

**NOTICE**

NOTICE is hereby given that the 28th Annual General Meeting of the Members of Hindustan Fluorocarbons Limited will be held on Friday, the 12.08.2011 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 31st March, 2011 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 Sanjay Bansal**, who retires at this Annual General Meeting of the company and eligible for re-appointment.
3. To appoint a Director in place of **Shri M.K.Mittal**, who retires at this Annual General Meeting of the company and eligible for re-appointment.
4. To fix the remuneration of statutory Auditors.

Special Business

5. To consider and if thought fit to pass the following resolution as ordinary resolution with or without modifications:

"RESOLVED THAT Shri S V Kanaka Seshu, Director who was appointed as APIDC Nominee Director under Article 77 of the Article of Association on 18th October, 2010 and who holds office up to the date of this Annual General Meeting be and is hereby appointed as Director of the Company.

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

**Sd/-
(RAJANI .K)
COMPANY SECRETARY**

PLACE : HYDERABAD

DATE : 21.05.2011

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 or proxies to attend and vote instead of himself on a poll and that a proxy need not be a member of the company. Proxies, in order to be effective must be lodged at the registered office of the company not less than 48 hrs. before the meeting.
2. Members/Proxies should bring their attendance slip, duly filled in at the meeting.
3. The Register of Members and Share Transfer Books of the company will remain closed from Thursday the 4th August, 2011 to Friday the 12th August, 2011 (both days inclusive).
4. Members are requested to intimate immediately any change in their addresses registered with the company to the R&T Agents at their office address.
5. Members, who hold shares in the dematerialized form, are requested to bring their depository account number for identification.
6. 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.
7. An Explanatory statement pursuant to Section 173(2) of the Companies Act, 1956 in respect of the Resolution set out against item No. 5 of the notice is enclosed.
8. The Ministry of Corporate Affairs has taken a "Green Initiative in Corporate Governance" by allowing paperless



compliances by the Companies and issued a circular on 21st April, 2011.

Section 53 of the Companies Act, 1956 provides service of documents under “Certificate of Posting” as one of the accepted mode of services where as the Department of Posts has recently discontinued the postal facility under “Certificate of Posting” vide Letter Dated 23.02.2011, the Information Technology Act, 2000 also permits service of documents etc., in electronic mode.

Hence ,the service of documents of a company can be made through Electronic mode. So, we request all the members to register their email ID's by sending email along with names, DP ID's & Folio Number to the following Mail ID:

hflshareholders@gmail.com

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

**Sd/-
(RAJANI .K)**

COMPANY SECRETARY

PLACE : HYDERABAD

DATE : 21.05.2011

Regd.Office

**1402, Babukhan Estate,
Basheerbagh, Hyderabad – 500 001.**

**EXPLANATORY STATEMENT PURSUANT TO
SECTION 173(2) OF THE COMPANIES ACT,
1956.**

Item No.5

Shri S V Kanaka Seshu, Chief General Manager of M/s. Andhra Pradesh Industrial Development Corporation (APIDC) was appointed by APIDC in terms of Article 77 of the Articles of Association of the Company as its Nominee on the Board of Directors of the Company.

The Company has received a proposal from a member proposing the appointment of Shri S V Kanaka Seshu, as Director on the Board of HFL pursuant to Section 257 of Companies Act, 1956. Shri S V Kanaka Seshu, has given his consent to act as Director. Hence, the proposal is placed before the share holders for approval and appointment of Shri S V Kanaka Seshu, on the Board of HFL.

None of the Directors except Shri S V Kanaka Seshu, is interested in the above resolution.

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

**Sd/-
(RAJANI .K)
COMPANY SECRETARY**

PLACE : HYDERABAD

DATE : 21.05.2011

Regd.Office

**1402, Babukhan Estate,
Basheerbagh, Hyderabad – 500 001.**



Chairman's Speech



Dear Shareholders,

I extend my hearty welcome to you to this 28th Annual General Meeting of your Company. I am sure, you must have received The Directors' Report and Audited Annual Accounts of the Company for the year ended 31st March, 2011 and with your permission I take them as read.

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

1. OPERATIONS AND OVERALL PERFORMANCE

Your Company has made Net Profit of Rs.223.47 lacs from operations as against the net profit of Rs. 306.27 lacs of the previous year. The quality of your Company's products is continued to be well accepted in the market and resulted in increase in sales turnover (by 74%) to Rs.3352.42 lacs as against Rs.1927.06 lacs in the previous year. With this improved sales performance Working Capital position has been improved during financial year. During the year under report production of PTFE was 124.58 Metric Tones as against 85.88 Metric Tones in the previous year.

