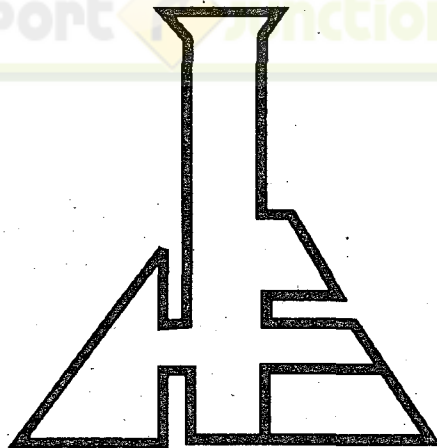
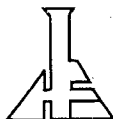


**24<sup>th</sup>**  
**ANNUAL REPORT**  
**2006-2007**

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**HINDUSTAN FLUOROCARBONS LIMITED**

**CONTENTS**

Board of Directors	....	3
Notice	....	4
Chairman's Speech	....	5
Directors' Report	....	7
Auditors' Report	....	17
Balance Sheet	....	21
Profit and Loss Account	....	22
Schedules	...	23

**HINDUSTAN FLUOROCARBONS LIMITED**24<sup>th</sup> Annual Report 2006-2007**BOARD OF DIRECTORS**

Shri A S Didolkar	From 20.5.2002 (HOCL Nominee)	Chairman
Shri U Sarkar	HOCL Nominee (From 1.10.2004)	Director
Shri R N Madangeri	From 12.11.2003 (upto to 20.6.2007)	Managing Director
Shri Ramesh Chandra Jha	Govt. of India Nominee (From 10.4.2006)	Director
Shri S.W.Oak	BIFR Nominee (From 26.7.2007)	Director
Shri D P Tripathi	BIFR Nominee (upto 1.7.2007)	Director
Shri Gopal Krishan	Govt. of India Nominee (upto 10.4.2006)	Director

**AUDITORS**

M/s VENUGOPAL & CHENYO  
Chartered Accountants  
Tilak Road, Hyderabad

**BANKERS**

State Bank of Hyderabad,  
Gunfoundry, Hyderabad

**REGISTRARS & SHARE TRANSFER AGENTS**

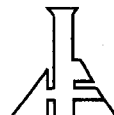
Share pro services (India) Pvt.Ltd.,  
Satam Estate, IIIrd Floor, Chakala, Andheri (E)  
Mumbai – 400 099.

**REGISTERED OFFICE**

1402, Babukhan Estate,  
Basheerbagh, Hyderabad – 500 001

**WORKS**

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

**HINDUSTAN FLUOROCARBONS LIMITED**24<sup>th</sup> Annual Report 2006-2007**NOTICE**

NOTICE is hereby given that the 24<sup>th</sup> Annual General Meeting of the Members of Hindustan Fluorocarbons Limited will be held on Tuesday the 25<sup>th</sup> September, 2007 at 3.00 P.M at Press Club, Deshodharaka Bhavan, Bashirbagh, Hyderabad-500 001 to transact the following business.

**Ordinary Business**

1. To receive, consider and adopt the Audited Profit and Loss Account for the year ended 31<sup>st</sup> March, 2007 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 Ramesh Chandra Jha who retires at this AGM and being eligible offers himself for re-appointment.
3. To appoint a director in place of Shri U Sarkar, 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/-

(A S DIDOLKAR)  
CHAIRMAN

PLACE : HYDERABAD

DATE : 26.7.2007

Regd.Office

1402, Babukhan Estate,

Basheerbagh, Hyderabad – 500 001.

**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 Tuesday the 18<sup>th</sup> September, 2007 to Tuesday the 25<sup>th</sup> September, 2007 (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.

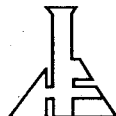
PLACE : HYDERABAD

DATE : 26.7.2007

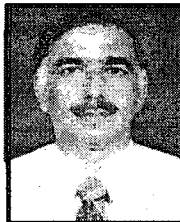
Regd.Office

1402, Babukhan Estate,

Basheerbagh, Hyderabad – 500 001.



