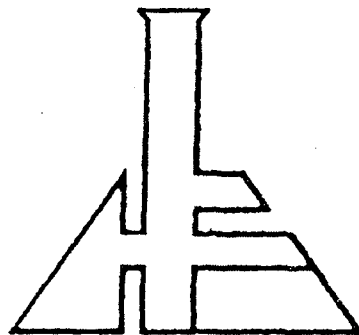


26th
ANNUAL REPORT
2008 - 2009



HINDUSTAN FLUOROCARBONS LIMITED

CONTENTS

Notice	1
Chairman's Speech	3
Directors' Report	5
Corporate Governance Report	8
Auditors' Report	16
CAG Comments	20
Balance Sheet	21
Profit and Loss Account	22
Schedules	23

BOARD OF DIRECTORS

Shri A S Didolkar Chairman	From 20.5.2002 (HOCL Nominee)
Shri R N Madangeri Director	HOCL Nominee (from 1.2.2008)
Shri T S Gaikwad Managing Director	From 1.1.2008
Shri N Bhattacharya Director	Govt. of India Nominee (upto 20.6.2009)
Shri P S Singh Director	Govt. of India Nominee (from 20.6.2009)
Shri S.W.Oak Director	BIFR Nominee (from 26.7.2007)
Dr.B.D.Kulkarni Director	HOCL Nominee (from 30.1.2009)

AUDITORS

M/s V Rao & Gopi, Chartered Accountants
No.3-5-595, Gr.Floor, Garonda Paul Apts.,
Vittalwadi, 7th Street, Narayanguda,
Hyderabad - 500 029.

BANKERS

State Bank of Hyderabad,
Gunfoundry, Hyderabad.

REGISTRARS & SHARE TRANSFER AGENTS

Share pro services (India) Pvt.Ltd.,
13AB,Samhita Warehousing Complex, Second Floor, Sakinaka
Telephone Exchange Lane,
Off Andheri Kurla Road, Sakinaka, Andheri(East), MUMBAI – 400 072.

REGISTERED OFFICE

1402, Babukhan Estate,
Basheerbagh,
Hyderabad – 500 001

WORKS

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

HINDUSTAN FLUOROCARBONS LIMITED

26th Annual Report 2008-2009

NOTICE

NOTICE is hereby given that the 26th Annual General Meeting of the Members of Hindustan Fluorocarbons Limited will be held on 25.9.2009 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, 2009 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 P S Singh who retires at this AGM and being eligible offers himself for re-appointment.
3. To appoint a director in place of Shri R N Madangeri who retires at this AGM and being eligible offers himself for re-appointment.

Special Business

4. To consider and if thought fit to pass the following resolutions as ORDINARY resolution with or without modifications:
"RESOLVED THAT Dr.B.D.Kulkarni, Director who was appointed as Independent Director w.e.f. 31.1.2009 and who holds office as such upto 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 Dr.B.D.Kulkarni 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"
5. To consider and if thought fit to pass the following resolutions as SPECIAL resolutions with or without modifications:
"RESOLVED THAT pursuant to Section 17 of the Companies Act, 1956 and other applicable provisions and subject to such other approvals as may be required, the consent of the Share holders of the company be and is hereby accorded to amend the Object Clause III(B)(9) and Clause III(B)(26) of the Memorandum of Association of the company as under :

Clause III(B)(9) : To sell, lease out or dispose of the undertaking of the company and all or any of the property or effects of the Company for cash or for stock, shares or securities of any other company or for other consideration as the company may think fit.

Clause III(B)(26) : To dedicate, present, lease or otherwise dispose of either voluntarily with or without consideration or for value any property of the Company deemed to be of national, public, or local interest, to any national trust, public body, museum, corporation or authority or any trustees for or on behalf of any of the same or of the public."

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

**Sd/-
(T S GAIKWAD)
MANAGING DIRECTOR**

PLACE : HYDERABAD

DATE : 31.7.2009

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. The Registered Office of the Company's R&T Agents M/s Sharepro Services (I) Pvt. Ltd., have been shifted and now changed New Address is as under.
13AB, Samhita Warehousing Complex, 2nd Floor, Sakinaka Telephone Exchange Lane, Off.Andheri-Kurla Road, Sakinaka, Mumbai – 400 072. Tel:67720300/351/352, 67720400/211872, Fax : 28591568, e-mail: sharepro@shareproservices.com.
3. **Members/Proxies should bring their attendance slip, duly filled in at the meeting.**

HINDUSTAN FLUOROCARBONS LIMITED**26th Annual Report 2008-2009**

4. The Register of Members and Shares Transfer Books of the company will remain closed from Saturday the 19th Sept, 2009 to Friday the 25th Sept, 2009 (both days inclusive).
5. Members are requested to note the change in the Regd. Office address of the R & T of the Company and then to intimate immediately any change in their addresses registered with the company to the R&T Agents at their new office address.
6. Members, who hold shares in the dematerialized form, are requested to bring their depository account number for identification.
7. 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.
8. An Explanatory statement pursuant to Section 173(2) of the Companies Act, 1956 in respect of the Resolution set out against item no.4 & 5 of the notice is enclosed.

