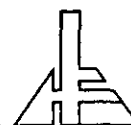
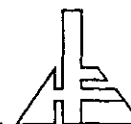


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## HINDUSTAN FLUOROCARBONS LIMITED



### BOARD OF DIRECTORS

Dr. Reena Ramachandran	Chairman
Shri Bhargav C Mehta	Managing Director
Shri O P Saini (Upto 29-7-1999)	Govt. of India Nominee
Shri Sanjiv Saran (From 30-7-1999)	Govt. of India Nominee
Shri B.G. Nadig	BIFR Special Director
Shri N R Shenoy	IDBI Nominee
Shri C R Vijayaraghavan	LIC Nominee

### AUDITORS

M/s. M. Bhaskara Rao & Company  
Chartered Accountants  
5-D, Fifth Floor, "Kautilya",  
6-3-652, Somajiguda,  
Hyderabad - 500 082.

### BANKERS

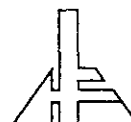
State Bank of Hyderabad  
Gunfoundry, Hyderabad

### REGISTERED OFFICE

1402, Babukhan Estate  
Basheerbagh, Hyderabad - 500 001

### WORKS

Rudraram P O  
Sangareddy Tq.  
Medak Dist. - 500 329  
Andhra Pradesh

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

NOTICE is hereby given that the 16th Annual General Meeting of Members of Hindustan Fluorocarbons Limited will be held on Thursday 30th September 1999 at 3.30 P.M. at Press Club, Deshodharaka Bhavan, 5-9-60/B, Fateh Maidan, Hyderabad to transact the following business.

**Ordinary Business :**

1. To receive, consider and adopt the Audited Balance Sheet as at 31st March, 1999 and profit and Loss Account for the year ended on that date together with reports of the Directors and the Auditors thereon.
2. To appoint a Director in the place of Shri Sanjiv Saran, who retires at this AGM and eligible for re-appointment.

By order of the Board of Directors

Sd/-  
(A.S. Pardhasaradhi)  
Company Secretary

Place : Hyderabad

Date : 8-9-1999

**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 27th September to 30th September, 1999.

**HINDUSTAN FLUOROCARBONS LIMITED****CHAIRMAN'S SPEECH**

**Dear Shareholders,**

I take pleasure in welcoming you to the 16th Annual General Meeting of your company. Director's Report and Audited Accounts for the year ending 31-3-99 have reached you and with your permission I shall take them as read. I would like to share with you a few development during the year.

As you are aware, the slow down in the Indian Economy from 1996-97 onwards continued in 1998-99 also. Chemical Industry on an average has grown at 9-10% as compared to Industry average of 4-5%. In 1997-98, even after partial recovery, it registered a growth of only 3-4% and enhanced pressure on margins. The year 1998-99 had also similar trends and volatile Asian money market continued to influence business.

Despite sluggish domestic PTFE market and dumping of imported material, your company could post a 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.

**Operations and overall performance :**

Your company's performance during the year under review has been good. During the year under report, your company achieved 31% higher production than that in the previous year. The production of CFM-22 was also higher by 18% as compared to the previous year.

Sales turnover for the year was higher by 10% (302 MT as compared to 275 MT in the previous year). Gross Profit increased from Rs. (-127) lacs to Rs. 278 lacs registering a quantum jump.

Your company has targetted and implemented cost reduction programme, process optimisation and achieved better plant efficiencies during the current year. Using in-house facilities, the company had developed "Free Flowing Compounded Resin" which has been accepted even in the International Markets. "Free Flow" properties are almost mandatory for the export markets. Quality of all the products continued to be well accepted by Domestic and International markets.

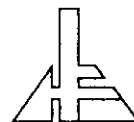
With excellent cash management clubbed with prudent resource management, your company operated well on stand-alone basis generating operational surplus to meet its annual fund requirements.

**New Initiatives :**

Your company has made 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.

