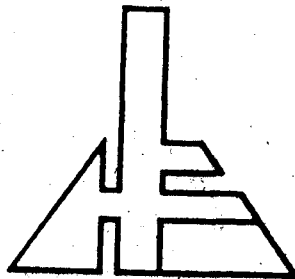


# **20th Annual Report 2002-2003**

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## **HINDUSTAN FLUOROCARBONS LIMITED**

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**HINDUSTAN FLUOROCARBONS LIMITED****BOARD OF DIRECTORS**

Shri A S Didolkar	Chairman (From 20-05-2002)	HOCL Nominee
Shri Y.G.Bhat	Chairman (Upto 20-05-2002)	HOCL Nominee
Shri Bhargav C Mehta	Managing Director (Upto 20-8-2002) 5 years term expired on 20-5-2002 extended upto 20-8-2002	-----
Ms Harmeet S Singh	Director (From 22-4-2003)	Govt. of India Nominee
Shri Sanjiv Saran	Director (From 29-04-2002 To 22-4-2003)	Govt. of India Nominee
Shri B.G.Nadig	Director	BIFR Nominee
Shri C.R.Vijayaraghavan	Director (Upto 3-5-2003)	LIC Nominee
Shri Vijay Mathur	Director	HOCL Nominee
Shri J. Gopal	Addl. Director (From 29-1-2003)	HOCL Nominee

**AUDITORS**

R.B.Kabra & Co.  
Chartered Accountants  
4-1-917, Parsi lane,  
Tilak Road  
Hyderabad – 500 001

**BANKERS**

State Bank of Hyderabad  
Gunfoundry, Hyderabad..

**REGISTRAR & SHARE TRANSFER AGENTS**

Share pro services Pvt. Ltd.  
Satam Estate, 111rd floor, Chakala, Andheri (E)  
MUMBAI-400 099

**REGISTERED OFFICE**

1402, Babukhan Estate  
Basheerbagh, Hyderabad – 500 001

**WORKS**

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

**HINDUSTAN FLUOROCARBONS LIMITED****NOTICE**

NOTICE is hereby given that the 20th Annual General Meeting of the Members of Hindustan Fluorocarbons Limited will be held on Wednesday 24th September, 2003 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, 2003 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 Ms Harmeet S Singh, who retires at this AGM and being eligible offers herself 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.

**SPECIAL BUSINESS**

4. To pass with or without modifications the following resolution as an Ordinary Resolution :

"RESOLVED that Shri J Gopal, Director who was appointed as an Additional Director in the meeting of the Board of Directors held on 29.1.2003 and who holds office as such upto the date of this 20th Annual General Meeting and in respect of whom a notice under section 257 of the Companies Act, 1956 has been received from one member signifying his intention to propose Shri J Gopal as a candidate for the office of the Director of the company be and is hereby appointed as a Director of the Company, eligible to retire by rotation."

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

**Sd/-  
(A S Didolkar)  
Chairman**

Place : Hyderabad  
Date : 18/07/2003

**Regd. Office :**  
1402, Babukhan Estate,  
Basheerbagh,  
Hyderabad - 500 001.

**HINDUSTAN FLUOROCARBONS LIMITED****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 16th September, 2003 to Wednesday the 24th September, 2003 (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.
4. An Explanatory statement pursuant to Section 173(2) of the Companies Act, 1956 in respect of Resolution set out against Item No. 4 of the notice is annexed.

**EXPLANATORY STATEMENT PURSUANT TO SECTION 173(2) OF THE COMPANIES ACT, 1956.****Item No. 4.**

According to the Article 76 of the Articles of Association of the company, HOCL (promoter company) is authorized to appoint 6 Nominee Directors on the board of HFL. HFL board had two HOCL nominees till 31-12-2002 viz., Shri A S Didolkar, CMD, HOCL (also Chairman of HFL Board) and Shri Vijay Mathur, GM (P&E), HOCL as Directors. Further w.e.f. 20-8-2002 as per the orders of Govt. of India, Chairman HFL Board is also looking after the functions of M.D., HFL.

HOCL felt appropriate, to nominate Shri J Gopal, GM(Phenol), HOCL, Cochin unit as additional director on the Board of HFL representing HOCL, as his expertise in the petrochemicals field is expected to be of immense help for the activities of HFL. Such appointment is permissible under the Provisions of Companies Act as well as Articles of Association of HFL. The Director nominated by HOCL as Additional Director on the Board of HFL will hold office till the conclusion of AGM of HFL and eligible for appointment as a regular director of HFL at the AGM.