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

Sd/-
(T S GAIKWAD)
MANAGING DIRECTOR

PLACE : HYDERABAD
DATE : 31.7.2009

Regd. Office

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

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

Item No.4

The promoter company M/s Hindustan Organic Chemicals Limited to enable the compliance of Clause 49(II) of the listing agreement with the Stock Exchange as to the requirement of Independent Director on the Board has nominated Non-official Independent Director

(NOID) Dr.B.D.Kulkarni on the Board of the Company w.e.f.31.1.2009. Further, as per the clarifications received from BSE where the promoter company is a listed entity, its Independent Directors shall not be deemed to be related to it and they would continue to be independent in the Company in which they are nominated. The Director nominated by HOCL as Non Official Independent Director as Independent Director on the Board of HFL will hold office till the conclusion of AGM of HFL and is eligible for appointment as Director of HFL at the AGM.

The Company has received a proposal from a member proposing the appointment of Dr.B.D.Kulkarni as Director on the Board of HFL pursuant to Section 257 of Companies act, 1956. Dr.B.D.Kulkarni has given his consent to act as Director. Hence, the proposal is placed before the share holders for approval and appointment of Dr.B.D.Kulkarni on the Board of HFL from this AGM to next AGM who is eligible for reappointment.

None of the Directors except Dr.B.D.Kulkarni is interested in the above resolution.

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

Item No.5

To set up a commercial plant, company is proposing to enter into an MoU with M/s Advance Fluorine Technologies Pvt.Ltd.,(AFTPL).

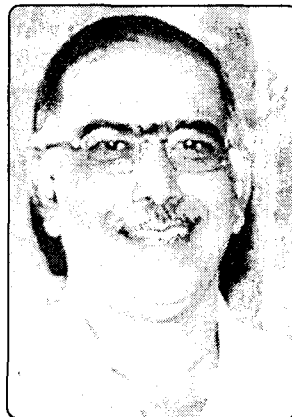
For the above purpose the existing clause no.9 & 26 (page no.3 & 5) of Memorandum and Articles of Association of the Company is required to be amended. Hence the proposal is put up before the shareholders for approval of amendment of clause 9 & 26 of the objects clause of the company.

Further the amendments in objects clause are suggested by Advocates & Solicitors, M/s Crawford Bayley & Co., Mumbai in compliance with Section 16 & 17 of the Companies Act, 1956.

None of the Directors is concerned or interested in the proposed resolutions except to the extent of the shares held by them in their individual capacity.



Chairman's Speech



Dear Shareholders,

I extend my hearty welcome to you to this 26th 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, 2009 and with your permission I take it as read.

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

1. OPERATIONS AND OVERALL PERFORMANCE:

Working capital position has been improved during financial year due to enhancement of working capital limits from State Bank of Hyderabad. Hence, the plant capacity utilization has also increased. With this increased capacity utilization, sales turnover

has increased by 35% to Rs.1381.12 lacs as against Rs.1015.55 lacs. in previous year. With this improved sales performance, your company has made net profit of Rs.55.52 lacs from operations.

The quality of our products is continued to be well accepted in the market.

2. 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. Company's Quality Management System is approved by M/s TUV and they have accredited ISO 9001:2008 certification

**3. FUTURE OUTLOOK :****A. 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. It is expected that the CDM facility would be commissioned early next year.

B. DIVERSIFICATION:

PTFE domestic market continues to be sluggish in spite of imposition of antidumping duty on material coming from China. Therefore, the company had to sell more quantity of CFM 22 in a highly competitive market instead of converting it into PTFE. Company has explored various possibilities for development of fluoro speciality chemicals based on intermediate Tetra Fluoro Ethylene (TFE). Company had developed two products based on intermediate TFE so far. Out of this, one product is already commercialized and the sample of the other product developed is sent abroad for conducting environmental trials.

With these initiatives in diversification, it is expected that the Company's financial position will improve.

