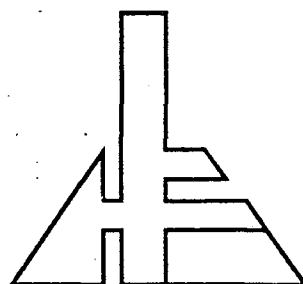


14th ANNUAL REPORT 1996-97

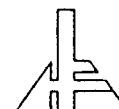
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HINDUSTAN FLUOROCARBONS LIMITED

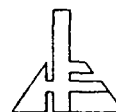
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CS				DPY	
RO				DIV	
TRA				AC	
AGM				SHI	
YE					

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HINDUSTAN FLUOROCARBONS LIMITED**BOARD OF DIRECTORS**

Dr.Reena Ramachandran	Chairman
Shri N S Gambhir (Upto 31-07-1996)	Managing Director
Shri Y G Bhat (From 01-08-1996 to 19-05-1997)	Managing Director
Shri Bhargav C Mehta (From 20-05-1997)	Managing Director
Shri P C Rawal, IAS	Govt. of India Nominee
Shri B G Nadig	BIFR Special Director
Shri S Suryanarayanan (Upto 16-06-1997)	IDBI Nominee
Shri N R Shenoy (From 17-06-1997)	IDBI Nominee
Shri C R Vijayaraghavan	LIC Nominee

AUDITORS

Luharuka & Associates
Chartered Accounts
5-4-187 & 4
Soham Mansion
2nd Floor, M G Road
Secunderabad - 500 003

BANKERS

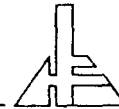
State Bank of Hyderabad
Gunfoundry, Hyderabad

REGISTERED OFFICE

1402, Babukhan Estate
Basheerbagh, Hyderabad

WORKS

Rudraram P.O
Sangareddy Tq.
Medak Dist
Andhra Pradesh

HINDUSTAN FLUOROCARBONS LIMITED**NOTICE**

NOTICE is hereby given that the 14th Annual General Meeting of Members of Hindustan Fluorocarbons Limited will be held on Friday 26th December, 1997 at 3.00 p.m. at Press Club, Deshodharaka Bhavan, 5-9-60/B, Fateh Maidan, Hyderabad to transact the following business.

Ordinary Business:

1. To receive, consider and adopt the Audited Balance Sheet as at 31st March, 1997 and Profit and Loss Account for the year ended on that date together with reports of the Directors and the Auditors thereon.
2. To appoint a Director in the place of Shri P C Rawal, who retires at this AGM and eligible for re-appointment.

By order of the Board of Directors

Sd/-

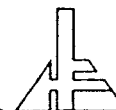
(Bhargav C. Mehta)
Managing Director

Place : Hyderabad
Date : 28.11.1997

Note:

1. A Member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote instead of himself and the proxy need not be a member.
2. The Register of Members and Shares Transfer Books will remain closed from 22nd December to 26th December, 1997 (both days inclusive).

HINDUSTAN FLUOROCARBONS LIMITED



CHAIRMAN'S SPEECH

Ladies and Gentlemen;

I have great pleasure in welcoming you all to the 14th Annual General Meeting of your Company. The Director's Report and the Audited Accounts for the year ending 31st March, 1997 have been with you for some time and with your permission, I shall take them as read. I would like to share with you few important developments during the year.

Performance Highlights

Even though the year witnessed highly competitive business environment, HFI continued to post a net profit for the third consecutive year. The Company produced 392 Mts of PTFE as against 381 Mts produced in the previous year. The production of CFM-22 was the highest ever at 1212 Mts with a capacity utilisation of more than 95% as against 1195 Mts. CFM-22 an intermediate product in the manufacture of PTFE was marketed during the year under review and a quantity of 292 Mts was sold and the balance used for captive consumption.

Exports

Exports during the year were the highest ever and we have exported 60 Mts of PTFE achieving Rs.182.78 lakhs earnings in foreign exchange.

New Initiatives

Strategic business units were set up aimed at

empowering people and introducing the concept of self management. Participative system of decision making & improving response time to customer needs and optimisation of resources.

