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**NAVIN FLUORINE**

INTERNATIONAL LIMITED

YOUR IDEAL PARTNER

**7th ANNUAL REPORT 2004-2005**

**ANNUAL REPORT 2004-2005****CONTENTS**

Board of Directors etc. ....	1
Notice .....	2
Directors' Report .....	5
Auditors' Report .....	20
Balance Sheet .....	22
Profit and Loss Account .....	23
Cash Flow Statement .....	24
Schedules 1 to 18 .....	26-44
Statement Pursuant to Section 212 .....	45
Subsidiary Company :	
Sulakshana Securities Limited .....	46-55
Consolidated Financial Statement .....	56-78

**SHAREHOLDERS' INFORMATION**

- Trading in Equity Shares of the Company is permitted only in Dematerialised form as per the notification issued by SEBI.

Demat Code of Navin Fluorine International Limited

ISIN : INE 048 G01018 - Fully Paid Shares

ISIN : IN 9048 G01016 - Partly Paid Shares

- The Shares of the Company are listed on Mumbai and Ahmedabad Stock Exchanges and the listing fees for both the exchanges have been paid by the Company for the year 2005-2006.
- The Company's Share Registrar & Transfer Agents :

Sharepro Services (I) Pvt. Ltd. :

Satam Estate, 3rd Floor, Above Bank of Baroda, Chakala, Andheri (East), Mumbai 400 099.  
Phone : 022-28215168, 28202114, 28202108, Fax : 022-28375646

The Shareholders are requested to notify change in address, if any, immediately to the R & T Agents at the above address mentioning their Folio Numbers.

**7th Annual General Meeting**

on Wednesday,  
the 27th July, 2005  
At 3.00 p.m. at S.N.D.T. Womens' University,  
Patkar Hall,  
1, Nathibai Damodar Thackersey Road,  
Churchgate, Mumbai 400 020.

- Shareholders intending to require information about accounts to be explained in the Meeting are requested to inform the Company at least seven days in advance of the Annual General Meeting.
- Shareholders are requested to bring their copy of the Annual Report to the Meeting as the practice of handing out copies of the Annual Report at the Annual General Meeting has been discontinued in view of the high cost of paper and printing.

## ANNUAL REPORT 2004-2005

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### BOARD OF DIRECTORS :

SHRI H.A. MAFATLAL	<i>Chairman &amp; Managing Director</i>
SHRI A.K. PURI	<i>Director</i>
SHRI T.M.M. NAMBIAR	<i>Director</i>
SHRI P.N. KAPADIA	<i>Director</i>
SHRI S.S. LALBHAI	<i>Director</i>
SHRI V.P. MAFATLAL	<i>Director</i>
SHRI D.S. UMALKAR	<i>Chief Executive Officer</i>
SHRI A.K. SRIVASTAVA	<i>Finance Director</i>

### COMPANY SECRETARY :

SHRI NIRAJ B. MANKAD

### BANKERS :

STATE BANK OF HYDERABAD

### AUDITORS :

MESSRS C. C. CHOKSHI & CO.  
Chartered Accountants

### REGISTERED OFFICE :

1st floor, Kalpataru Point,  
Kamani Marg,  
Sion (East),  
Mumbai 400 022

### UNITS :

Navin Fluorine, Surat 395 023. (Gujarat)  
Navin Fluorine, Dewas 455 022. (M.P.)

### REGISTRAR & SHARE TRANSFER AGENTS :

Sharepro Services (I) Pvt. Ltd.,  
Satam Estate, 3rd Floor,  
Above Bank of Baroda,  
Chakala, Andheri (East),  
Mumbai 400 099.

**NAVIN FLUORINE INTERNATIONAL LIMITED**

(Formerly known as Polyolefins Rubber Chemicals Limited)

**NOTICE**

**NOTICE IS HEREBY GIVEN THAT** the Seventh Annual General Meeting of the Members of the Company will be held on **Wednesday, 27th JULY, 2005 at 3.00 p.m.** at **S.N.D.T. Womens' University, Patkar Hall, 1, Nathlbai Damodar Thackersey Road, Churchgate, Mumbai 400 020**, to transact the following business :

- 1) To consider and adopt the Directors' Report, Audited Financial Statements including Profit & Loss Account for the year ended March 31, 2005 and the Balance Sheet as at that date and Auditors' Report thereon.
- 2) To declare dividend.
- 3) To appoint a Director in place of Shri A.K. Srivastava, who retires by rotation, and being eligible, offers himself for re-appointment.
- 4) To appoint a Director in place of Shri V.P. Mafatlal, who retires by rotation, and being eligible, offers himself for re-appointment.

