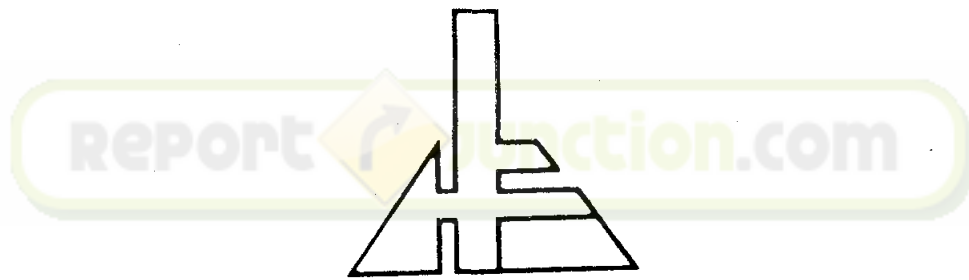
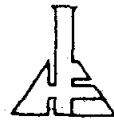


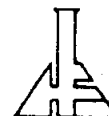
**19th
Annual Report
2001-2002**



HINDUSTAN FLUOROCARBONS LIMITED

HINDUSTAN FLUOROCARBONS LIMITED**CONTENTS**

Board of Directors	-	2
Notice	-	3
Chairman's Speech	-	4
Directors' Report	-	6
Auditors Report	-	11
Balance Sheet	-	14
Profit and Loss Account	-	15
Schedules	-	16



HINDUSTAN FLUOROCARBONS LIMITED

BOARD OF DIRECTORS

Shri A.S. Didolkar	(from 20-05-2002) (HOCL Nominee)	Chairman
Shri Y.G. Bhat	(Upto 20-05-2002) (HOCL Nominee)	Chairman
Shri Bhargav C. Mehta	(5 years term expired on 20-05-2002 extended upto 20-8-2002)	Managing Director
Shri Sunil Dadhe	(Upto 01-04-2002)	Govt. of India Nominee
Shri Sanjiv Saran	(from 29-04-2002)	Govt. of India Nominee
Shri B.G. Nadig		BIFR Special Director
Shri C.R. Vijayaraghavan		LIC Nominee
Shri Vijay Mathur		HOCL Nominee

AUDITORS

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

BANKERS

Sate Bank of Hyderabad
Gunfoundry, Hyderabad.

REGISTRAR & SHARE TRASFER AGENTS

Share pro Services Pvt. Ltd.
Satam Estate, IIIrd Floor, Chakala, Andheri (E)
Mumbai - 400099

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 19th Annual General Meeting of the Members of Hindustan Fluorocarbons Limited will be held on Wednesday 25th September, 2002 at 3.00 P.M. at Press Club, Deshodharaka Bhavan, Bashirbagh, Hyderabad - 500001 to transact the following business :

Ordinary Business :

1. To receive, consider and adopt the Audited Profit and Loss Account for the year ended 31st March, 2002 and Balance Sheet as on that date together with Reports of the Directors' and the Auditors' thereon.
2. To appoint a director in place of Shri Sanjiv Saran, who retires at this AGM and being eligible offers himself for re-appointment.
3. To appoint a director in place of Shri Vijay Mathur, who retires at this AGM and being eligible offers himself for re-appointment.

By order of the Board of Directors
Of Hindustan Fluorocarbons Ltd.

Sd/-
(Bhargav C. Mehta)
Managing Director

Place : Hyderabad
Date : 31/07/2002

Notes :

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 of the company. The Proxy in order to be effective must be lodged at the Registered Office of the Company not less than 48 hrs. before the meeting.**
2. The Register of Members and Shares Transfer Books of the Company will remain closed from Wednesday the 18th September, 2002 to Wednesday the 25th September, 2002 (both days inclusive).
3. Members are requested to bring their copy of Annual Report at the meeting, as the same will not be distributed again as a measure of economy.

