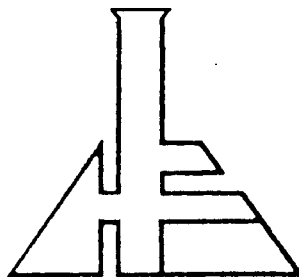


22nd Annual Report 2004-2005



HINDUSTAN FLUOROCARBONS LIMITED



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HINDUSTAN FLUOROCARBONS LIMITED**BOARD OF DIRECTORS**

Shri A.S. Didolkar	(From 20-05-2002 (HOCL Nominee)	Chairman
Shri R.N. Madangeri	(From 12.11.2003)	Managing Director
Shri Gopal Krishan	Govt. of India Nominee (From 30.09.2004)	Director
Shri U.Sarkar	HOCL Nominee (From 01.10.2004)	Director
Shri J. Gopal	HOCL Nominee (Upto 24.06.2005)	Director
Shri B.G. Nadig	BIFR Nominee (Upto 20.7.2004)	Director
Shri Vijay Mathur	HOCL Nominee (Upto 24.9.2004)	Director

AUDITORS

M/S R.B.KABRA & CO.
Chartered Accountants
4-1-917, Parsi Lane,
Tilak Road,
Hyderabad - 500 001

BANKERS

State Bank of Hyderabad
Gunfoundry, Hyderabad

REGISTRARS & SHARE TRANSFER AGENTS

Share pro services (India) 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 22nd Annual General Meeting of the Members of Hindustan Fluorocarbons Limited will be held on Tuesday, 27th September, 2005 at 3.00 P.M. 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, 2005 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 U Sarkar, who retires at this AGM and being eligible offers himself for re-appointment.

PLACE : HYDERABAD

Date: 29.7.2005

Regd. Office:

1402, Babhukhan Estate
Basheerbagh, Hyderabad - 500 001

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

Sd/-

**(R N MADANGERI)
MANAGING DIRECTOR**

NOTES :

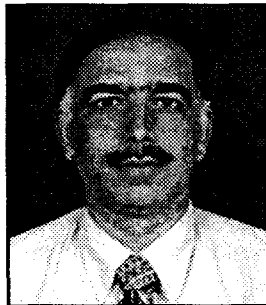
1. **A member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote instead of himself and the proxy need not be a member of the company. The proxy in order to be effective must be lodged at the Registered Office of the Company not less than 48 hrs. before the meeting.**
2. The Register of Members and Shares Transfer Books of the company will remain closed from Wednesday the 21th Sept, 2005 to Tuesday the 27th Sept, 2005 (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: 29.7.2005

Regd. Office:

1402, Babhukhan Estate
Basheerbagh, Hyderabad - 500 001

**CHAIRMAN'S SPEECH**

Dear Shareholders,

I consider it my privilege to welcome you all to the 22nd Annual General Meeting of your company. The Directors' Report and Audited accounts for the year ended 31st March, 2005, have been circulated to you all. At the outset, I am glad to inform you that there was a substantial improvement during the year in operational efficiencies thereby achieving consumption norms given by the Technology suppliers. The domestic PTFE market continues to be sluggish as the dumping of imported material particularly from China is continued to be cheaper.

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.1757 lacs as against Rs.1625 lacs of previous year. The production of PTFE and CFM-22 were marginally lower

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 excellent and hence your company operated not only well within the limited cash credit of SBH but also saved substantial amount on bank interest.

2. CONCERN FOR ENVIRONMENT :

The safety of the Environment and Health aspects continue to be of great emphasis 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.

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

HINDUSTAN FLUOROCARBONS LIMITED

and with technologies for HCFC substitutes identified, your company is continuing to maximize HCFC capacity utilization.

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 and your company had to take recourse to anti-dumping measures on PTFE through the Government.

I am glad to mention that, due to its vigorous efforts with the Govt. your Company was successful in imposing anti-dumping duty on imports from Russia and China. The company is also proposing to pursue anti dumping measures for imports from other Hard currency areas like USA & Europe.

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 hopes that its efforts with the Govt. for implementing anti-dumping measures for imports from the other Hard currency areas like USA & Europe 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 Company still remain under BIFR. The holding company 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 :

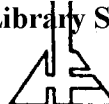
I would like to convey my sincere appreciation for the constant support received from our customers, suppliers, HOCL, Central Govt., Govt. of Andhra Pradesh, our employees and all Statutory Bodies, investors, Banks & FIs etc.

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.

Sd/-
(A.S.DIDOLKAR)

Chairman



HINDUSTAN FLUOROCARBONS LIMITED

DIRECTORS' REPORT

Your Directors hereby present the 22nd Annual Report of the company together with Audited Annual Accounts for the year ended 31st March, 2005.

1. FINANCIAL RESULTS.

	(Rs. in lacs)	
	Financial Year 2004-05	Financial Year 2003-04
Sales Turnover(Net)	1757	1625
Gross Profit	(206)	(407)
Interest	392	389
Cash Profit(Loss)	(598)	(796)
Less: Depreciation	214	214
DRE	0	0
Profit(loss) for the year	(812)	(1010)
Prior period Adjustments	6	3
Net Profit/(Loss)	(818)	(1013)

Even though the revival of the Indian Economy showed improvements in Financial Year 2004 – 2005, the domestic PTFE market was sluggish and dumping of imported material, particularly from China, continued to rise as a result your company posted a Gross Loss for the year. However, there is continual improvement in operation leading to achieving consumption norms given by the technology suppliers and improvement in operational efficiencies. More quantity of filled grades is processed and sold. Although the company was able to get anti-dumping duty imposed on Russian material, the Chinese imports became more significant and hence cheaper imports of Chinese PTFE created price pressures. Even then, the company could reduce its gross loss to Rs.206 lacs during the current year 04-05 as against gross loss of Rs.407 lacs during previous year(03-04).