Accordingly Board has appointed Shri J Gopal, GM (Phenol), HOCL as Additional Director on HFL Board with effect from 29.01.2003 to hold office upto this AGM.

The company has received a proposal from a member proposing the appointment of Shri J Gopal as Director on the Board of HFL pursuant to Section 257 of Companies Act, 1956. Shri J Gopal has given his consent to act as Director. Hence, the proposal is placed before the shareholders for his appointment as Director pursuant to Section 257 of the Companies Act, 1956.

None of the Directors except Shri J Gopal is interested in the above resolution.

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

Sd/-

**(A S Didolkar)  
Chairman**

Place : Hyderabad

Date : 18/07/2003

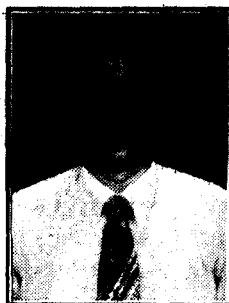
**Regd. Office :**

1402, Babukhan Estate,

Basheerbagh, Hyderabad - 500 001.



## **CHAIRMAN'S SPEECH**



Dear Shareholders,

It is about a year since I took over as Chairman and I consider it a privilege to welcome you all to the 20<sup>th</sup> Annual General Meeting of your company. The Directors' Report and Audited accounts for the year ended 31<sup>st</sup> March, 2003, have been circulated to you all.

The revival of the Indian Economy showed very little signs in Financial Year 2002-2003. 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 payment 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 availability of Chinese PTFE created price pressures. Despite this company recorded a gross profit of Rs.191 lacs as against gross profit of Rs.276 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.

I now proceed to share with you briefly the per-

formance 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. 1927 lacs and significantly higher PTFE production of viz.401 MTs, as compared to last year's production of 343 MTs.

The quality of our products is 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.

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 identified as Ozone depleting substances, your



## **HINDUSTAN FLUOROCARBONS LIMITED**

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.

The company ensured maintenance of rigorous safety standards and periodic review of safety measures have enabled the company once again to maintain safe operations 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.

As stated by me earlier, your company able 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 at least 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 2003-2004 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 coming 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 in respect of rehabilitation package of HFL. The final decision 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 20<sup>th</sup> Annual Report of the company together with Audited Annual Accounts for the year ended 31<sup>st</sup> March, 2003.

#### 1. FINANCIAL RESULTS

	(Rs.In lacs)	
	Financial Year 2002-03	Financial Year 2001-02
Sales Turnover(Net)	1927	2412
Gross Profit	191	276
Interest	424	365
Cash Profit(Loss)	(233)	(89)
Less: Depreciation	174	171
DRE	0	0
Profit(loss) for the year	(407)	(260)
Prior period Adjustments	52	1
Net Profit/(Loss)	(459)	(259)

The revival of the Indian Economy showed very little signs in Financial Year 2002-2003. 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 payment 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 availability of Chinese PTFE created price pressures. Despite this company recorded a gross profit of Rs.191 lacs as against gross profit of Rs.276 lacs of the previous year. However, substantial improvement in working Capital management and austerity drive on all expenses enabled your company to with stand 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 31-3-2003.

#### 2. OPERATIONS AND OVERALL PRODUCTION AND MARKETING PERFORMANCE

The sales turnover was Rs.1927 lacs as compared to Rs.2412 lacs in the previous year. The decline in sales turnover was due to sluggish market and stiff international competition for PTFE.

During the year under report, production of PTFE was 401 MT as against 343 MTs in the previous year. The production of CFM-22 was 1301 MTs as against 1173 MTs in the previous year. In the overall context, your company achieved better operational

efficiencies during the 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.

#### 3. FUTURE OUTLOOK

The company is optimistic that the economy will improve during the coming years thereby the demands of the company's products will substantially increase. The company hopes that its efforts with the Govt. for implementing anti-dumping measures for imports from other Hard currency Areas like USA, Europe and now from China will meet with success. If this materializes, the company will be able to attain better financial results.

#### 4. SAFETY AND ENVIRONMENT

The company continued to emphasize the safety consciousness among the employees and periodic review of safety measures have enabled the company once again to maintain safe operations during the year.

#### 5. BOARD OF DIRECTORS

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

Consequent to relinquishment of charge by Shri Bhargav C. Mehta, MD, HFL with effect from 20-8-2002, Shri A.S.Didolkar, CMD, HOCL and Director (HOCL nominee) on HFL Board has taken over the additional charge of MD, HFL as per Govt. of India Letter No.51/3/96-CH.III dtd. 19-8-2002 Ministry of Chemicals & Fert., Deptt. of Chemicals & Petrochemicals. Pursuant to Article 77(a) of the Articles of the company, HOCL had also appointed Shri J.Gopal as HOCL nominee director during the year 2002-2003.