HINDUSTAN FLUOROCARBONS LIMITED**CHAIRMAN'S SPEECH**

Dear Shareholders,

I have taken over as Chairman just about 4 months ago and I consider it a privilege to welcome you all to the 19th Annual General Meeting of your company. The Directors' Report and Audited Accounts for the year ended 31st March, 2002 have been circulated already and with your permission, I shall take them as read.

The phase of recovery of industrial recession still has not been encouraging. Despite sluggish domestic PTFE market and dumping of imported material, particularly from China, I have some comfort to report that your company could post Gross Profit of Rs. 276 lakhs during the year. However, the interest payments due to HOCL (the Holding Company), Financial Institutions, etc. have eroded the gross profits. Although the company was able to get anti-dumping duty imposed on Russian material, quantum of anti dumping 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. This had in turn laid greater concern for us to concentrate on various possible cost control measures. Towards this end, efforts were made to further improve working capital management and keep tight control on all expenses.

I now proceed to share with you briefly the performance of the company and our activities in other areas.

1. OPERATIONS AND OVERALL PERFORMANCE :

As I stated earlier, inspite of several odds, during the year under report, your company registered a sales turnover of Rs. 2412 lacs and PTFE production of 343 MTs which are only marginally less than that in the previous year.

We have not compromised on the quality of our products, and this is a factor well accepted by Domestic processors. Due to efficient cash management, your company operated not only well within the limited cash credit of SBH but also saved substantial amount on bank interest due to sufficient internal generation.

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 Andhra Pradesh at a concessional rate leading to substantial reduction in power bill of the company.

2. CONCERN FOR ENVIRONMENT :

The Safety of the Environment and health aspects continue to be greatest concern of your Company. Keeping in view the Montreal Protocol compliance wherein CFCs and HCFCs have been



HINDUSTAN FLUOROCARBONS LIMITED

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 continuing to maximise HCFC capacity utilisation.

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 operation during the year.

3. POLICY IMPLICATIONS AND RECESSIONARY TREND

Consistent reduction in the Customs Tariff and the cheaper imports into India 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 realisation for certain grades for your company's products. The company is also proposing to pursue Anti- dumping measures for imports from other Hard Currency Areas like USA, Europe and now from China.

4. FUTURE OUTLOOK

It is hoped that the year 2002-2003 will witness the end of the recessionary phase. With improved capacity utilisation and efforts in the new product development the company is looking forward to improve earnings and market share in the com-

ing years.

Your company is still in the BIFR net. IDBI has been made as OA for the purpose of recommending revival package of HFL to BIFR. Being a promoter company having majority shareholding, HOCL is greatly concerned about the investment and protection of public funds. HOCL has therefore submitted alternative viable proposal for revival of HFL and submitted the same to IDBI and BIFR. The outcome of this is awaited.

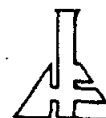
5. ACKNOWLEDGEMENTS

I would like to convey my sincere appreciation for the constant support received from our customers, suppliers, HOCL, Central Govt., Govt. of Andhra Pradesh, BIFR, our employees and all Statutory Bodies, investors, banks & FIs etc.

In conclusion, I am an optimistic individual and firmly believe that with dedicated efforts the goal will ultimately be realised. I am fully confident that with the continued support from all of you my urge to place your company in the pedestal of success will not be unrealistic.

Thank you all once again,

(A.S. Didolkar)
Chairman



HINDUSTAN FLUOROCARBONS LIMITED

DIRECTORS' REPORT

Your Directors hereby present the 19th Annual Report of the Company together with Audited Annual Accounts for the year ended 31st March, 2002.