## Chairman's Speech



Dear Shareholders,

I extend my hearty welcome to you to this 24th Annual General Meeting of the company. I am sure, you must have received The Directors' Report and Audited Annual Accounts for the year ended 31st March, 2007 and with your permission I take it as read. At the outset, I am glad to inform you that in spite of several odds during the year production of PTFE is increased compared to the previous year. Domestic market continues to be sluggish in spite of imposition of antidumping duty. Still PTFE is dumped at cheaper rate as compensation is not adequate.

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

### 1. OPERATIONS AND OVERALL PERFORMANCE :

In spite of several odds, during the year

under report, your Company registered a sales turnover of Rs. 1657 lacs as against Rs. 1804 lacs of previous year. The production of PTFE has increased and CFM-22 is lowered as compared to that of the previous year.

The quality of our products is continued to be well accepted by Domestic processors. Cash management continued to be satisfactory and hence your company operated well within the limited cash credit of SBH.

### 2. CONCERN FOR ENVIRONMENT :

The safety of the Environment and Health aspects continue to be of great emphasize for your Company.

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 realization.

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 realization for certain grades of your company's products.

### 4. FUTURE OUTLOOK :

The company is optimistic that the economy will improve during the coming years thereby the demands for the company's products will substantially increase.

The company is actively gearing itself to explore avenues to improve the viability by way of implementing the CDM Project. The technology and the project supplier has been identified and the company is in the process of registering the CDM Project.

This will provide HFL greater financial and commercial stability and operational flexibility.

In regard to the BIFR status of your company, the Company still remains under BIFR. HOCL is greatly concerned about its investment loan and protection of Government funds. HOCL has therefore submitted an alternative viable proposal for revival of HFL and awaiting response from BIFR.

### 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, our employees and Statutory Bodies, Investors, Banks & FIs etc. In conclusion I am fully confident that with 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.

Sd/-

(A.S. DIDOLKAR)

Chairman

**HINDUSTAN FLUOROCARBONS LIMITED****24<sup>th</sup> Annual Report 2006-2007****DIRECTORS' REPORT**

Your Directors hereby present the 24<sup>th</sup> Annual Report of the company together with Audited Annual Accounts for the year ended 31<sup>st</sup> March, 2007.

**1. FINANCIAL RESULTS.**

	(Rs. in lacs)	
	Financial Year 2006-07	Financial Year 2005-06
Sales Turnover(Net)	1657	1804
Gross Profit	(246)	(397)
Interest	402	393
Cash Profit / (Loss)	(648)	(790)
Less: Depreciation	285	209
DRE	0	0
Profit / (loss) for the year	(933)	(999)
Prior period Adjustments	2	3
Net Profit (Loss)	(931)	(987)

Even though the revival of the Indian Economy showed improvements in Financial Year 2006 – 2007, the domestic PTFE market was sluggish and dumping of imported material, particularly from China continued, as a result your company posted a Gross Loss for the year. Even though, the raw material price has gone up drastically and the company could reduce its losses to Rs.246.00 lacs during the current year 2006-07 as against gross loss of Rs.397.00 lacs during year previous year (2005-06). This was achieved with considerable difficulty by enforcing stringent cost control.

In view of the continued losses incurred by the company, your Directors do not recommend any dividend on Equity Shares for the year ended 31.3.2007.

**2. OPERATION AND OVERALL PRODUCTION AND MARKETING PERFORMANCE:**

During the year sales turnover of Rs.1657 lacs as compared to Rs.1804.00 lacs in the previous year. The reduction in the sales turnover is due to working capital constraint. During the year under report production of PTFE was 245.00 MTs as against 228.440 MTs in the previous year. The production of CFM-22 is 790.50 MTs as against 828.00 MTs in the previous year. Quality of all

company's products continued to be well accepted by Domestic processors.

**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 improve. The company is actively gearing itself to explore avenues to improve the viability by way of implementing the CDM Project. The Company has selected the technology and provider of Turnkey project of CDM. It is expected that Registration of the project and accruing of CER Credits will start in the coming financial year.

