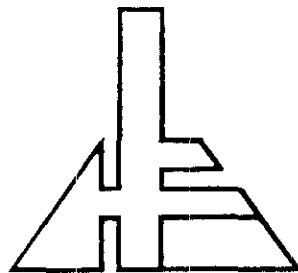


# 17th Annual Report 1999 - 2000

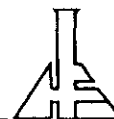
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**HINDUSTAN FLUOROCARBONS LIMITED**

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## **HINDUSTAN FLUOROCARBONS LIMITED**

### **BOARD OF DIRECTORS**

Shri Y G Bhat	(from 12-06-2000)	Chairman
Dr. Reena Ramachandran	(upto 11-06-2000)	Chairman
Shri Bhargav C Mehta		Managing Director
Shri O.P. Saini	(upto 30-07-1999)	Govt. of India Nominee
Shri Sanjiv Saran	(upto 17-11-1999)	Govt. of India Nominee
Shri P.G. Tenzing	(upto 21-05-2000)	Govt. of India Nominee
Shri Sunil Dadhe	(from 22-05-2000)	Govt. of India Nominee
Shri B G Nadig		BIFR Special Director
Shri C R Vijayaraghavan		LIC Nominee
Shri N.R. Shenoy	(upto 06-09-1999)	IDBI Nominee

### **AUDITORS**

Subrahmanyam & Sivudu  
Chartered Accountants  
1-2-27, Gaganmahal road  
Domalguda  
Hyderabad - 500 029

### **BANKERS**

State Bank of Hyderabad  
Gunfoundry, Hyderabad

### **REGISTERED OFFICE**

1402, Babukhan Estate  
Basheerbagh, Hyderabad-500 001.

### **WORKS**

Rudraram P.O.  
Sangareddy Tq.  
Medak Dist-502 329.  
Andhra Pradesh

## **HINDUSTAN FLUOROCARBONS LIMITED**



### **NOTICE**

NOTICE is hereby given that the 17th Annual General Meeting of Members of Hindustan Fluorocarbons Limited will be held on Saturday, 30th September, 2000 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, 2000 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. Sunil Dadhe, 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 : 08-09-2000

#### **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 September to 30th September, 2000 (both days inclusive).



## HINDUSTAN FLUOROCARBONS LIMITED

### CHAIRMAN'S SPEECH



Dear Shareholders,

I take pleasure in welcoming you to the 17th Annual General Meeting of your company. Directors' Report and Audited accounts for the year ending 31.3.2000 have reached you and with your permission I shall take them as read. I would like to share with you a few developments during the year.

As you are aware, the Indian Economy did not pick up from 1996-97 onwards and continued in 1998-99 and '99-2000 also. Chemical Industry on an average has grown at 9-10% as compared to Industry average of 4-5%. In 1997-98, even after partial recovery, it registered a growth of only 3-4% and enhanced pressure on margins. The year 1998-99 and 1999-2000 had also similar trends and volatile Asian money market continued to influence business.

Despite sluggish domestic PTFE market and dumping of imported material, your company could post a Gross Profit for the year. Substantial improvement in working capital management and austerity drive on all expenses enabled your company to withstand the competitive environment and remain totally self-sufficient.

#### **1. OPERATIONS AND OVERALL PERFORMANCE -**

Your company's performance during the year

under review has been impressive. During the year under report, your company achieved sales turnover of Rs. 2183 lacs as compared to Rs. 2062 lacs in the previous year registering an increase of 5.89%. However, production of PTFE was 303 MTs as against 341 MTs in previous year. The production of CFM-22 is highest at 1170 MTs as against 1133 MTs during the previous year.

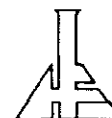
Your company has already implemented cost reduction programme, process optimisation and hence achieved better plant efficiencies during the current year. Quality of all our products continues to be well accepted by Domestic and International markets.

Cash Management continued to be excellent and hence your company operated well within the limited cash credit of SBH and saved substantial amount on bank interest.

With excellent cash management clubbed with prudent resource management, your company operated well on stand-alone basis generating operational surplus to meet its annual fund requirements.

#### **2. NEW INITIATIVES :**

Your company continued the arrangements with APGPCL (Andhra Pradesh Gas Power Corporation Ltd.) for wheeling of surplus power



## HINDUSTAN FLUOROCARBONS LIMITED

which is un-utilised by M/s. IDPL, a unit under the same Ministry in the State of Andhra Pradesh at a concessional rate leading to substantial reduction in power bill of the company.