1. FINANCIAL RESULTS	(Rs. in lacs)	
	FY	FY
	2001-02	2000-01
Sales Turnover (Net)	2412	2309
Gross Profit/(Loss) for the year	276	348
Less: Interest & Financing charges	365	368
Cash Profit/(Loss)	(89)	(20)
Less : Depreciation	171	188
DRE	0	0
Profit/(Loss) for the year	(260)	(208)
Prior period Adjustments	1	0
Net profit/(Loss)	(259)	(208)

The revival of the Indian Economy showed very little signs in FY 2001-2002. Despite sluggish domestic PTFE market and dumping of imported material, particularly from China, your company could post Gross profit for the year. However, on taking into account the interest payments due to HOCL (The Holding Company), 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 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. 276 lacs as against gross profit of Rs. 348 lacs of 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.

In view of loss incurred by the company, your Directors do not recommend any dividend on Equity Shares for the year ended 31-3-2002.

2. OPERATION AND OVERALL PERFORMANCE

Your company's performance during the year under review has remained stable. During the year under

report, your company recorded sales turnover of Rs. 2412 lacs as compared to Rs. 2309 lacs in the previous year.

Production of PTFE is 343 MTs as against 363 MTs in the previous year. The production of CFM-22 is 1173 MTs as against 1156 MTs in the previous year. On the overall, your company achieved better operational efficiencies during the current year. Quality of all your products continued to be well accepted by Domestic processors. 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.

3. MARKETING

The company recorded a 2.41% increase in sales of PTFE to 381 MTs during the year as against the sale of 372 MTs during the previous year despite a very sluggish domestic market, by adopting aggressive and customer based pricing policy and utilising our product mix backed - up by application wise Marketing approach.

4. FUTURE OUTLOOK

The company has planned for maximizing capacity utilization. To overcome the vagaries of Indian Industry, your company has already established the quality of its products in the International markets for the company to use this avenue creatively for capacity utilization drive. One significant achievement of your company had been to obtain imposition of Anti-dumping duty on imports from Russia in Financial Year 2000-2001. Although the element of anti-dumping was highly inadequate, it has provided your company at least a marginal relief as well as a better level playing field on the domestic front. The company is also proposing to pursue anti-dumping measures for imports from other Hard Currency Areas like USA and Europe and now China in FY 2002-2003

5. SAFETY AND ENVIRONMENT

Being a hazardous manufacturing process, the company continued to ensure 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.

HINDUSTAN FLUOROCARBONS LIMITED**6. BOARD OF DIRECTORS**

The following changes have taken place among directors of the company.

Shri Sunil Dadhe relinquished his office of Director with effect from 1-4-2002 and in his place, Shri Sanjiv Saran was appointed as Director of the company by the Govt. of India with effect from 29-4-2002 in terms of article 77 of Articles of Association of the Company.

Pursuant to Article 77(a) of the Articles of the Company, HOCL had appointed Shri A S Didolkar and Shri V Mathur as HOCL Nominee Directors during the year 2001.

Consequent to relinquishment of charge by Shri Y G Bhat, CMD, HOCL and Chairman of HFL Board with effect from 20-5-2002, Shri A S Didolkar CMD, HOCL has been appointed as Chairman of HFL Board with effect from 20-5-2002 as per Article 77(a) of the Articles of Association of the Company.

The 5 years term of Shri B C Mehta, Managing Director has expired on 20th May, 2002. His term has been extended by the Government of India upto 20th Aug. 2002.

Shri Sanjiv Saran and Shri V Mathur retire at this AGM and being eligible have offered themselves 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 throughout the year. With 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

8. PARTICULARS OF EMPLOYEES

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.

9. 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.

10. VIGILANCE

As per the Ministry instructions, one Officer has been nominated 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.

11. AUDITORS

Company continues to attract the provisions of Section 619(2) of the Companies Act, 1956, The Comptroller and Auditor General of India has appointed M/s. Subrahmanyam & Sivudu, Chartered Accountants, Hyderabad as Auditors of the Company to Audit the accounts for the year ended 31st March, 2002. Auditors for the current year 2002-2003 are similarly to be appointed by the Comptroller and Auditor General of India.

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 2001-2002 will be circulated to the shareholders on receipt.

12. CORPORATE GOVERNANCE

Your company has been practising the principles of good corporate governance over the years.