**4. SAFETY AND ENVIRONMENT**

The company continued to emphasize the safety consciousness among the employees and periodic reviews 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 the Directors of the Company.

Shri Ramesh Chandra Jha, Dy.Secretary to Govt. of India from the Department of Chemicals and Petrochemicals is appointed as a Govt. Nominee Director w.e.f.10.4.2006.

Shri Gopal Krishan, Dy.Secretary to Govt. of India from the Department of Chemicals and Petrochemicals ceased to be Govt. Nominee Director w.e.f.10.4.2006.

Shri R N Madarigeri, MD, HFL relinquished his charge on 20.6.2007 F/N consequent to his appointment as Director(Tech.) in the holding company viz., Hindustan Organic Chemicals Ltd.,

Shri D P Tripathi, has relinquished the charge of Special Director, BIFR w.e.f.1.7.2007.

BIFR has nominated Sri S W Oak as BIFR Nominee Special Director with immediate effect (i.e., from 26.7.2007) vide their letter no. F.No.16(4)/O-1/ BIFR/2007/SD dtd.06.07.2007.

Government Nominee director Shri Ramesh Chandra Jha, Dy.Secretary to Govt. of India from the Department of Chemicals and Petrochemicals and Shri U Sarkar, Director(Finance), HOCL will retire at this AGM and being eligible now offered themselves for reappointment.

**HINDUSTAN FLUOROCARBONS LIMITED**24<sup>th</sup> Annual Report 2006-2007**5. INDUSTRIAL RELATIONS**

Employee relation continued to be cordial through out the year. The whole-hearted support extended by the employees in augmenting production, improving operational efficiencies etc., amply demonstrated the mutual trust and cooperation 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/OBC/WOMEN personnel in the company is given at Annexure-II.

**6. PARTICULARS OF EMPLOYEES:**

None of the employee of the company is drawing remuneration requiring disclosure pursuant to Section 217(2A) of Companies Act, 1956 read with Companies (Particulars of Employees) Rules, 1975.

**7. 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.

**8. 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. The instruction of the central vigilance commission received from time to time are being followed as applicable.

**9. 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. Venugopal and Chenoy, Chartered Accountants, Hyderabad as Auditors of the Company to Audit the accounts for the year ended 31<sup>st</sup> March, 2007.

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 2006-2007 has been annexed to the Annual Report for the period 2006-07.

**10. CORPORATE GOVERNANCE**

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

**11. 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.

**12. ACKNOWLEDGEMENTS**

Your directors wish to acknowledge the sustained efforts and dedications of the company's employees.

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 Material suppliers and our valued customers.

For and on behalf of the Board of Directors

Sd/-  
(A S DIDOLKAR)  
CHAIRMAN

Place: Hyderabad  
Date: 26.7.2007



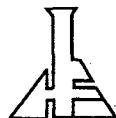
**HINDUSTAN FLUOROCARBONS LIMITED**24<sup>th</sup> Annual Report 2006-2007**ANNEXURE-I  
(FORM A)****FORM FOR DISCLOSURE OF PARTICULARS WITH RESPECT TO CONSERVATION OF ENERGY**

A. POWER AND FUEL CONSUMPTION	CURRENT YEAR	PREVIOUS YEAR
1. ELECTRICITY		
Purchased units	67,83,290 KWH	69,35,549 KWH
TOTAL AMOUNT	Rs.2,39,29,341.73	Rs.2,46,75,406.00
Rate/Unit	Rs.3.53	Rs.3.56
b) OWN GENERATION		
i) Through Diesel Generator	12270 KWH	18490 KWH
Units per Liter of Diesel Oil	2.27 KWH	3.19 KWH
Cost per unit	Rs.15.20	Rs.9.79
ii) Through Steam Turbine Generator Units	-	-
3. FURNACE OIL		
Quantity	474.50 KL	452.30 KL
Total Amount	Rs.80,13,256.44	Rs.68,65,519.00
Average rate per KL	Rs.16,887.79	Rs.15,179.13
B. CONSUMPTION PER UNIT OF PRODUCTION		
PRODUCT: PTFE (MT)		
Electricity per MT of PTFE	27,737 KWH	30,360 KWH
Furnace oil per MT of PTFE	1.94 KL	1.96 KL
HSD rate per KL	Rs. 34,544.84	Rs. 34,553.37

