jain, to the extent of payment of commission to Shri DK Jain, Chairman of the Company.

By Order of the Board of Directors

Noida
22nd May, 2010

DK JAIN
Chairman

Registered Office :

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



DIRECTORS' REPORT

To the Members of

GUJARAT FLUOROchemicals LIMITED

Your Directors take pleasure in presenting to you their Twenty-Third Annual Report for the year ended 31st March, 2010.

1. FINANCIAL RESULTS

Following are the working results for the year 2009-2010:

(Rs in lacs)

	2009-2010	2008-2009
Turnover	98634.50	104452.17
Gross Profit before Interest and Depreciation	52271.98	57427.46
Less: Interest	4803.33	4999.97
Profit before Depreciation	47468.55	52427.49
Less: Depreciation and amortization for the year	5703.07	4718.44
Less: Provision for diminution in value of investments	1559.84	268.09
Profit before Taxation	40205.74	47440.96
Provision for Taxation	6799.05	13427.34
Profit for the year	33406.69	34013.62
Add: Taxation pertaining to earlier years	8.66	0
Add: Profit brought forward from previous year	169.19	80.56
	33584.03	34094.18
Appropriations		
Capital Redemption Reserve	0	59.30
Proposed Dividend written back	0	-4.88
Transferred to General Reserve	28800.00	29372.39
Interim dividend	2197.00	0.00
Proposed Dividend subject to approval of the shareholders	1647.75	3844.75
Tax on Dividend	647.05	653.42
Balance carried to Balance Sheet	292.74	169.20
	33584.03	34094.18

2. MANAGEMENT DISCUSSION AND ANALYSIS REPORT

a) Industry structure and developments

The Company makes HCFC22 – a product that is used as a refrigerant and as feedstock in the manufacture of PTFE. There are 4 major manufacturers of refrigerants in India, of which your company is the largest. Around 80% of your company's refrigerant production was being 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 commissioning and stabilisation of the chemical complex set up by the Company at Dahej, including the PTFE plant, will ensure a steady demand for the HCFC22 produced by the Company.

Your company has set up a chemical complex at Dahej, District Bharuch, Gujarat. The Company manufactures Caustic Soda, Chlorine, Chloromethanes and Poly Tetra Fluoro Ethane (PTFE) at this facility, and also operated a 28 MW gas based captive power plant and a 25 MW Coal based captive power plant. Any power generated in excess of captive requirements is sold in the market. These products add to the Company's product portfolio, improve its competitive advantage due to forward and backward integration, and provide longevity to the Company's HCFC22 production beyond the control provisions of the Montreal Protocol. After fully stabilising its existing capacities and attaining acceptable levels of product quality and capacity utilisation, the Company has decided to invest around Rs 500 crores in increasing its plant capacity of Caustic Soda to 170000 tpa, Chloromethane capacity 1,20,000 tpa and Poly Tetra Fluoro Ethane (PTFE) to 12,500 tpa, with corresponding increase in the capacity of its captive power plant.

The Company has been successfully operating, for more than 4 years now, a Clean Development Mechanism Project which affects Greenhouse Gas Emission Reductions by Thermal Oxidation of HFC23, and earns Carbon Credits. Your Company is amongst the largest 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 already has around 65 MW of installed capacity in wind power generation. Your Company has set up a subsidiary, "Inox Wind Limited" (IWL) which has set up manufacturing facilities for wind turbines at Una, Himachal Pradesh and Bawla, Gujarat and has commenced commercial production of nacelles and hubs for wind turbines at Una, in pursuance of your Company's business plans to set up and operate wind farms. Your Company is also in the process of acquiring land banks and setting up an operating team for this business.

Opportunities and threats

The Refrigerant 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 has been enhanced with the stabilisation of the integration projects set up at Dahej.

The Chemical Complex at Dahej has now stabilised and attained acceptable levels of capacity utilisation and product quality. The key threats to this business are availability and cost of energy (being one of the key inputs) and your company's ability to meet the stringent quality standards of the export markets.

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, and your Company has implemented an effective price hedging strategy to mitigate this risk.

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. The key threat in this business is increasing costs due to supply constraints of components, wind uncertainty, and regulatory restrictions leading to inability to sell the power generated at viable tariffs.

b) 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 22 of Notes to the Accounts of Annual Report of the Company.

c) 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, with the stabilisation and increased production levels at the Dahej chemical complex, expects to be able to operate at near full capacity levels, into the future.

The outlook on the Chemical Complex at Dahej is quite positive, with increasing volumes due to higher capacities and improved PTFE realizations due to better product quality.

On the Carbon Credit front, it is expected that with deeper emission reduction targets contemplated by Europe, 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).



As regards the Wind Energy Business, there continues to be a demand-supply gap for energy in general and renewable energy in particular, and regulatory framework is evolving to encourage more investments in renewable energy projects. This should provide the impetus for to further improve the viability of this business.

d) Internal control system and their adequacy

The Company has an adequate internal control system commensurate with the size and nature of its business.

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 independent firms 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.

e) Discussion on financial performance with respect to operational performance

The financial performance of your Company continues to remain strong, and is expected to show an improvement in the coming years, with the higher production levels at the chemical complex at Dahej, the firming up of Carbon Credit prices, and the commencement of revenues from the Wind Energy business.

f) 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 year;
- 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 of Rs. 1.00 per equity share (100%) each. Your Directors now recommend a final dividend of Rs 1.50 per equity share (150%) subject to approval of the shareholders. The total dividend payout (including dividend distribution tax) for the year will be Rs 4491.80 lacs.

5. DIRECTORS

Shri OP Lohia and Dr S Rama Iyer retire by rotation and being eligible, offer themselves for re-appointment. During the year, Shri CP Jain who was appointed as an Additional Director on the Board had resigned with effect from 12th February, 2010.

7. SUBSIDIARIES AND JOINT VENTURE

The Balance Sheet, Profit and Loss Account, Auditors' Report and Directors' Report and a Statement of your Company's interest in Inox Leisure Limited, Inox Wind Limited, Inox Infrastructure Private Limited, Inox Motion Pictures Limited and Gujarat Fluorochemicals Americas LLC, as required under Section 212 of the Companies Act, 1956, for the year 31st March 2010 are annexed hereto.

The Company has entered into a joint venture with Yeng Peng Chemical Company Limited, China for manufacture of 35000 TPA Anhydrous Hydrofluoric Acid, a strategic raw material of the Company.

8. AUDITORS' REPORT

The Auditors' Report to the Shareholders does not contain any qualifications. 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.