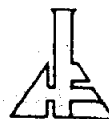
The Board of Directors supports the broad principles of corporate governance. In addition to the basic governance issue, the board lays strong emphasis on transparency, accountability and integrity.

Composition of Board of Directors

The existing Board has a mix of wholetime and non-wholetime independent directors who bring a wide range of skills and experience to the Board.

Responsibilities

The Board has a formal schedule of matter reserved for its consideration and decision which includes



HINDUSTAN FLUOROCARBONS LIMITED

reviewing corporate performance, ensuring adequate availability of financial resources and reporting to shareholders. During the year under review, the Board met 7 times and Audit Committee met 4 times. Board members ensured that their other responsibilities do not materially impact on their responsibilities as directors of the company.

The seven board meetings during the year were held on 27-4-2001, 29-6-2001, 30-7-2001, 14-9-2001, 19-10-2001, 15-12-2001, 29-1-2002.

Board Committee.

To enable better and more focused attention on the affairs of the company, the board delegates particular matters to committees of the Board set up for the purpose. The Core committee which has been constituted during the course of the year is (i) Audit Committee.

Audit Committee

The Audit Committee comprises of Shri Sanjiv Saran, Shri B G Nadig and Shri C R Vijayaraghavan, all non-whole-time directors of the company with Shri Sanjiv Saran as its Chairman. The role, terms of reference and the authority and powers of the Audit Committee are in conformity with the requirements of Companies Act, 1956 and the listing agreement.

The four Audit Committee Meetings during the year were held on 30-7-2001, 14-9-2001, 19-10-2001 and 29-01-2002.

Share holder / Investors Grievance Committee

As required under Companies Act, 1956, the company already has a Share transfer committee comprising of Shri B C Mehta, MD as Chairman, Shri S.K. Bendre, CMM & Shri E.S Rao, Manager (Finance) as members. Shri T. Eshwariah Deputy Manager (P&A) is designated as the compliance officers. the committee meets regularly and approve all matters related to Shares vis-a-vis transfer deletions and transmission of Shares. There was no pending complaint as on date.

This committee is vested with the requisite powers and authorities to specifically look into the redressal of Share holders and Investors grievances.

The company has been reporting on compliance with Clause 49 of the listing agreement which has been made mandatory with effect from 1st April, 2001 for the accounting year ended 31st March, 2002.

13. RESPONSIBILITY STATEMENT

The Directors confirm :

- 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.
- That they have selected such accounting policies and applied them consistently and made judgements and estimates that are responsible and prudent so as to give a true and fair view of the state of affairs of the Company for that period.
- That they have taken proper and sufficient care of 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.
- That they have prepared the annual accounts on a going concern basis

14. ACKNOWLEDGEMENTS

Your Director wish to acknowledge the sustained efforts and dedications 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 : HYDERABAD
Date : 31-7-2002



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)

- 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 specialized defence applications.

2. Benefits

Due to commercialization 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 utilizing its technical expertise and in-house facilities had installed a new Monomer Compressor to increase the monomer plant capacity. 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 500MT to 700 MT is to be pursued with additional funds in order to meet the 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:

- 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 application factor

useful for printed circuit board manufacture for defence department (DTSR).

- Your Company along with 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 obtained from ATOCHEM, France has been fully internalized and the company continues to manufacture other grades of PTFE not covered by the licence agreement and sold in the Domestic markets.

The technology transfer from M/s. ATOCHEM, France covered manufacture of only eleven grades of PTFE. Your company has successfully added more than twenty grades of PTFE which include both virgin and filled grades of PTFE.

- Benefit derived as a result of the above efforts eg. Product improvement, cost reduction, product development, import substitution etc. are
 - 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 - clothes 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)	
	2001-02	2000-01
Foreign exchange earnings (Export Sales)	0.00	3.10
Foreign Exchange outgo	0.00	0.00
CIF Value of raw materials, Stores and spares.	18.55	12.83