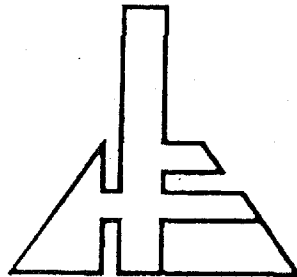
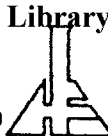


**21st
Annual Report
2003-2004**

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HINDUSTAN FLUOROCARBONS LIMITED

HINDUSTAN FLUOROCARBONS LIMITED**CONTENTS**

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BOARD OF DIRECTORS

SHRI A. S. DIDOLKAR	Chairman HOCL Nominee
SHRI R.N. MADANGERI	Managing Director From 12.11.2003
SHRI GOPAL KRISHAN	Govt. of India Nominee From 30.9.2003
SHRI B. G. NADIG	BIFR Nominee up to 20-7-2004
SHRI U. SARKAR	HOCL Nominee from 1-10-2003
SHRIVJAY MATHUR	HOCL Nominee up to 24-9-2004
SHRI J. GOPAL	HOCL Nominee From 29-1-2003

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
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



NOTICE

NOTICE is hereby given that the 21st Annual General Meeting of the Members of Hindustan Fluorocarbons Limited will be held on Friday, 24TH September, 2004 at 3.00pm at Press Club, Deshodharaka Bhavan, Basheerbagh, 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, 2004 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 Gopal Krishan, who retires at this AGM and being eligible offers himself for re-appointment.
3. To appoint a director in place of Shri J.Gopal, who retires at this AGM and being eligible offer himself for re-appointment.

SPECIAL BUSINESS.

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

"RESOLVED that Shri U. Sarkar, Director who was appointed as Additional Director in the meeting of the Board of Directors held on 19.9.2003 and who holds office as such w.e.f. 1.10.2003 up to the date of this AGM 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 U.Sarkar 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/-

**(R.N.MADANGERI)
MANAGING DIRECTOR**

PLACE: HYDERBAD

DATE : 27.07.2004

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 Saturday the 18th September, 2004 to Friday the 24th September, 2004 (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 3 HOCL nominees till 31.12.2003 viz, Shri A.S. Didolkar, CMD, HOCL (also Chairman of HFL board), Shri Vijay Mathur, GM (P&E), HOCL and Shri J. Gopal, GM (Phenol) HOCL, Cochin Unit as Directors.

HOCL felt appropriate to nominate Shri U. Sarkar, Director Finance, HOCL, (earlier to his appointment in HOCL he was G.M. Finance in M/s. Paradeep Phosphates Ltd.) as Addl. Director

on the Board of HFL representing HOCL, as his expertise in Finance 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. Accordingly Board has appointed Shri U. Sarkar, Director Finance, HOCL as Addl. Director on the HFL Board w.e.f. 1.10.2003 to hold office up to this AGM. The Director nominated by HOCL as Addl. Director on the Board of HFL will hold office till the conclusion of AGM of HFL and is eligible for appointment as a regular director of HFL at the AGM.

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

None of the Directors except Shri U. Sarkar is interested in the above resolution.

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

Sd/-

(R.N. MADANGERI)

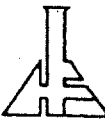
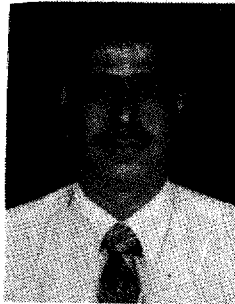
MANAGING DIRECTOR

PLACE: HYDERBAD

DATE : 27.7.2004

Regd. Office:

1402, Babukhan Estate,
Basheerbagh,
HYDERABAD-500 001.

HINDUSTAN FLUOROCARBONS LIMITED**CHAIRMAN'S SPEECH**

Dear Shareholders,

I consider it my privilege to welcome you all to the 21st Annual General Meeting of your company. The Directors' Report and Audited accounts for the year ended 31st March, 2004, have been circulated to you all. At the outset, I am glad to inform you that there is a substantial improvement in operational efficiencies thereby achieving consumption norms given by the Technology suppliers. The domestic PTFE market continues to be sluggish and the dumping of imported material particularly from China is continued at cheaper rate.