Policy Implications and Market Share

The liberalisation process resulted in consistent reduction in Customs duty on PTFE from 150% in 1991-92 to 35% in 1996-97. Efforts are on to correct the anomaly that major feed stock i.e. chloroform and HF attract the same level of duty i.e 35% as the end product PTFE. The Company could still achieve a cash profit of Rs.189 lakhs and a net profit of Rs.18 lakhs. This could be achieved by competitive pricing, operational efficiency, production optimisation and marketing of value added products etc. HFL continues to hold major market share in the country.

New applications and Product Development

As mentioned earlier, the Company is continuing to work on project under Defence Research Development Organisation with collaboration of IIT, Madras for development and characterisation of PTFE micro wave lamination which are currently being imported. If this material is approved by the Defence Organisation, HFL will be making entry into high value critical component segment of defence sector. Using the in-house facility, the

HINDUSTAN FLUOROCARBONS LIMITED



Company has developed a free flowing compounded resin and have market seeded the same. The FF compounded resin finds extensive and large requirement in the export market.

Future Prospects

The global competitiveness has become a pre-requisite for survival and sustain success. Hence, focus will continue to be on efficiency improvements, better capacity utilisation through, continuous audit and control of input and expenses so as to be price competitive and improve the market share of HFL product mix.

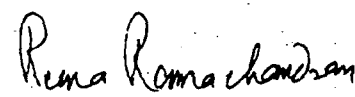
The economic liberalisation has brought about a sea change in the attitudes in the market place with customers looking for cheaper equivalents or substitutes. Fortunately, PTFE, a versatile engineering plastic, the demand for this material in India and Abroad has not shown any shrinkage and continues to increase. The Company is making all out efforts to tap the potential in the export market so as to overcome the vagaries of domestic industry, as was witnessed during the year of review.

The Company is looking for diversification to other fluoro related products and results are expected shortly.

You are aware your Company was referred to BIFR in April, 1994 and the BIFR has recommended the merger of the Company with the promoter Company Hindustan Organic Chemicals Limited, HOC. The proposal of merger is currently pending with the Government for its approval.

I would like to convey my sincere appreciation for the constant support received from HOC, Financial Institutions, Central Government, Government of Andhra Pradesh, BIFR, employees, various representatives of Officers' Association and Unions, during the year.

We look forward to your continued support.


(Dr. Reena Ramachandran)
Chairman

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HINDUSTAN FLUOROCARBONS LIMITED

DIRECTORS' REPORT

Your Directors have pleasure in presenting the 14th Annual Report together with Audited Accounts for the year ended 31st March, 1997.

1. FINANCIAL RESULTS

	(Rs.in lacs)	
	1996-97	1995-96
Sales Turnover (Net)	2009	2572
Gross Profit for the year	322	659
Less: Interest and Financing Charges	133	428
Cash Profit	189	231
Less: Depreciation	166	163
DRE	16	16
Profit/(Loss) for the year	7	52
Prior Period Adjustments	+11	+4
Net Profit/(Loss)	18	56

The general recession of domestic industry has had its impact on your Company also. In spite of the sluggish PTFE market, your Company continued to post a net profit for the 3rd consecutive year. This could be achieved due to improved production, higher contribution realised from optimum operation.

In spite of reduction of custom duty from 40% to 30% the Company could achieve cash profit of Rs.189 lacs and net profit of Rs.18 lacs as against cash profit of Rs.231 lacs and net profit of Rs.56 lacs in the previous year. To maintain the Company's market share the Company had to reduce the price of PTFE and offer quantity based discounts to its customers.

2. OPERATIONS

During the year under report, the Company has achieved the production of 392 MTs as against 381 MTs in previous year. This is the highest recorded production achieved by the Company. The production of CFM-22 is also higher at 1212 MTs as against 1195 MTs during the previous year. Your Company has targetted and implemented cost reduction programme, process

optimisation and achieved better plant efficiencies during the current year. Company has been able to derive additional support from their key raw material suppliers, who have come forward to provide financial advantages to your Company which will have direct bearing on the bottom line for the current year (1997-98). Using inhouse facilities, the Company has developed free flowing compounded resin and have market seeded the same. Free flowing compound resin finds extensive requirement in export market.