**ANNEXURE-II**

Consolidated report as on 31-03-2007 (SC/ST/OBC/WOMEN)

Group	Total Strength	SC	ST	OBC	WOMEN
A	45	3	1	14	-
B	-	-	-	-	-
C	123	20	6	28	6
D	33	9	14	8	1
TOTAL	201	32	21	50	7

**HINDUSTAN FLUOROCARBONS LIMITED**24<sup>th</sup> Annual Report 2006-2007

**CORPORATE GOVERNANCE REPORT AS ON 31.3.2007**  
**(Annexure to Directors' Report)**

The Company is committed to sound corporate governance practices. The Management believes that strong and sound corporate governance is an important instrument of protection of stake holders, through transparency, professionalism, accountability and adequate disclosures. The company continuously endeavors to improve on these aspects on an on going basis.

The key to good Corporate Governance is well functioning Board of Directors. Board is responsible to shareholders for performance of the Company. Company cannot prosper without the trust and support of its shareholders.

Given below is the Report of Directors on Corporate Governance in accordance with the provisions of Listing Agreement.

**BOARD OF DIRECTORS – COMPOSITION**

Your company feels that Board of Directors must be an optimum combination of executive and non-executive directors representing the different fields. The present strength of Board of Directors as on 31.3.2007 is five and as on 1.7.2007 is four. It has a mix of executive and non-executive directors. The Board comprises of two directors nominated by HOCL of which one Director is Chairman of the Board. The other non-executive directors are representing the Department of Chemicals & Fertilizers and BIFR.

Sl. No.	Director S/Shri	Category of Director (ED, NED, NEID)	Date of Appointment	Date of Ceasure	No. of Other Director Ships	Membership in other Board Committees	Chairman ship in other Board Committees
1	A.S.Didolkar	Chairman NED	19.1.2001	-	2	3	3
2	Ravi Madangeri	ED	12.11.2003	20.6.2007	-	-	-
3	Gopal Kishan*	NED	24.9.2004	10.4.2006	-	-	1
4	U Sarkar	NED	24.9.2004	-	-	1	-
5	D.P.Tripathi	NED	24.11.2005	1.7.2007	2	1	-
6	Ramesh Chandra Jha	NED	10.4.2006	-	-	-	-
7	S.W.Oak	NED	26.7.2007	-	-	-	-

**CHANGES IN THE BOARD OF DIRECTORS :**

The following changes have taken place among the Directors of the Company:

Shri Gopal Krishan ceased to be Director w.e.f.10.4.2006. He was Dy.Secretary to the Govt. of India, from the Ministry of Chemicals & Fertilizers, Deptt.of Chemicals & Petrochemicals.

Shri Ramesh Chandra Jha, is appointed as a Govt. Nominee Director w.e.f.10.4.2006. He is Dy.Secretary to the Govt. of India from the Ministry of Chemicals & Fertilizers, Deptt. of Chemicals & Petrochemicals, Govt.of India.

Shri R N Madangeri, MD, HFL has relinquished the charge on 20.6.07 f/n consequent to appointment by the GOI as Director(Tech.) in Hindustan Organic Chemicals Ltd.,

Shri D P Tripathi, is ceased to be Special Director, BIFR w.e.f.1.7.2007 on attaining the age of 65 Years.

BIFR has nominated Sri S W Oak as BIFR Nominee Special Director with immediate effect (i.e., from 26.7.2007 vide their letter no. F.NO.16(4)/O-1/BIFR/2007/SD dtd.06.07.2007.

Shri Ramesh Chandra Jha, Dy.Secretary in the Department of Chemicals and Petrochemicals and Shri U Sarkar, Director(Finance), HOCL will retire at this AGM and being eligible now offered themselves for reappointment.

**RESPONSIBILITIES :**

The Board has a formal schedule of matters reserved for its consideration and decision which including review of corporate performance, financial resources, strategy formulation, policy and control, organizational structure