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

1. OPERATIONS AND OVERALL PERFORMANCE :

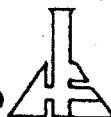
In spite of several odds, during the year under report, your company registered a sales turnover of Rs. 1625 lacs and against Rs. 1927 lacs of previous year. The production of PTFE and CFM-22 were marginally lower as compared to previous year to tune with sales turnover. The Company has registered improved sales of PTFE & CFM 22, in the 2nd half of the year.

The quality of our products is 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.

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 of great emphasize for your Company. 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.

HINDUSTAN FLUOROCARBONS LIMITED

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 has been 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 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

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 hopes that its efforts with the Govt. for implementing anti-dumping measures for imports from the 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.

In regard to the BIFR status of your company, the matter is sub-judice now, 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.

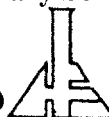
5. ACKNOWLEDGEMENTS

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 all Statutory Bodies, investors, Banks & FIs etc.

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,

(A.S. Didolkar)
Chairman

HINDUSTAN FLUOROCARBONS LIMITED**DIRECTORS' REPORT**

Your Directors hereby present the 21st Annual Report of the company together with Audited Annual Accounts for the year ended 31st March, 2004.

1. FINANCIAL RESULTS

	(Rs.In lacs)	
	Financial Year	Financial Year
	2003-04	2002-03
Sales Turnover(Net)	1625	1927
Gross Profit/Loss	(407)	191
Interest	389	424
Cash Profit/Loss	(796)	(233)
Less: Depreciation	214	174
DRE	0	0
Profit(loss) for the year	(1010)	(407)
Prior period Adjustments	3	52
Net Profit/(Loss)	(1013)	(459)

Due to sluggish domestic PTFE market and dumping of imported material, particularly from China, your company posted a Gross Loss for the year. However, there is substantial improvement in operational efficiencies thereby achieving consumption norms given by the technology suppliers.

In view of loss incurred by the company, your Directors do not recommend any dividend on Equity Shares for the year ended 31.3.2004.

2. OPERATION AND OVERALL PRODUCTION AND MARKETING PERFORMANCE:

The sales turnover of Rs. 1625 lacs as compared to Rs.1927 lacs in the previous year. The decline in sales turnover was due to sluggish market and stiff international competition for PTFE.

The production of PTFE and CFM-22 were marginally lower as compared to previous year to tune with sales turnover. Quality of all your products continued to be well accepted by Domestic processors. Cash Management continued to be excellent and hence your company operated well within the cash credit limit of SBH.

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 the Directors of the Company:

Shri Gopal Krishan, Dy.Secretary in the Department of Chemicals & Petrochemicals is appointed as part time Government Director on the Board of HFL in place of Ms. Harmeet S Singh, Director w.e.f. 30.9.2003.

HOCL nominated Shri U Sarkar, Director(Finance), HOCLas additional nominee director whose appointment will be regularized at this AGM.

Shri Ravi N. Madangeri is appointed as Managing Director of HFL vide Govt. Order No. 51/26/2002-ChIII dtd. 23.10.2003 of ministry of Chemicals & Petrochemicals, New Delhi, w.e.f. 12.11.2003 for a period of 5 year or till the date of super annuation which ever is earlier. Shri R.N. Madangeri was DGM (Production & Engineering) in HOCL earlier.

Shri B.G. Nadig the special Director of BIFR has ceased to be BIFR's special Director on company's Board w.e.f. 20/7/2004 on attainment of age of 65 years as per BIFR communication No. 15/2001/SD/BIFR dated 5/7/2004.

The Director placed on record the valuable services rendered by Shri Nadig during the tenure of his service.

Shri Gopal Krishan, & Shri J.Gopal will retire at this AGM and being eligible now offered themselves for reappointment. Shri Vijay Mathur will retire at this AGM.

6. INDUSTRIAL RELATIONS

Employee 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 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.

7. 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.

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 systems 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 31st March, 2004. Auditors for the current year 2004-2005 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 the year ended 31st March 2004 are enclosed to this Annual Report.