**Concern for Environment :**

Your company is committed to the world Community towards safety of the Environment and Health Aspects.



## HINDUSTAN FLUOROCARBONS LIMITED

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 the 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 1999-2000 onwards.

### 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. Provisional duty has been imposed to the extent of Rs. 2900 per MT and further investigations are currently on.

### Future Outlook

With the overall recovery of economy and relatively better markets, the year 1999-2000 is expected to be better. The first quarter results of the current year rep-

resents 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.

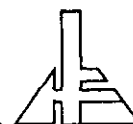
The merger of your company with Hindustan Organic Chemicals Ltd. has been reviewed by BIFR recently and additional three months time has been granted to work out a new revival package in view of the changed market conditions.

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 various representatives of Officers Associations and Unions during this critical year.

We look forward to your continued support.

(Dr. Reena Ramachandran)  
Chairman





## HINDUSTAN FLUOROCARBONS LIMITED

### DIRECTORS REPORT

Your Directors have pleasure in presenting the 16th Annual Report together with Audited Accounts for the year ended 31st March, 1999.

#### 1. FINANCIAL RESULTS

	(Rs. in lacs)	
	1998-99	1997-98
Sales Turnover (Net)	2062	1870
Gross Profit/(Loss) for the year	278	(127)
Less : Interest and Financing Charges	427	891
Cash Profit/(Loss)	(149)	(1018)
Less : Depreciation	168	168
DRE	0	16
Profit/(Loss) for the year	(317)	(1202)
Prior Period Adjustments	2	26
Net Profit/(Loss)	(319)	(1228)

The historic slow down in Indian Economy from 1997-98 continued in FY-1998-99 also leaving its impact on all chemical industries in India. Despite sluggish domestic PTFE market and dumping of imported material, your company could post a Gross Profit for the year. However on taking into account the past interest burden of HOC, Financial Institutions etc. it indicates loss. The loss however has substantially reduced due to operational efficiency, savings in input costs and better fund - management.

Further dumping of Russian PTFE created price pressures due to which company incurred a cash loss of Rs. 149 lacs and net loss of Rs. 319 lacs as against cash loss of Rs. 1018 lacs and net loss of Rs. 1228 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 production of 341 MTs as against 260 MTs in previous year. The production of CFM-22 is higher at 1133 MTs as against 960 MTs during the previous year.

Sales turnover for the year was Rs. 2062 lacs as

compared to Rs. 1870 lacs in the previous year registering an increase of Rs. 10.2%. Gross profit increased from Rs. (-127) lacs to Rs. 278 lacs registering a quantum jump.

Your company has targeted and implemented cost reduction programme, process optimisation and achieved better plant efficiencies during the current year. Using inhouse facilities, the company had developed "Free Flowing Compounded Resin" which has been accepted even in the International Markets. 'Free Flow' properties are almost mandatory for the export markets. Quality of all our products continued to be well accepted by Domestic and International markets.

During the year your company was able to completely repay term loan instalments of State Bank of Hyderabad out of its own cash flow.

With excellent cash management, your company operated well within the limited cash credit of SBH and saved a substantial amount on interest.

#### 3. MARKETING

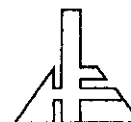
The company recorded a 10% increase in sales to 302 MTs during the year as against the sale of 275 MTs during the previous year despite a very sluggish domestic market. This was achieved through exports of 20 MTs of PTFE dispersions realising Rs. 83.00 lacs earnings in foreign exchange. The free flow compounded resin which was market seeded overseas has been well received. Your company is already exporting its products to Ireland, Brazil and Holland.

Your company had already market seeded PTFE Enamels for non-stick applications from Daiking (JAPAN) for domestic market and it is hopeful of generating substantial trading income from this activity since trial orders have been received in the current financial year.