In regard to the BIFR status of your company, the Company still remain under BIFR. Its holding company 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.

In view of the continued losses incurred by the company, your Directors do not recommend any dividend on Equity Shares for the year ended 31.3.2005.

2. OPERATION AND OVERALL PRODUCTION AND MARKETING PERFORMANCE:

The current year sales turnover was of Rs. 1757 lacs as compared to that of Rs.1625 lacs in the previous year. The increase in sales turnover

was due to efficient efforts put in by marketing, ADCS, and production departments of the company even though the stiff international competition for PTFE and CFM-22.

During the year under review the production of PTFE was 350.719 MTs as against 265.409 MTs in the previous year. The production of CFM-22 was 1017.95 MTs as against 906.96 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 well within the limit cash credit facility from 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 was successful in imposing anti-dumping duty on imports from Russia and China which will make company to attain better financial results. The company is now proposing to pursue anti-dumping measures for imports from other hard currency areas like USA and Europe.

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:

HOCL nominated Sri U Sarkar, Director(Finance), HOCL as Nominee Director on the Board.

Shri B G Nadig ceased to be a BIFR's Nominee Director on the Board of HFL w.e.f. 5.7.2004.

HOCL Nominee Shri J Gopal (Officiating ED Phenol Unit HOCL) ceased to be Director on the Board of HFL w.e.f. 24.6.2005.

Shri Gopal Krishan, 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.

6. INDUSTRIAL RELATIONS

Employee relation continued to be cordial throughout the year. The whole-hearted support ex-

HINDUSTAN FLUOROCARBONS LIMITED

tended 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 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.

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 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.

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. R.B. Kabra and Co., Chartered Accountants, Hyderabad as Auditors of the Company to Audit the accounts for the year ended 31st March, 2005. Auditors for the current year 2005-2006 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 2004-2005 has been circulated to the shareholders.

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 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's wish to acknowledge the sustained efforts and dedications of the company's employees who have contributed to a large extent against odds 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/-

Place: Hyderabad

(A S DIDOLKAR)

Date: 29.7.2005

CHAIRMAN

HINDUSTAN FLUOROCARBONS LIMITED**ANNEXURE-1****(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	81,80,235 KWH	69,41,143 KWH
	TOTAL AMOUNT	Rs. 2,82,71,153	Rs.2, 33,45,276
	RATE/UNIT	Rs. 3.46	Rs.3.36
b)	OWN GENERATION		
i)	THROUGH DIESEL GENERATOR	29,060 KWH	12,700 KWH
	UNITS PER LITER OF DIESEL OIL	3,77 KWH	1.65 KWH
	COST/UNIT	Rs. 5.63	Rs.11.55
ii)	THROUGH STEAM TURBINE GENERATOR UNITS		
3	FURNACE OIL		
	QUANTITY	548.10 KL	529.735 KL
	TOTAL AMOUNT	Rs. 70,90,062.00	Rs.64, 93,648.00
	AVERAGE RATE PER KL	Rs. 12,935.71	Rs. 12,258.30
B.	CONSUMPTION PER UNIT OF PRODUCTION.		
	PRODUCT : PTFE (MT)		
	ELECTRICITY PER MT OF PTFE	23324 KWH	26200 KWH
	FURNACE OIL PER MT OF PTFE	1.56 KL	2.00 KL
	HSD RATE PER KL	Rs. 21,281.00	Rs.19, 054.41

ANNEXURE-II**Consolidated report as on 31-03-2004 (SC/ST/OBC/WOMEN)**

Group	Total Strength	SC	ST	OBC	WOMEN
A	39	2	2	10	-
B	-	-	-	-	-
C	140	22	7	35	6
D	34	9	15	8	1
TOTAL	213	33	24	53	7

**CORPORATE GOVERNANCE REPORT****(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 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 representing the Department of Chemicals & Fertilizers.

Sl No.	Director S/Shri	Category of Director (ED,NED, NIED)	Date of Appointment	Date of Ceasure	No. of Other Director-ships	Membership in other Board Committees	Chairman-ship in other Board Committees
1	ASDidolkar	Chairman NED	19.1.2001	-	2	3	3
2	Ravi Madangeri	ED	12.11.2003	-	-	-	-
3	Gopal Krishan	NED	24.9.2004	-	-	-	1
4	U Sarkar	NED	24.9.2004	-	-	1	-
5	*B G Nadig	NED	15.5.1995	5.7.04	-	1	-
6	*Vijay Mathur	NED	22.5.2001	29.9.04	-	-	-
7	*J Gopal	NED	29.1.2003	24.6.05	-	-	-

* Sri B G Nadig ceased to be BIFR Nominee Director since he has attained the age of 65 years as per BIFR Directives.

* Sri Vijay Mathur retired at the AGM held on 24.9.2004 and was not reappointed due to his superannuation from the services of HOCL

* Sri J. Gopal ceased to be HOCL Nominee Director on HFL Board w.e.f. 24.6.2005

CHANGES IN THE BOARD OF DIRECTORS:

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

HOCL nominated Sri U Sarkar, Director(Finance), HOCL as Nominee Director on the Board, w.e.f. 24.9.2004