Company has achieved 100% capacity utilization of CFM-22 plant and produced 1265 Metric Tones as against 940.5 Metric Tones in the previous year. 100% operation of CFM Plant will significantly improve the revenue from CDM

CLEAN DEVELOPMENT MECHANISM (CDM) PROJECT:

CDM Project got registered on 14.11.2008 by the United Nations Framework Convention on Climate Change (UNFCCC) Executive Board and it is commissioned in January, 2010 and thermal oxidation of 42.5 Metric Tones of CFM-23 was done. UNFCCC had advised HFL to revise the monitoring plan.

Accordingly, revised monitoring plan was submitted to validation agency i.e., SGS, Germany. The CERs were awarded by UNFCCC on 11.03.2011. The company has sold all CERs to the highest bidder M/s Mercuria Energy Trading, S.A., Switzerland through Global Tendering process on 26.04.2011. Validation of second lot is in progress and it is expected issuance for this lot will happen in FY.2011-2012.

**2. FUTURE OUTLOOK.**

DIVERSIFICATION: PTFE industry is dominated by large integrated players consisting of both Indian and multi nationals. Compared to global scenario, the capacity is very small and operating with old technology. Hence, the traditional product mix is not competitive. In view of this it is difficult to make any sustainable business only on PTFE. To overcome this, company is focusing on the niche area of Fluoro Speciality Chemicals. Continuous efforts are being made for development of these chemicals. Accordingly, one such product namely TFE-ETHER is already commercialized. Efforts are also being undertaken to increase the capacity of the existing monomer plant by debottlenecking and improving the conversion factors. This would help to increase the revenue from CDM for the year 2011-12.

With this initiative management is confident about the sustainable growth of the company.

3. SAFETY, ENVIRONMENT & ISO CERTIFICATION

The company continued to lay emphasis on the consciousness about safety among the employees and periodic reviews of safety measures have enabled the company once again to maintain safe operations during the year.

Management is maintaining strictly all the required environmental norms and quality systems as per ISO 9001:2008

4. INDUSTRIAL RELATIONS

Employee relations continued to be cordial through out the year. Company continued to follow Govt. policy of reservation in recruitment of SC/ST/OBC. During the year there were no strikes or lock outs affecting the production/profitability.

5. CORPORATE GOVERNANCE

Your Company lays emphasis in conducting its affairs within the frame work of policies and guidelines set by the Government in a transparent manner. It is the endeavour of the Company to build trust between Share Holders, Employees and Customers based on the basic principles of Corporate Governance. The detailed Report on the Corporate Governance as well as Management Discussion Analysis Report is enclosed as a part of the Directors' Report. This Report analyses in brief the potentialities of the Company as well as the focus of the Company's business.

6. ACKNOWLEDGEMENTS :

I place on record my appreciation and gratitude to all the employees and others who had extended their support and co-operation during the year to achieve the targeted goals of the Company. In particular I am grateful to various officials of the Govt. especially from the Govt. of India, the Ministry of Chemicals & Fertilizers, Finance Ministry, Ministry of Environment & Forests, Promoter Company i.e. HOCL and Board Members. I would like to convey my sincere appreciation to our valued Customers, Suppliers, Statutory Bodies, Investors, Banks & FIs etc for the continued support. In conclusion 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.

**Sd/-
(R.N.MADANGERI)
Chairman**



DIRECTORS' REPORT

Your Directors are glad to present the 28th Annual Report of the company together with Audited Annual Accounts for the year ended 31st March, 2011.

FINANCIAL RESULTS [Sec.217(1)(a)] :

The financial performance of the Company for the year ended 31st March, 2011 is summarized below:

	(Rs. in lacs)	
	Financial Year	Financial Year
	2010-11	2009-10
Sales Turnover (Gross)	3352.42	1927.06
Gross Profit / Loss for the year	658.62	666.36
Less: Interest & Financing Charges	282.66	270.09
Cash Profit (Loss)	375.96	396.27
Less: Depreciation	155.65	88.95
Profit / (Loss) for the year	220.31	307.32
Add: Prior period Adjustments	3.16	(1.06)
Net Profit/(Loss)	223.47	306.26

RESERVES [Sec.217(1)(b)] : NIL

DIVIDEND [Sec.217(1)(c)] :

In view of the accumulated losses at the end of the financial year 2010-11 are carried forward, your Directors do not recommend any dividend on equity shares for the year ended 31.03.2011.