#### 4. FUTURE OUTLOOK

Taking an optimistic view that the domestic markets are definitely expected to take-off atleast in FY-1999-2000, your company has strategised 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



## HINDUSTAN FLUOROCARBONS LIMITED

been to convince G.O.I. to Levy Anti-Dumping on imports from Russia which will now 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.

### 5. SAFETY AND ENVIRONMENT

Being an 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 has taken place among the directors of the company :

Shri Shantanu Consul, IAS, Govt. of India Nominee relinquished his Office of Director w.e.f. 14.01.1999 and in his place Shri O.P. Saini, IAS has been appointed as Director of the Company by the Government of India, w.e.f. 15.1.1999. Shri Sanjiv Saran, has replaced Shri O.P. Saini as Govt. of India Nominee w.e.f. 30-07-1999 in terms of Article 77 of Articles of Association of the Company.

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

### 7. INDUSTRIAL RELATIONS

Employee Relations continued to be cordial throughout 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 government 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. Hence, particulars are not appended.

### 8. Y2K COMPLIANCE

Your company, has already initiated work through in-house talent on this issue supported by competent outside consultant and the operation is expected to

be completed by Mid Dec. 1999.

**COST OF Y2K COMPLIANCE :** The necessary modifications are being carried out at a cost estimated at approx. Rs. 10.00 lacs, which includes replacement of hardware etc.

### 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. AUDITORS

M/s. M. Bhaskara Rao & Co., Chartered Accountants, Hyderabad will retire as Auditors of the Company at the conclusion of the ensuing Annual General Meeting. Auditors for the year 1999-2000 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 1998-99 will be circulated on receipt.

### 11. 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 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 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/-  
(Dr. Reena Ramachandran)  
Chairman

Place : Hyderabad  
Date : 27-7-1999.



## 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 has made continuous efforts to optimise operations, equipment efficiency, energy conservation. A team has been constituted which monitored and reviewed this activity which has brought down the cost of production enabling your company to be competitive.

#### B) Technology Absorption

##### 1) Research and Development (R & D)

- Compounded PTFE with suitable fillers and additives for specific applications with better wear and sealing properties were developed.
- Items of PTFE which were chemically etched for specialised applications were found suitable for defence applications.
- Process to manufacture expanded PTFE films and tapes for sealing application were developed.
- Ist Phase of the joint project with IIT, Madras to develop composite laminate used in microwave application for defence applications was completed.
- Increase of CFM 22 & TFE Capacity by debottle-necking was pursued and considerable progress achieved.

##### 2) Benefits

On commercialization of above, the company's product range will be widened resulting in import substitution and saving of foreign exchange.

##### 3) Future Plans

The company continues to specialise in meeting import substitution requirements for application in critical and highly sophisticated areas.

A proposal for expanding the existing capacity of the plant to 700 MT is under consideration for meeting

increased market demand, both domestic as well as exports. The company utilising its technical expertise and inhouse facilities has undertaken a programme to increase the monomer plant capacity by installing balancing equipment. The production is expected to record an increase of 25-30% over rated capacity.

Diversification into other fluoropolymers and value added products is being pursued through acquiring appropriate International technology.

The company has proposed to recover Hexafluoropropylene from the recycle stream of the monomer purification column which finds application in critical compressor used in defence/atomic energy plants etc.

##### 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 internalised and the company has manufactured various other grades of PTFE not covered by the licence agreement and the product successfully marketed.

- Benefit derived as a result of the above efforts eg., Product improvement, cost reduction, product development, import substitution etc.,

Microfine powder developed in collaboration with M/s BARC, a direct substitute for imported grades mainly used in lubricant and greases has been well accepted by the Market. The other application areas have been explored.

##### 5) Foreign Exchange earnings and outgo

	Rs. in lacs	
	1998-99	1997-98
Foreign Exchange earnings (export sales)	83.10	24.18
Foreign Exchange outgo		
Travelling expenses	0.00	3.72
Other expenses	0.00	0.36
CIF value of raw materials stores and spares.	8.30	20.80