



Creating the right formula
for growth



GUJARAT
FLUOROchemicals
LIMITED



GROUP COMPANY

24th Annual Report 2010-11

Creating the right formula
for **growth**



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GUJARAT FLUOROchemicals LIMITED

TWENTY-FOURTH ANNUAL GENERAL MEETING

Friday, the 15th July, 2011

at 3.30 p.m.

at

Survey No. 16/3, 26 & 27

Ranjitnagar 389 380

Taluka Ghoghamba

District Panchmahal

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 to our Registrar and Share Transfer Agents at the following address :

Link Intime India Private Limited

B-102 & 103,

Shangrila Complex, First Floor,

Near Radhakrishna Char Rasta,

Akota, Vadodara - 390 020

3. 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 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

Shri Mahesh Prasad

Chairman

Director

Director

Managing Director

Whole-Time Director

Whole-Time Director

Director

Director

Director and Group Head

Corporate Finance

Director

Additional 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

Royal Bank of Scotland

DBS Bank Ltd.

BNP Paribas

ICICI Bank Limited

Oriental Bank of Commerce

HDFC Bank Limited

Citi Bank N.A.

Registered Office

Survey Number 16/3, 26 & 27,

Ranjitnagar 389 380

Taluka Ghoghamba,

District 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 & Ossiya, Rajasthan State

Village Vellankottai, Tamilnadu State

GUJARAT FLUOROchemicals LIMITED

NOTICE

NOTICE is hereby given to the Members of **Gujarat Fluorochemicals Limited** that the **Twenty-Fourth Annual General Meeting** of the Company will be held at the Registered Office of the Company at Survey Number 16/3, 26 & 27, Ranjitnagar 389 380, Taluka Ghoghamba, District Panchmahal, Gujarat, on Friday, the 15th July, 2011, at 03:30 p.m., to transact the following business:

ORDINARY BUSINESS

1. To receive, consider and adopt the Profit and Loss Account for the year ended 31st March, 2011, 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 dividend and declare final dividend for the year ended 31st March, 2011.
3. To appoint a Director in place of Shri Deepak Asher who retires by rotation and being eligible offers himself for re-appointment.
4. To appoint a Director in place of Shri Shanti Prasad 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 Mahesh Prasad, 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 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 D K Sachdeva be re-appointed, as a Whole-time Director of the Company for a further period of one year commencing from 29th November, 2011 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. 42 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 D K 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 D K 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."

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 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 JS Bedi be re-appointed as Whole-time Director of the Company for a further period of one year commencing from 1st December, 2011 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 52 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 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."

By Order of the Board of Directors

Noida
27th May, 2011

DK JAIN
Chairman

Registered Office :

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

Notes :

- 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 11th July, 2011 to 15th July, 2011 (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 2003-2004 and / or 2004-2005 and / or 2005-2006 and / or 2006-2007 and / or 2007-2008 and / or 2008-2009 and / or 2009-2010 / 2010-2011 declared and paid by the Company, are requested to write to our Registrar & Share Transfer Agents.

ANNEXURE TO THE NOTICE

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

Items No. 6

Shri Mahesh Prasad was 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 27 May, 2011. 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 Mahesh Prasad 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 Mahesh Prasad to the extent of his appointment as Director of the Company.

Items No. 7

At the Twenty-Third 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, 2011 to 28th November, 2012. 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-Third 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, 2011 to 30th November, 2012. 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
27th May, 2011

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-Fourth Annual Report for the year ended 31st March, 2011.

1. FINANCIAL RESULTS

Following are the working results for the year 2010-2011:

(Rs. in Lacs)

	2010-2011	2009-2010
Turnover	102470.81	98634.50
Gross Profit before Interest and Depreciation	45423.33	52271.98
Less: Interest	3454.64	4803.33
Profit before Depreciation	41968.69	47468.65
Less: Depreciation and amortization for the year	6758.98	5703.07
Less: Provision for diminution in value of investments	60.75	1559.84
Profit before Taxation	35148.96	40205.74
Provision for Taxation	10211.08	6799.05
Profit for the year	24937.88	33406.69
Add: Taxation pertaining to earlier years	1424.93	8.66
Add: Profit brought forward from previous year	292.74	169.19
	26655.55	33584.54
Appropriations		
Transferred to General Reserve	22000.00	28800.00
Interim dividend	1098.50	2197.00
Proposed Dividend subject to approval of the shareholders	2746.25	1647.75
Tax on Dividend	627.96	647.05
Balance carried to Balance Sheet	182.84	292.74
	26655.55	33584.54

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 50% of your Company's HCFC22 production was captively consumed last year at its Dahej plant for production of PTFE, and the balance 50% was sold. Of the sales of HCFC22, 88% was 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 steadily increasing 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 captive power plant. 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 increased its plant capacity of Caustic Soda to 1,15,000 tpa, Chloromethane capacity 1,05,000 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 5 years now, 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 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, hubs, blades and towers for wind turbines, in pursuance of its business plans to set up and operate wind farms. Your Company has also set up a subsidiary, "Inox Renewables Limited" (IRL) to implement the business of owning and operating of wind farms and has obtained approval of its Shareholders to transfer, by way of slump sale, of the existing wind energy business of the Company to IRL so as to be able to pursue growth opportunities and improve operational efficiencies in the said business. The slump sale will be executed after obtaining all statutory permissions required for the purpose. It has also acquired land banks, and is in the process of acquiring further land banks for its wind farms at wind-rich sites. The Company has set up a robust and energetic operating team for this business.

b) Opportunities and threats

The Refrigerant Business of your Company is operating at near full capacity. Prices of HCFC-22 have improved over the past six months, increasing the profitability of this business. The key threat to the Refrigerant Gas Business would be pressures on margins that may arise due to competition from China. However, your Company's competitive advantage has been enhanced with the stabilisation and expansion of the integration projects set up at Dahej.

The Chemical Complex at Dahej has now stabilised and, after attaining full levels of capacity utilisation, the Company has embarked upon an expansion plan to increase capacities of Caustic Soda to 1,15,000 tpa, Chloromethane capacity to 1,05,000 tpa and Poly Tetra Fluoro Ethane (PTFE) capacity to 12,500 tpa, with corresponding increase in the capacity of its captive power plant. Prices of PTFE have improved significantly over the past six months, and margins are therefore attractive. 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, at least upto 2012. After an investigation that was carried out by the CDM Executive Board on the Methodology that governed HFC-23 destruction projects, and all CDM projects globally that were governed by this methodology, issuances of Carbon Credits to your Company have resumed. The key threat to this business is the price volatility in the carbon markets, and uncertainty about market for your Company's Carbon Credits post 2012. Your Company has implemented an effective price hedging strategy to mitigate the price volatility 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 manufacturing 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.

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 20 of Notes to the Accounts of Annual Report of the Company.

d) Outlook

HCFC22 is expected to witness a growth of more than 5% per annum globally, largely due to growth in PTFE demand. Due to production shifts accentuated by the Montreal Protocol, and the inherent cost competitiveness of Asian plants, HCFC22 plants in India have been witnessing a 20% growth rate for the past several years. 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 and increasing global prices.

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 uncertainty about the market post 2012, over which some clarity could perhaps 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 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 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.

f) 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 1253 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;