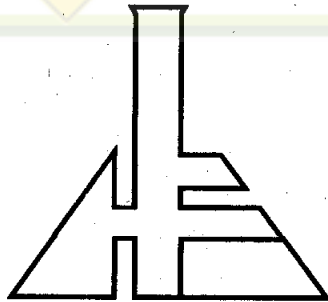


**18th
Annual Report
2000-2001**

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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 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

AUDITORS

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

BANKERS

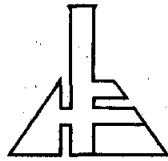
State Bank of Hyderabad
Gunfoundry
Hyderabad

REGISTERED OFFICE

1402, Babukhan Estate
Basheerbagh
Hyderabad - 500 001

WORKS

Rudraram P O
Sangareddy Tq.
Medak Dist
Andhra Pradesh



Hindustan Fluorocarbons Limited

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NOTICE

NOTICE is hereby given that the 18th Annual General Meeting of Members of Hindustan Fluorocarbons Limited will be held on Friday 14th September, 2001 at 12.30 P.M. at Press Club, Deshodharaka Bhavan, 5-9-60/B, Fateh Maidan, Hyderabad to transact the following business.

2. To appoint a director in place of Shri Sunil Dadhe, who retires at this AGM and eligible for re-appointment.
3. To appoint a director in place of Shri Vijay Mathur, who retires at this AGM and eligible for re-appointment.

Ordinary Business:

1. To receive, consider and adopt the Audited Balance Sheet as at 31st March, 2001 and Profit and Loss Account for the year ended on that date together with reports of the Directors and the Auditors thereon.

By order of the Board of Directors

Sd/-
(Bhargav C. Mehta)
Managing Director

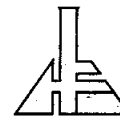
Place : Hyderabad
Date : 18.08.2001

Note:

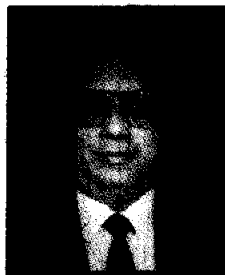
1. A Member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote instead of himself and the proxy need not be a member.
2. The Register of Members and Shares Transfer Books will remain closed from 6th September to 14th September, 2001 (both days inclusive).



Hindustan Fluorocarbons Limited



Chairman's Speech



Dear Shareholders,

I take pleasure in welcoming you to the 18th Annual General Meeting of your Company. Directors' Report and Audited Accounts for the year ending 31.3.2001 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.

In 1999-2000 Chemical Industry Growth has been 2 - 3% with enhanced pressure on margins. The year 2000-2001 had also similar trends and volatile Asian money market continued to influence business.

Despite marginal improvement in the domestic PTFE market and dumping of imported material especially from China, your company could post a substantial improvement of 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 particularly impressive. During the year

under report, your Company achieved sales turnover of Rs.2309 lacs as compared to Rs. 2183 lacs in the previous year registering an increase of 5.77%. However, production of PTFE was 363 MTs as against 303 MTs in previous year. The production of CFM-22 is 1156 MT as against 1170 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 good and hence your Company operated well within the limited cash credit of SBH and saved substantial amount on bank interest.

2. NEW INITIATIVES:

Your Company continued the arrangements with APGPCL (Andhra Pradesh Gas Power Corporation Ltd.) for wheeling of surplus power which is un-utilised by M/s. IDPL, a unit under the same Ministry in the State of A.P. at a concessional rate leading to

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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 on the domestic front. This is expected to further improve the reaction for certain grades for your Company's products. The Company is proposing to pursue Anti-dumping measures for imports from other Hard Currency Areas like USA, Europe and also from China.

5. FUTURE OUTLOOK:

With the overall recovery of economy, a relatively better markets, the year 2001-2002 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.

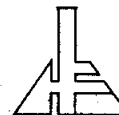
IDBI has been made as Operative Agency for the purpose of recommending revival package of HFL to BIFR. HOCL has also made an alternative viable proposal to HFL and submitted to BIFR and IDBI. The outcome of this is awaited.