### 3. CONCERN FOR ENVIRONMENT:

Your company is committed to the world Community towards safety of the Environment and Health Aspects.

Keeping in view the Montreal Protocol compliance wherein CFCs and HCFCs have been identified as Ozone depleting substances, your company has already identified technologies to develop substitutes.

In view of this emerging scenario, your company will be able to manufacture Eco-friendly substitutes with minor modifications to the available plant and machinery for conversion of the available HCFC-22 well before specified period. With international markets for HCFC showing 11% growth rate and with technologies for HCFC substitutes identified, your company is looking forward to maximising HCFC capacity utilisation from the year 2000-2001 onwards.

### 4. POLICY IMPLICATIONS AND RECESSIONARY TREND:

Consistent reduction in the Customs Tariff and the cheaper imports into India due to recessionary trend affected the overall realisation and your company had to take recourse to anti-dumping measures on PTFE through the Government.

One significant achievement of your company has been to obtain imposition of Anti Dumping duty on imports from Russia. Although the element of anti dumping is highly inadequate it will provide your company atleast a marginal relief as well as a fair level playing field on the

domestic front. This will further improve the realisation for certain grades of your company. The company is also proposing to pursue Anti dumping measures for imports from other Hard Currency Areas like USA and Eruope.

### 5. FUTURE OUTLOOK

With the overall recovery of economy an relatively better markets, the year 2000-2001 is expected to be better. The first quarter results of the current year represents a substantial improvement over the previous year. With improved capacity utilisation and present scenario in export market as well as application of new product development with better realisation and demand in the global market, the company is expected to improve its earnings and market share in the coming years.

The merger scheme of your company with Hindustan Organic Chemicals Ltd., was once again reviewed by BIFR in April, 2000 and additional six months time has been granted to workout a new revival package in view of the changed market conditions.

I would like to convey my sincere appreciation for the constant support received from our customers, suppliers, HOC, Central Government, Govt. of Andhra Pradesh, BIFR, our employees and various representatives of Officers Associations and Unions during this critical year.

We look forward to your continued support.

(Y.G.BHAT)  
CHAIRMAN



## HINDUSTAN FLUOROCARBONS LIMITED

### DIRECTORS' REPORT

Your Directors present the 17<sup>th</sup> Annual Report together with Audited Accounts for the year ended 31st March, 2000.

#### 1. FINANCIAL RESULTS

	(Rs. In lacs)	
	1999-2000	1998-99
Sales Turnover (Net)	2183	2062
Gross Profit/(loss) for the year	72	278
Less : Interest and Financing charges	427	427
Cash Profit/(loss)	(355)	(149)
Less : Depreciation	170	168
DRE	0	0
Profit/(loss) for the year	(525)	(317)
Prior Period adjustments	0	2
Net Profit/(loss)	(525)	(319)

The historic slow down in Indian Economy from 1997-98 continued in FY 1999-2000 also leaving its impact on all Chemical Industries in India. Despite sluggish domestic PTFE market and dumping of imported material, your company could post a Gross profit for the year. However, on taking into account the interest burden of HOC, Financial Institutions etc, it indicates loss.

Although the company was able to get anti-dumping duty imposed on Russian material the quantum of anti-dumping duty remained insignificant and hence cheaper imports continue unabated. Hence continued dumping of Russian PTFE and cheaper availability of Chinese PTFE created price pressures. Despite this, company recorded a gross profit of Rs. 72 lacs as against gross profit of Rs. 278.00 lacs in the previous year. However, substantial improvement in working capital management and austerity drive on all expenses enabled your company to withstand the competitive environment and remain totally self sufficient.

#### 2. OPERATIONS AND OVERALL PERFORMANCE

Your company's performance during the year under review has been impressive. During the year under report, your company achieved sales turnover of Rs. 2183 lacs as compared to Rs. 2062 lacs in the previous year registering an increase of 5.89%. However, production of PTFE was 303 MTs as against 341 MTs

in previous year. The production of CFM-22 is higher at 1170 MTs as against 1133 MTs during the previous year.

Your company has already implemented cost reduction programme, process optimisation and hence achieved better plant efficiencies during the current year. Quality of all our products continues to be well accepted by Domestic and International markets.