Shri Y.G.Bhat, resigned from the Board, Shri Sanjiv Sharan, Govt. of India nominee and part time director has been replaced by Ms.Harmeet S.Singh, during the year. Shri C.R. Vijayaraghavan has been withdrawn as LIC nominee from the Board w.e.f. 3-5-03.

Shri V.Mathur, Shri J.Gopal and Ms.Harmeet S.Singh, Retire at this AGM and being eligible now offered themselves for reappointment.

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

#### 6. INDUSTRIAL RELATIONS

Employees relation continued to be cordial throughout the year. The whole-hearted support extended



**HINDUSTAN FLUOROCARBONS LIMITED**

by the employees in augmenting production, improving operational efficiencies etc., amply demonstrated the mutual trust and co-operation between the employees and the management.

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

**7. PARTICULARS OF EMPLOYEES**

None of the employees of the company is 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 AND OUTGO**

Particulars with respect to Conservation of Energy, Technology Absorption, Foreign Exchange earning and outgo 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**

With the approval of the Ministry an Officer of the company has been nominated as "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 system and procedures through period 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**

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.Kabra and Co., Chartered Accountants, Hyderabad as Auditors of the Company to Audit the accounts for the year ended 31<sup>st</sup> March, 2003. Auditors for the current year 2003-2004 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 2002-2003 will be circulated to the shareholders on receipt.

**11. CORPORATE GOVERNANCE**

As the members are aware, the company shares are listed at Stock Exchanges of Hyderabad, Mumbai and as per Clause 49 of the listing agreement. Corporate Governance report is annexed hereto and forms part of the Directors report.

**12. 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 judgments 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 the 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 safe guarding 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.

**13. 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 including the company's operations during the year.

The substantial and timely assistance from the holding company, Hindustan Organic Chemicals Limited 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 Govt. of India, Govt. of Andhra Pradesh, APIDC, Raw Materials suppliers and our valued customers.

For and on behalf of the Board of Directors  
of Hindustan Fluorocarbons Limited

Place: Hyderabad  
Date: 18/7/2003

(A.S. DIDOLKAR)  
Chairman

**HINDUSTAN FLUOROCARBONS LIMITED****ANNEXURE-1****(FORM A)****FORM FOR DISCLOSURE OF PARTICULARS WITH RESPECT TO CONSERVATION OF ENERGY**

<b>A. POWER &amp; FUEL CONSUMPTION.</b>		<b>CURRENT YEAR</b>	<b>PREVIOUS YEAR</b>
<b>1. ELECTRICITY</b>			
a) PURCHASED UNITS		91,01,315 KWH	76,63,920 KWH
TOTAL AMOUNT		Rs.2,93,42,393	Rs. 2,55,46,090
RATE/UNIT		Rs.3.22	Rs.3.33
b) OWN GENERATION			
i) THROUGH DIESEL GENERATOR		35,890 KWH	48,250 KWH
UNITS PER LITRE OF DIESEL OIL		3.04 KWH	3.20 KWH
COST/UNIT		Rs.6.00	Rs.5.12
ii) THROUGH STEAM TURBINE			
GENERATOR UNITS			
<b>2 FURNACE OIL</b>			
QUANTITY		673.10 KL	617.90 KL
TOTAL AMOUNT		Rs.80,40,359	Rs.58,43,590.00
AVERAGE RATE PER KL		Rs. 11,945.27	Rs. 9,457.18
<b>B. CONSUMPTION PER UNIT OF PRODUCTION.</b>			
PRODUCT : PTFE (MT)			
ELECTRICITY PER MT OF PTFE		22763 KWH	22490 KWH
FURNACE OIL PER MT OF PTFE		1.68 KL	1.80 KL
HSD RATE PER KL		Rs.18,256.66	Rs.16,365.44

**ANNEXURE-II****Consolidated report as on 31-03-2003 (SC/ST/OBC/WOMEN)**

<b>Group</b>	<b>Total Strength</b>	<b>SC</b>	<b>ST</b>	<b>OBC</b>	<b>WOMEN</b>
<b>A</b>	<b>42</b>	<b>2</b>	<b>2</b>	<b>10</b>	<b>-</b>
<b>B</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>C</b>	<b>143</b>	<b>22</b>	<b>7</b>	<b>35</b>	<b>6</b>
<b>D</b>	<b>34</b>	<b>9</b>	<b>15</b>	<b>9</b>	<b>1</b>
<b>TOTAL</b>	<b>219</b>	<b>33</b>	<b>24</b>	<b>54</b>	<b>7</b>