4. 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 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

26th Annual Report 2008-2009

DIRECTORS' REPORT

Your Directors are glad to present the 26th Annual Report of the company together with Audited Annual Accounts for the year ended 31st March, 2009.

1. FINANCIAL RESULTS.

	(Rs. in lacs)	
	Financial Year	Financial Year
	2008-09	2007-08
Sales Turnover (Net)	1381.12	1015.55
Reversal of Interest on IFI & HOCL	-	4484.90
Gross Profit	419.21	4145.00
Interest	205.05	63.72
Cash Profit (Loss)	214.16	4081.28
Less: Depreciation	160.93	76.23
Profit (loss) for the year	53.23	4005.05
Prior period Adjustments	(4.78)	8.65
Provision for taxes	2.49	-
Net Profit/(Loss)	55.52	3996.40

In view of the continued accumulated losses incurred by the company in the previous years carried to the balance sheet, your Directors do not recommend any dividend on equity shares for the year ended 31.3.2009.

2. OPERATION AND OVERALL PRODUCTION AND MARKETING PERFORMANCE:

During the year, the sales turnover was Rs.1381.12 lacs as against Rs.1015.55 lacs in the previous year. During the year under report production of PTFE was 21.73 MTs as against 113.99 MTs in the previous year and CFM-22 production was 890.17 MT as against 481.68 MT in the previous year. 668.36 MT of CFM-22 was directly sold in the market and balance quantity i.e., 162.76 MT was used for value added products instead of converting it into PTFE, because contribution from CFM-22 was more than that of PTFE. Quality of all company's products continued to be well accepted by our customers.

3. FUTURE OUTLOOK.

A. Clean Development Mechanism(CDM):
Storage of HCFC-23 was commissioned in the month of October, 2008 and subsequently CDM Project was registered on 14.11.2008 by The United Nations Framework Convention on Climate Change(UNFCCC), Executive Board.

Other activities related to CDM Project are as per schedule and with this schedule, it is expected that project would be completed in early 2010.

Diversification into Fluoro Speciality Chemicals: PTFE domestic market continues to be sluggish in spite of imposition of anti-dumping duty on material coming from China. Therefore, the company had to sell more quantity of CFM-22 in a highly competitive market instead of converting it into PTFE. Company has explored various possibilities for development of fluoro speciality chemicals based on intermediate Tetra Fluoro Ethylene (TFE). Company had developed two products based on intermediate TFE so far. Out of this, one product is already commercialized and the sample of the other product developed is sent abroad for conducting environmental trials.

With these initiatives in diversification, it is expected that the Company's financial position will improve.

4. SAFETY, ENVIRONMENT & ISO CERTIFICATION

The company continued to lay emphasis on safety operations and periodic reviews of safety measures were undertaken to ensure adequate safety safeguards. Company's Quality Management System is approved by M/s TUV and they have accredited ISO 9001:2008 certification.

5. BOARD OF DIRECTORS

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

Shri N.Bhattacharya ceased to be Director and in his place Shri P.S.Singh, Dy. Secretary to the Govt. of India, Deptt. of Chemicals & Petrochemicals, Ministry of Chemicals & Fertilizers has been appointed as a Govt. Nominee Director with effect from 20.6.2009.

In pursuance of Article 77 of the Articles of Association of the Company and on the nomination by HOCL, Dr.B.D.Kulkarni has been appointed as Independent Director w.e.f. 31.1.2009.

Government Nominee Director Shri P.S.Singh, Dy.Secretary to Govt. of India from Department of Chemicals and Petrochemicals and Shri R N Madangeri, Director(Tech.), HOCL will retire at this AGM and being eligible have offered themselves for reappointment.

HINDUSTAN FLUOROCARBONS LIMITED**26th Annual Report 2008-2009****6. INDUSTRIAL RELATIONS**

Employee relation continued to be cordial through out 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.

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 periodical 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

In pursuance of Section 619(2) of the Companies Act, 1956, the Comptroller and Auditor General of India has appointed M/s.V Rao & Gopi, Chartered Accountants, Hyderabad as Auditors of the Company to Audit the accounts for the year ended 31st March, 2009.

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 2008-09 has been annexed to the Annual Report for the period 2008-09.

11. TRADING AND DEMAT FACILITIES FOR SHARES:

Your Directors are glad to report that Mumbai Stock Exchange has revoked the suspension in trading and reinstated the trading in equity shares of the company. Company got ISIN No.INE 806J01013 and demat facilities with Central Depository Services (India) Limited, (CDSL) for the equity shares of the company.

12. CORPORATE GOVERNANCE

All the members are aware that 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.

13. 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.