Cash Management continued to be excellent and hence your company operated well within the limited cash credit of SBH and saved substantial amount on bank interest.

#### 3. MARKETING

The company recorded a 8.28% increase in sales to 327 MTs during the year as against the sale of 302 MTs during the previous year despite a very sluggish domestic market. This was achieved through exports of 90.72 MTs of PTFE dispersions and CFM-22 gas realising Rs. 231.32 lacs earnings in foreign exchange. The free flow compounded resin which was market seeded overseas has been well received. Your company exported its products to Ireland, Brazil, Holland and Netherlands earning valuable foreign exchange worth over Rs. 231.00 lacs.

#### 4. FUTURE OUTLOOK

Taking an optimistic view that the domestic markets are definitely expected to take-off atleast in FY 2000-2001, your company has strategised for maximising capacity utilisation. To overcome the vagaries of Indian Industry, your company has already established the quality of its products in the International markets for it to use this avenue creatively for capacity utilisation drive.

One significant achievement of your company has been to obtain imposition of Anti Dumping duty on imports from Russia. Although the element of anti dumping is highly inadequate it will provide your company atleast a marginal relief as well as a fair level playing field on the domestic front. This will further improve the realisation for certain grades of your company. The company is also proposing to pursue Anti dumping measures for imports from other Hard Currency Areas like USA and Europe.



## HINDUSTAN FLUOROCARBONS LIMITED

### 5. SAFETY AND ENVIRONMENT

Being a 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.

### 6. BOARD OF DIRECTORS

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

- **Shri O P Saini, IAS, Govt. of India Nominee relinquished his office of Director with effect from 30.7.99 and Shri Sanjiv Saran, IAS, Govt. of India Nominee was appointed as Director with effect from 30.07.99.**
- **Shri Sanjiv Saran relinquished his office of Director w.e.f. 17-11-99 and in his place Shri P G Tenzing was appointed as Director of the company by the Govt. of India with effect from 7.12.99 in terms of Article 77 of Articles of Association of the company.**
- **Shri P.G. Tenzing relinquished his office of Director w.e.f. 21-05-2000 and in his place Shri Sunil Dadhe was appointed as Director of the Company by the Govt. of India w.e.f. 22-05-2000 in terms of article 77 of articles of association of the Company.**

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

### 7. INDUSTRIAL RELATIONS

Employees relation continued to be cordial through out the year. Their whole-hearted support in augmenting production, improving operational efficiencies etc. amply demonstrate the mutual trust and co-operation between them and the Management.

Company continued to follow Govt. policy of reservation in recruitment for SC\ST\OBC. Analysis relating to SC\ST\OBC\WOMEN personnel in the company is given at Annexure-II.

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.

### 8. DISCLOSURES-CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION, FOREIGN EXCHANGE EARNINGS OUTGO.

Particulars with respect to Conservation of Energy,

Technology Absorption, Foreign Exchange earnings and out go as required under Companies (Disclosure of Particulars in the Report of the Board of Directors) Rules, 1988 in so far as they relate to the Company are furnished in the annexure.

### 9. VIGILANCE :

As per the Ministry instructions, one Officer has been appointed as "Chief Vigilance Officer" (Part-time) from amongst the Officers of the Company to take care of Vigilance functions.

Vigilance activities have mainly been directed to check the lacunae in the existing systems and procedures through periodic checks. The instructions of the Central Vigilance Commission received from time to time have been implemented to strengthen the vigilance machinery in the Company.

### 10. AUDITORS

M/S. Subramanyam & Sivudu, Chartered Accountants, Hyderabad will retire as Auditors of the company at the conclusion of the ensuing Annual General Meeting. Auditors for the year 2000 - 2001 will be appointed by the company Law Board under Section 619(2) of the Companies Act, 1956.

The comments of the comptroller and Auditor General of India u/s 619(4) of the Companies Act 1956, and Accounts of the company for 1999-2000 will be circulated to the shareholders on receipt.

### 11. ACKNOWLEDGEMENTS

Your Directors wish to acknowledge the sustained efforts and dedication of the company's employees who have contributed to a large extent against odds towards improving the company's operations during the year.

The substantial and timely assistance from the holding company, Hindustan Organic Chemicals Ltd., in all respects is gratefully acknowledged.