3. MARKETING

The Company recorded a sale of 361 MTs during the year as against the sale of 412 MTs during the previous year. This is mainly on account of very sluggish industrial market prevailing in the country. The Company exported a record quantity of 60 MTs of PTFE achieving Rs.182.78 lacs earnings in foreign exchange. The quality of product is continued to be maintained at high levels. The free flow compounded resin market seeded abroad has been well received.

Your Marketing team has been able to realise the true market value of CFM-22 resulting into an additional net revenue of Rs.45,000/- per MT of CFM-22 sales for the current year (1997-98).

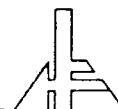
4. FUTURE OUTLOOK

While the Indian industry is poised to come out of recession, your Company has drawn up plan for capacity increase and diversification into areas of value addition and upgraded the existing technology of PTFE and manufacture of other fluoropolymers. To overcome the vagaries of Indian Industry, the Company also proposes to tap the International Markets in the current year.

5. FINANCE

During the year the Company was able to repay term loan instalments due out of its own generation.

In terms of Relief Package sanctioned by IDBI, the lead Financial Institution and the approval

HINDUSTAN FLUOROCARBONS LIMITED

given by the shareholders at the Extra Ordinary General Meeting held on 19.3.1993, 50% of the Funded Interest payable to New India Assurance Ltd. amounting to Rs.12 lacs has been converted into equity as per the approval given.

6. SAFETY AND ENVIRONMENT

Being an hazardous manufacturing process, the Company ensured maintenance of safety consciousness among the employees and periodic review of safety measures have enabled the Company once again to maintain safe operations during the year.

7. BOARD OF DIRECTORS

During the year, the following changes have taken place among the directors of the Company.

Shri N S Gambhir, Managing Director retired on Superannuation w.e.f. 31.7.1996.

Shri Y G Bhat, Director (Technical) of HOC was appointed as Managing Director by Government of India w.e.f. 1.8.1996 and relinquished his office on 20.5.1997 consequent upon the appointment of Sri Bhargav C Mehta as Managing Director w.e.f. 20.5.1997

The Board wishes to place on record its appreciation of the valuable services rendered by the outgoing Managing Directors.

Shri S Suryanarayanan, IDBI Nominee relinquished his Office of Director w.e.f 16.06.97 and Shri N R Shenoy has been appointed by IDBI w.e.f. 17.06.97.

The Board placed on record its appreciation of the valuable guidance and services rendered by the outgoing Directors.

8. PERSONNEL

Industrial Relations with the employees during the year continued to be cordial.

None of the employees of the Company are drawing remuneration requiring disclosure pursuant to Section 217(2A) of the Companies Act, 1956 read with Companies (Particulars of employees) Rules, 1975. Hence, particulars not appended.

9. CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION, FOREIGN EXCHANGE EARNINGS OUTGO

As required by the Companies (Disclosure of particulars in the report of Board of Directors) Rules, 1988 the relevant data is enclosed as Annexure forming part of this report.

10. REFERENCE TO BOARD FOR INDUSTRIAL AND FINANCIAL RECONSTRUCTION.

BIFR in its order no.507/94 dtd.19.12.1996 approved the merger of Hindustan Fluorocarbons Limited (HFL) with Hindustan Organic Chemicals Ltd., (HOCL). HOCL could not implement the scheme as ordered by BIFR, since BIFR has not considered the request of HOCL to incorporate two important Income Tax concessions. HOCL filed an appeal against BIFR order with AAIFR on Feb.'97. The AAIFR gave the final judgement No.AAIFR/APP No. 109/97 on 17.10.97. The approval of Government of India is awaited for implementation of the merger scheme.

11. AUDITORS

M/s LUHARUKA & ASSOCIATES, Chartered Accountants, Hyderabad will retire as Auditors of the Company at the conclusion of the ensuing Annual General Meeting. Auditors for the year 1997-98 will be appointed by the Company Law Board under Section 619(2) of the Companies Act, 1956.

With reference to MAB, Hyderabad comments, the Directors' replies are as under:

1. The observation Nos.1,2,4,6,7 are noted. However, the same will be rectified during the year 1997-98. Since there is no effect on working results as a result of comments.
2. The observation No.3 has been raised by the audit during the course of audit of 1994-95 accounts and dropped based on our reply.

The Institute of Chartered Accountants of India in its Guidance note on "Disclosure of