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 all Statutory Bodies, investors, banks, Financial Institutions, etc.

We look forward to your continued support.

(Y G BHAT)
CHAIRMAN

Hindustan Fluorocarbons Limited



DIRECTORS' REPORT

Your Directors present the 18th Annual Report together with Audited Accounts for the year ended 31st March, 2001.

1. FINANCIAL RESULTS

| | (Rs. in Lacs) | |
|---------------------------------------|---------------|-----------|
| | 2000-2001 | 1999-2000 |
| Sales Turnover (Net) | 2309 | 2183 |
| Gross Profit/(Loss) for the year | 348 | 72 |
| Less : Interest and Financing charges | 368 | 427 |
| Cash Profit /(Loss) | (20) | (355) |
| Less : Depreciation | 188 | 170 |
| DRE | 0 | 0 |
| Profit/(Loss) for the year | (208) | (525) |
| Prior period adjustments | 0 | 0 |
| Net Profit/(Loss) | (208) | (525) |

The revival of the Indian Economy shared some signs in FY 2000-2001. Despite sluggish domestic PTFE market and dumping of imported material, particularly from China, your company could post substantial increase in Gross Profit for the year. However, on taking into account the interest burden of HOC, Financial Institutions etc; it indicates net 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 particularly from China 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.348 lacs as against gross profit of Rs.72 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.2309 lacs as compared to Rs.2183 lacs in the previous year registering an increase of 5.77%. Also, production of PTFE was 363 MTs as against 303 MTs in previous year. The production of CFM-22 was 1156 MTs as against 1170 MTs during the previous year. Your Company achieved better plant efficiencies during the current year. Quality of all our products continues to be well accepted by Domestic processers. Cash Management continued to be excellent and hence your company operated not only well within the limited cash credit of SBH but also saved substantial amount on bank interest due to sufficient self generation of additional funds.

3. MARKETING

The Company recorded a 13.76% increase in sales to 372 MTs during the year as against the sale of 327 MTs during the previous year despite a very sluggish domestic market, by aggressive pricing policy adopted and strategising our Marketing approach.

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4. FUTURE OUTLOOK

Your company has planned 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 and now China.

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 P G Tenzing relinquished his office of Director w.e.f. 21.5.2000 and in his place Shri Sunil Dadhe was appointed as Director of the Company by the Govt of India w.e.f. 22.5.2000 in terms of article 77 of Articles of Association of the

Company. Hence retire on the date of AGM and is eligible for re-appointment.

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

7. INDUSTRIAL RELATIONS

Employee 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 nominated as

Hindustan Fluorocarbons Limited



"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 Subrahmanyam & Sivudu, Chartered Accountants, Hyderabad will retire as Auditors of the Company at the conclusion of the ensuing Annual General Meeting. Auditors for the year 2001-2002 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 on the Accounts of the company for 2000-2001 will be circulated to the shareholders on receipt.

11. RESPONSIBILITY STATEMENT

The Directors confirm:

- a. that in the preparation of the annual accounts, the applicable accounting standards have been followed and that no material departures have been made from the same.
- b. that they 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 for that period.

- c. that they 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.
- d. that they have prepared the annual accounts on a going concern basis.

12. 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/-

Place: Hyderabad
Date: 18.08.2001

(Bhargav C. Mehta)
Managing Director

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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)

- a) Process to manufacture expanded PTFE films and tapes for Sealing Application has been developed.
- b) Compounded PTFE with suitable fillers and additives for specific Application with better wear and sealing properties has been developed.
- c) 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.

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

3) Future Plans

The Company utilising its technical expertise and in-house facilities had installed a new Monomer Compressor to increase the monomer plant capacity. The production therefore recorded a 19% increase. Conversion efficiencies are expected to be better than even the standards set by M/s ATOCHEM. 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. Number of developmental projects are under progress to commercialise value added products. Some of them are:

- a) Your company and IIT, Chennai have successfully developed glass reinforced PTFE composite substrate having low dielectric constant, low dissipation factor useful for high performance microwave applications and other printed circuit board manufacture for Defence Department (DTSR).
- b) Your company has already identified development of