Your Directors also wish to thank State Bank of Hyderabad, the company's bankers and the Financial Institutions for their valuable support. We also wish to place on record our gratitude for the assistance received from Government of India, Government of Andhra Pradesh, APIDC, Raw material suppliers and our valued customers.

For and on behalf of the Board of Directors

Sd/-  
(BHARGAV C MEHTA)  
MANAGING DIRECTOR

PLACE : MUMBAI  
Date : 26.07.2000





## HINDUSTAN FLUOROCARBONS LIMITED

### ANNEXURE TO DIRECTORS' REPORT

Statement containing particulars pursuant to companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 and forming part of Directors' Report.

#### A) Conservation of Energy.

As a cost cutting measure in a competitive environment, the company is making its continuous efforts to optimum operation, equipment efficiency, energy conservation. The team constituted to monitor and critically review reduction of the energy cost has contributed substantially which has helped the company to be cost competitive.

#### B) Technology Absorption.

##### 1) Research and Development (R & D)

- 1st Phase of the joint project with IIT, Madras to develop composite laminate used in microwave application for defence application was completed under the GRANT-IN-AID Programme of the Ministry of Defence, GOI.
- Process to manufacture expanded PTFE films and tapes for Sealing Application has been developed.
- Compounded PTFE with suitable fillers and additives for specific Application with better wear and sealing properties have been developed.
- Items of PTFE were chemically "etched" for specialised defence applications.

##### 2) BENEFITS

Due to commercialisation of product development activities, the company's product range has been widened. Import substitution has saved foreign exchange. Customer base has widened with increase in the application base of PTFE in India.

3) The company continues to emphasise on the need to meet import substitution requirements for application in critical and highly sophisticated areas.

##### 3) FUTURE PLANS

A proposal for expanding the existing plant capacity from 500 MT to 700 MT is actively under consideration for meeting increased market demand, both domestic as well as exports. The company utilising its technical expertise and in-house facilities has installed a new Monomer Compressor to increase the monomer plant capacity. The production is expected to record substantial increase. Conversion efficiencies are expected to be better than even the standards set by M/s. ATOCHEM.

Number of developmental projects are under progress to commercialise value added products.

Some of them are :

- Your company and IIT, Chennai have successfully developed for Defence Department (DTSR) glass reinforced PTFE composite substrate having low dielectric constant, low dissipation factor useful for high performance microwave applications and other

printed circuit board manufacture.

- Your company has already identified development of Tetrafluoro propionate used in certain countries as a herbicide. Initial trials for reacting with TFE Monomer have been successful. On commercialisation, your company will earn substantial foreign exchange.
- Your company alongwith Indian Institute of Chemical Technology (IICT) have submitted a joint proposal for developing HEPTAFLUOROPROPANNE- A FIRE extinguish for Defence Institute of Fire Research (DIFR). This will eliminate the complete IMPORT of FM -200.
- Your company has already identified recovering Hexafluoropropylene from the recycle stream of the monomer purification column which finds application in critical compressors used in defence/atomic energy plants.

#### 4) TECHNOLOGY ABSORPTION, ADAPTATION AND INNOVATION

- Efforts in brief, made towards technology absorption, adaptation and innovation.

The technology transfer from M/S. ATOCHEM, FRANCE covered manufacture of ONLY 11 grades of PTFE. Your company has successfully added more than twenty grades of PTFE which include both virgin and filled grades of PTFE.

The technology obtained from ATOCHEM, France has been fully internalised and the company continues to manufacture other grades of PTFE not covered by the licence agreement and sold in the Domestic markets.

- Benefit derived as a result of the above efforts eg. Product improvement, cost reduction, product development, import substitution etc.

- Microfine powder (MM2) developed in collaboration with M/s. BARC, a direct substitute for imported grade mainly used in lubricant and greases has been well accepted by the market. The other application areas have been explored.
- Special grade of aqueous dispersion developed for coating of woven glass-cloths used in heat sealing tapes, non-stick adhesive tapes electric insulations, laminates making etc. has also been well accepted in the domestic market.

#### 5) FOREIGN EXCHANGE EARNINGS AND OUTGO

	Rs. in Lacs	
	1999-2000	1998-99
Foreign Exchange earnings (Export sales)	231.32	83.10
Foreign Exchange outgo		
CIF value of raw materials, Stores and spares.	58.50	8.30