OPERATION AND OVERALL PRODUCTION AND MARKETING PERFORMANCE:

During the year, the sales turnover was Rs.3352.42 lacs as against Rs.1927.06 lacs in the previous year. During the year under report production of PTFE was 124.58 Metric Tones as against 85.88 Metric Tones in the previous year. During the year, 405.49 Metric Tones of CFM-22 was sold in the market and balance quantity was used as feed stock to manufacture various products including Fluoro Specialty Chemicals. Accordingly, during the year 255 Metric Tones of Tetra Fluoro Etylene (TFE) was used to manufacture TFE-ETHER. Quality of all company's products continued to be well accepted by our customers. Company has achieved 100% capacity utilization of CFM-22 plant and produced 1265 Metric Tones as against 940.5 Metric Tones in the previous year. This will significantly improve the revenue from CDM.

CLEAN DEVELOPMENT MECHANISM(CDM) :

CDM Project got registered on 14.11.2008 by the United Nations Framework Convention on Climate Change (UNFCCC) Executive Board and it is commissioned in January, 2010 and thermal oxidation of 42.5 Metric Tones of CFM-23 was done. UNFCCC had advised HFL to revise the monitoring plan. Accordingly, revised monitoring plan was submitted to validation agency i.e., SGS, Germany. The CERs were awarded by UNFCCC on 11.03.2011. The company has sold all CERs to the highest bidder M/s Mercuria Energy Trading, S.A., Switzerland through Global Tendering process on 26.04.2011. Validation of second lot is in progress and it is expected issuance for this lot will happen in FY.2011-2012.

CORPORATE SOCIAL RESPONSIBILITY:

Recognizing the obligation to the society both in the areas of environment protection and social development, company has taken initiatives towards implementing welfare schemes for uplifting the quality of living of the community surrounding the factory area. Company is providing water and first aid facilities in near by villages.

DIVERSIFICATION INTO FLUORO SPECIALITY CHEMICALS:

In accordance with long term strategy of diversifying into Fluoro Speciality Chemicals, the company has successfully commercialized TFE-ETHER. We are the only manufacturers for the product in India. This has helped the company to give competitive edge by entering in the Niche Market. This has also resulted in 100% capacity utilization during FY 2010-2011.

Encouraged by the success of the first product, the company has undertaken development of other products. One such product is in the final stage of acceptance by M/s.Vikram Sarabhai Space Centre(VSSC), Thiruvananthapuram.

HEALTH AND ENVIRONMENT (HE)

The management has taken the great responsibilities for continuous monitoring and protecting the health and environment as per statutory compliance. The environment is maintained clean as per standard emissions norms and with respect to noise pollution norms prescribed by central pollution control Board and



under guidelines of Ministry of Environment and Forests, Govt of India.

The health record of employees working in Production Division is maintained in the Health Register in Form 7 and these employees are certified for the fitness to work in hazardous process by the certifying Surgeon for the year 2011 as per statutory requirement of Director of Industries Health and Safety, Govt. of Andhra Pradesh.

FIRE & SAFETY PERFORMANCE:

The Company pays special attention to ensure safety of the factory and workers employed therein.

The Company accords the same priority attention to safety aspects as it does to production and productivity, be it in a personal safety, process safety, environment safety or product stewardship and allocated adequate resources of men, machine, money, time, energy to maintain the standards thus performance during the year is very good.

The Company continued to maintain good safety record without any major accident / fire. The financial year 2010-11 was a zero accident year.

BOARD OF DIRECTORS

Chairman Shri A S Didolkar, CMD, HOCL Superannuated on 31.08.2010 and in his place Shri R N Madangeri, Chairman and Managing Director, HOCL has taken charge as Chairman of the Board.

Shri. S.W.Oak, BIFR Special Director Ceased to be Director of the Company with effect from 21.09.2010

Shri S V Kanaka Seshu, Director, APIDC was appointed as Nominee Director with effect from 18.10.2010

Shri P S Singh, Director, Dept. of Chemicals & Petrochemicals, Ministry of Chemicals & Fertilizers has been appointed as a Govt. of India Nominee Director with effect from 18.10.2010 to 31.05.2011 and in his place Shri Sanjay Bansal, Director, Ministry of Chemicals & Fertilizers has been appointed as a Govt. of India Nominee Director with effect from 31.05.2011.