11. CORPORATE GOVERNANCE

All 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 Director 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

Sd/-
(A S DIDOLKAR)
CHAIRMAN

Place: Hyderabad

Date: 24.9.2004

HINDUSTAN FLUOROCARBONS LIMITED**ANNEXUE - I**

(FORM A)

FORM FOR DISCLOSURE OF PARTICULARS WITH RESPECT TO CONSERVATION OF ENERGY

A. POWER & FUEL CONSUMPTION.		CURRENT YEAR	PREVIOUS YEAR
1. ELECTRICITY			
a) PURCHASED UNITS		69,41,143 KWH	91,01,315 KWH
TOTAL AMOUNT		Rs.2,33,45,276	Rs.2,93,42,393
RATE/UNIT		Rs.3.36	Rs.3.22
b) OWN GENERATION			
i) THROUGH DIESEL GENERATOR		12,700 KWH	35,890 KWH
UNITS PER LITRE OF DIESEL OIL		1.65 KWH	3.04 KWH
COST/UNIT		Rs.11.55	Rs. 6.00
ii) THROUGH STEAM TURBINE GENERATOR UNITS			
2. FURNACE OIL			
QUANTITY		529.735 KL	673.10 KL
TOTAL AMOUNT		Rs.64,93,648	Rs.80,40,359
AVERAGE RATE PER KL		Rs.12,258.30	Rs.11,945.27
B. CONSUMPTION PER UNIT OF PRODN.			
PRODUCT : PTFE(MT)			
ELECTRICITY PER MT OF PTFE		26200 KWH	22763 KWH
FURNACE OIL PER MT OF PTFE		2.00 KL	1.68 KL
HSD RATE PER KL		Rs.19,054.41	Rs.18,256.66

ANNEXURE - II

Consolidated as on 31-03-2004 (SC/ST/OBC/WOMEN)

Group	Total Strength	SC	ST	OBC	WOMEN
A	043	02	02	10	-
B	-	-	-	-	-
C	140	22	07	35	06
D	034	09	15	08	01
TOTAL	217	33	24	53	07

HINDUSTAN FLUOROCARBONS LIMITED**CORPORATE GOVERNANCE REPORT**

(Annexure to Directors' Report)

Corporate Governance is the set of principles, processes and system to be followed by the Company for enhancement of shareholders value, keeping in view the interests of other stake-holders. The integrity, transparency and compliance with laws in all dealings with government, customers, suppliers, employees and other stake-holders are the objectives of good corporate governance.

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.

Your Company is guided by its vision and mission statement and the Corporate Governance code. It will be its constant endeavour to achieve long-term corporate goals. Effective corporate governance stems from the need to adopt a core set of values, fairness, kindness, efficiency and effectiveness. These values determine the principles of the organization, which in turn, determine the course of action of each employee in every sphere of activity. Your company recognizes that a value driven organizations calls for fewer internal policies and regulations. Your Board upholds the principles of strong emphasis on transparency, accountability and integrity.

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 is six. It has a mix of executive and non-executive directors. The Board comprises of three directors nominated by HOCL of which one Director is Chairman of the Board. The other two non-executive directors, one director representing the Department of Chemicals & Fertilizers and another is a BIFR nominee director.

Sl N	Director S/Shri	Category Of Director (ED,NED, NEID)	Date of appointment	Date of Ceasure	No.of Other Director ships	Member-Ship in other Board Commitees	Chairman Ship in Other Board Commitees
1	A. S. Didolkar	Chairman NED	19.1.2001	-	2	3	3
2	R N Madangeri	MD (ED)	12.11.2003	-	-	-	-
3	Gopal Krishan	NED	30.9.2003	-	-	1	-
4	B G Nadig	NED	15.5.1995	20.7.04	-	1	1
5	U Sarkar	NED	1.10.2003	-	-	2	-
6	Vijay Mathur	NED	22.5.2001	-	-	1	-
7	J Gopal	NED	29.1.2003	-	-	-	-
8	Ms.Harmeet S Singh	NED	22.4.2003	29.9.03	-	1	-
9	Vijayaraghavan	NED	18.4.1995	3.5.03	1	1	-

CHANGES IN THE BOARD OF DIRECTORS:

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

Ms. Harmeet S Singh, Director retired at the 20th AGM held on 24.9.2004.

Shri Gopal Krishan, Dy.Secretary in the Department of Chemicals & Petrochemicals is appointed as part time Government Director on the Board of HFL w.e.f. 30.9.2003.