14. ACKNOWLEDGEMENTS

Your directors wish to acknowledge the sustained efforts and dedication of the 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 for their 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

Place: Hyderabad
Date: 31.7.2009

(A.S. DIDOLKAR)
CHAIRMAN

HINDUSTAN FLUOROCARBONS LIMITED

26th Annual Report 2008-2009

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	40,22,400 KWH	53,78,085 KWH
TOTAL AMOUNT	Rs.1,60,32,301	Rs.2,05,14,727
Rate/Unit	Rs.3.99	Rs.3.81
B) OWN GENERATION		
i) Through Diesel Generator	1,06,200 KWH	52,156 KWH
Units per Liter of Diesel Oil	2.78 KWH	3.08 KWH
Cost per unit	Rs.10.90	Rs.9.54
ii) Through Steam Turbine	-	-
Generator Units	-	-
3. FURNACE OIL		
Quantity	356	351.50
Total Amount	87,50,315	67,30,281
Average rate per KL	Rs.24,579.54	Rs.19,147.31
B. CONSUMPTION PER UNIT OF PRODUCTION		
PRODUCT: PTFE (MT)	22,453 KWH	47,179.00 KWH
Electricity per MT of PTFE (Since PTFE Prodn. is very low, consumption figures are not comparable)		
Furnace oil per MT of PTFE	3.99 KL	3.08 KL
HSD rate per KL	Rs.30,338.21	Rs.29,424.94

During this year, following energy conservation schemes were implemented:

- ♦ Steam distribution layout was changed according to usage. This has saved about 25 KL of Furnace Oil in terms of rupees it is about Rs.6.00 lacs. Investment for this modification is about Rs.25,000/-.
- ♦ Old cooling water circulation pumps were changed by higher efficiency pumps. Electrical energy saved per annum with this scheme is about Rs.21.00 lacs. Investment made for this modification is Rs.1.70 lacs.
- ♦ Process modification was carried out in monomer plant to make effective utilization of utilities. This modification has resulted in saving of electrical energy by about Rs.20 lacs per annum. Investment for this modification is about Rs.25,000/-

ANNEXURE-II

Consolidated report as on 31-03-2009 (SC/ST/OBC/WOMEN)

Group	Total Strength	SC	ST	OBC	WOMEN
A	46	03	01	14	01
B	-	-	-	-	-
C	87	15	05	18	03
D	26	06	13	07	-
TOTAL	159	24	19	39	04

HINDUSTAN FLUOROCARBONS LIMITED

26th Annual Report 2008-2009

CORPORATE GOVERNANCE REPORT AS ON 31.3.2009**(Annexure to Directors' Report)**

As per the Code of Governance propounded by the Government, Corporate Governance involves a set of relationships between a Company's management, its Board, its shareholders and other stakeholders. Corporate Governance provides a principled process and structure through which the objectives of the Company, the means of attaining the objectives and systems of monitoring performance are also set. 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 strength of Board of Directors as on 31.3.2009 and at present(31.07.2009) 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 non-executive directors are representing the Department of Chemicals & Fertilizers and BIFR.

Sl. No.	Directors /Shri	Category of Director (ED,NED,NEID)	Date of appointment	Date of Ceasure	No.of other Directorships	Membership in Other Board Committees	Chairmanship in Other Board Committees
1	AS Didolkar	Chairman NED	19.1.2001	-	2	2	2
2.	T S Gaikwad	ED	1.1.2008	-	-	-	-
3.	R N Madangeri	NED	1.2.2008	-	2	1	-
4.	S.W.Oak	NED	26.7.2007	-	1	1	-
5.	N.Bhattacharya	NED	25.9.2007	17.6.2009	-	-	-
6.	P S Singh	NED	17.6.2009	-	-	-	-
7.	Dr.B.D.Kulkarni	NED	31.1.2009	-	1	-	-

CHANGES IN THE BOARD OF DIRECTORS:

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

Shri N.Bhattacharya ceased to be Director w.e.f.20.6.2009. He was Dy.Secretary to the Govt. of India, from the Ministry of Chemicals & Fertilizers, Deptt.of Chemicals & Petrochemicals.

Shri PS Singh is appointed (in place of Shri N.Bhattacharya) as a Govt. Nominee Director w.e.f.20.6.2009. He is Dy. Secretary to the Govt. of India from the Ministry of Chemicals & Fertilizers, Deptt. of Chemicals & Petrochemicals, Govt.of India.

Dr.B.D.Kulkarni is appointed as Independent Director by HOCL w.e.f. 31.1.2009. He is acting Director of NCL Pune, and also on the Board of HOCL as Non Official Independent Director.