Two Directors viz. Shri Sanjay Bansal, Govt Nominee Director and Shri Mahesh Kumar Mittal,

HOCL Nominee Director are due for retirement by rotation at the ensuing 28th Annual General Meeting of the Company and eligible for re-appointment.

ISO CERTIFICATION:

Company quality management system is accredited as an ISO 9001:2008.

CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION, FOREIGN EXCHANGE EARNINGS AND OUTGO :

Information in accordance with the provisions required to be disclosed under Section 217(1)(e) of the Companies Act, 1956 read with the Companies (Disclosures of Particulars in the Report of Board of Directors) Rules, 1988 regarding Conservation of Energy, Technology Absorption and Foreign Exchange Earning and outgo are given at Annexure-I, Form A to this Report.

RESEARCH & DEVELOPMENT:

The Company is continuously conducting the Research and Development to deliver goods through innovative development; it is actively involved in collaborative Research Program with Vikram Sarabhai Space Centre (VSSC) are given in Annexure-I, Form B to this Report.

INDUSTRIAL RELATIONS

Employee relations continued to be cordial throughout the year. 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.

PARTICULARS OF EMPLOYEES:

None of the employees 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.

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 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.

AUDITORS

In pursuance of Section 619(2) of the Companies Act, 1956, the Comptroller and Auditor General of India has appointed M/s. Siva Krishna & Narayan, Chartered Accountants, Hyderabad as Auditors of the Company to Audit the accounts for the year ended 31st March, 2011.

The Replies of the Management / Board of Directors on the Auditors qualifications in their report are furnished in Annexure - III.

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 the year 2010-11 has been annexed to the Annual Report for the period 2010-11 and forms part of the Annual Report.

INSURANCE:

All properties and insurable interest of the company including building, plant and machinery and goods are adequately insured. As required under Public Liability Insurance Act, 1991, the company has taken necessary insurance cover.

TRADING AND DEMAT FACILITIES FOR SHARES:

The company shares are listed in Bombay Stock Exchange (BSE). Company got ISIN No.INE 806J01013 and demat facilities with Central Depository Services (India) Limited, (CDSL) and with National Securities Depository Limited (NSDL) for the equity shares of the company

MANAGEMENT DISCUSSION AND ANALYSIS REPORT:

In accordance with the Listing Agreement, the Management discussion and analysis report is annexed hereto in Annexure – IV and forms part of the Directors' Report.

CORPORATE GOVERNANCE

The Company has complied with the various requirements of Corporate Governance. The details in this regard form part of this report in Annexure – V.

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 reasonable 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.

ACKNOWLEDGEMENTS

I place on record my appreciation and gratitude to all the employees and others who had extended their support and co-operation during the year to achieve the targeted goals of the Company. In particular I am grateful to various officials of the Govt. especially from the Govt. of India, the Ministry of Chemicals & Fertilizers, Finance Ministry, Ministry of Environment & Forests, Promoter Company i.e. HOCL and Board Members. I would like to convey my sincere appreciation to our valued Customers, Suppliers, Statutory Bodies, Investors, Banks & FIs etc for the continued support. In conclusion 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.

For and on behalf of the Board of Directors

Sd/-

(R.N.MADANGERI)
CHAIRMAN

Place: Hyderabad
Date: 20.6.2011



ANNEXURE-I TO DIRECTORS' REPORT

ENERGY CONSERVATION

After study of Energy conservation, replacing new chilled water system, minor modifications and rearrangements of equipment running in utilities department, saved 2,71,200 units per annum. (cost : Rs.9,89,880/-)

FUTURE PLANS: Improvement of power factor from 0.95 to 0.99

(FORM A)

FORM FOR DISCLOSURE OF PARTICULARS WITH RESPECT TO CONSERVATION OF ENERGY TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS AND OUT GO:

A. POWER AND FUEL CONSUMPTION	CURRENT YEAR	PREVIOUS YEAR
1. Electricity		
a) Purchased units	81,91,659 KWH	66,40,115 KWH
TOTAL AMOUNT	Rs.3,18,02,967	Rs.2,33,82,438
Rate/Unit	Rs.3.88	Rs.3.52
b) Own Generation		
i) Through Diesel Generator	40380 KWH	85,580 KWH
Units per Liter of Diesel Oil	2.62 KWH	2.68 KWH
Cost per unit	Rs.11.55	Rs.10.17
ii) Through Steam Turbine	-	-
Generator Units	-	-
2. FURNACE OIL		
Quantity	549	483
Total Amount	1,80,07,512	1,25,60,302
Average rate per KL	Rs.32,800.57	Rs.26,004.76
B. CONSUMPTION PER UNIT OF PRODUCTION		
PRODUCT: PTFE (MT)	124.583	85.88
Electricity per MT of PTFE	Rs.14,039	Rs.14,849.56
(Since PTFE Prodn. is very low, consumption figures are not comparable)		
Furnace oil per MT of PTFE	4.40 KL	5.58 KL
HSD rate per KL	Rs.30,292.46	Rs.28,028.38
C. TECHNOLOGY ABSORPTION	Nil	Nil
D. FOREIGN EXCHANGE EARNINGS AND OUTGO	Nil	Nil



FORM B

1. SPECIFIC AREAS IN WHICH R&D WORK CARRIED OUT BY THE COMPANY

Vikram Sarabhai Space Centre (VSSC) Project, Thiruvananthapuram:

Co-polymerisation of HFP & TFE were carried out in laboratory scale reactor and evaluated samples at Indian Institute of Chemical Technology (IICT). Sample submitted to VSSC.

2. BENIFIT DERIVED AS A RESULT OF THE ABOVE R&D

- Sample of co-polymer was found equivalent with VSSC sample.
- Based on progress of VSSC work , IICT proposed another project for bench scale study of Fluoro Elastomer product for Terminal Ballistics Reserch Laboratory (TBRL), Chandigarh

3. FUTURE PLANS

- VSSC Project: Bench Scale studies will be made and 2 kg material supplied to VSSC as per MOU. After successful Bench Scale studies detailed proposal will be submitted for pilot scale.
- Modification studies to be done in TFE plant to reduce the raw material consumption.
- Project proposal to be submitted to TBRL for bench scale studies of FluoroElastomer.

ANNEXURE-II TO DIRECTORS' REPORT

Consolidated report as on 31-03-2010 (SC/ST/OBC/WOMEN)

Group	Total Strength	SC	ST	OBC	WOMEN
A	75	09	01	17	03
B	-	-	-	-	-
C	53	09	05	13	01
D	26	06	13	07	-
TOTAL	154	24	19	37	04



ANNEXURE-III TO DIRECTORS' REPORT

Reply of the Management on the Auditors' Report to the Members for the Financial Year 2010-11:

Sl. No.	Auditor's Report Para No.	Audit Observation	Management Reply
1	i	Regarding Sundry Debtors / Sundry Creditors: Sundry Debtors /Sundry Creditors are subject to confirmation by the parties.	<p>We had sent letters for seeking confirmation of balances to customers and replies were not received. However in future we will ensure to obtain confirmation of balances from customers in time.</p> <p>We have obtained the confirmation of balances from the Creditors which are having major balance amounts and in respect of the small creditors necessary follow up action is being taken to obtain the confirmation of balances.</p>
2	ii	Regarding Valuation of CERs as Closing Stock With regard to CERs (Carbon Emission Reductions), they are the Credits issued by UNFCCC(United Nations Framework Convention on Climate Change) to the company for successful reduction /incineration of R-23 gas. R-23 gas falls in the list of gases having potential of global warming and is eligible category of Carbon Credits as per the KYOTO Protocol. Hence the company is eligible for claiming Carbon Credits after the incineration of the R-23 gas. This asset is of Intangible in nature but is treated as current asset (Closing Stock) in the financial statements which is against the accepted accounting practice. During the current financial year 2010-11, UNFCCC confirmed 420793 CERs to the company in its site (www.unfccc.int) after deducting 2% i.e., 8587.62 CERs as adaptation fund deduction. Of the above CERs received, the company had transferred 210652 CERs as instalments payment to SRF Ltd (BOT contractor) for the Plant and Machinery (CDM Project) as per the agreement entered 14 th , August, 2007. After the above outflows of CERs, the company is left with 210142 CERs treated as	<p>The sale transaction was made after the issuance/ award of CERs by UNFCCC and sale was approved by the Board in its 149th meeting held on 11th March, 2011. Accordingly the income for CERs was considered in the accounts for the year 2010-11.</p>