- 5) To consider and, if thought fit, to pass the following Resolution, with or without modifications, as a **SPECIAL RESOLUTION** :

**"RESOLVED THAT** pursuant to Sections 224 and 224-A and other applicable provisions, if any, of the Companies Act, 1956, M/s. C.C. Chokshi & Co., Chartered Accountants, Mumbai, be and are hereby appointed as Auditors of the Company to hold office from the conclusion of this meeting until the conclusion of the next Annual General Meeting on such remuneration as may be fixed by the Board apart from reimbursement of out-of-pocket expenses as may be incurred by them for the purpose of audit."

- 6) To consider and, if thought fit, to pass the following Resolution, with or without modifications, as a **SPECIAL RESOLUTION** :

**"RESOLVED THAT** pursuant to Section 372 A and other applicable provisions, if any, of the Companies Act, 1956, sanction be and is hereby given to the Board of Directors of the Company to invest upto a limit of Rs.1,00,000/- towards the purchase of 10,000 equity shares of Rs.10/- each of Mayflower Textiles Pvt. Limited from the existing Members."

**"RESOLVED FURTHER THAT** the Directors of the Company be and are hereby authorised to obtain such approvals as may be required and agree to such terms and conditions as they deem fit and settle any question or difficulty that may arise for giving effect to the above Resolution."

- 7) To consider and, if thought fit, to pass the following Resolution, with or without modifications, as a

**SPECIAL RESOLUTION :**

**"RESOLVED THAT** pursuant to Section 372 A and other applicable provisions, if any, of the Companies Act, 1956, sanction be and is hereby given to the Board of Directors of the Company to invest upto a limit of Rs.1,00,000/- towards the purchase of 10,000 equity shares of Rs.10/- each of Myrtle Textiles Pvt. Limited from the existing Members."

**"RESOLVED FURTHER THAT** the Directors of the Company be and are hereby authorised to obtain such approvals as may be required and agree to such terms and conditions as they deem fit and settle any question or difficulty that may arise for giving effect to the above Resolution."

- 8) To consider and, if thought fit, to pass the following Resolution, with or without modifications, as a **SPECIAL RESOLUTION** :

**"RESOLVED THAT** pursuant to Section 372 A and other applicable provisions, if any, of the Companies Act, 1956, sanction be and is hereby given to the Board of Directors of the Company to invest upto a limit of Rs.5,00,000/- by way of subscription to, or purchase of, shares of a Company proposed to be incorporated for the purpose of providing ready customised enterprise solutions to domestic chemical business."

**"RESOLVED FURTHER THAT** the Directors of the Company be and are hereby authorised to obtain such approvals as may be required and agree to such terms and conditions as they deem fit and settle any question or difficulty that may arise for giving effect to the above Resolution."

- 9) To consider and, if thought fit, to pass the following Resolution, with or without modifications, as an **ORDINARY RESOLUTION** :

**"RESOLVED THAT** the Board of Directors of the Company be and is hereby authorised to fix and pay the sitting fees for attending meetings of the Board of Directors and/or Committees thereof to the Non-Executive Directors (including Independent Directors) within the limits prescribed by the Central Government under provisions of Section 310 of the Companies Act, 1956, as may be amended from time to time."

By Order of the Board,

**Niraj B Mankad**  
Company Secretary

**Regd. Office :**

1st floor, Kalpataru Point,  
Kamani Marg, Sion (East),  
Mumbai 400 022.

Mumbai,

Dated : 27th May, 2005

**ANNUAL REPORT 2004-2005****NOTES :**

1. A MEMBER ENTITLED TO ATTEND AND VOTE 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.
2. The relevant Explanatory Statement pursuant to Section 173 of the Companies Act, 1956, in respect of Item Nos. 5 to 9 mentioned in the above Notice is annexed hereto.
3. The Register of Members and the Share Transfer Books of the Company will remain closed from Tuesday the 28th June, 2005 to Thursday the 30th June, 2005 (both days inclusive) for the purpose of payment of dividend, if any.
4. The dividend as recommended by the Board of Directors, if declared at the Annual General Meeting, will be paid on or after 29th July, 2005.

**ANNEXURE TO NOTICE**

Explanatory Statement as required by Section 173 (2) of the Companies Act, 1956.

In conformity with the provisions of Section 173 (2) of the Companies Act, 1956, the following Explanatory Statement sets out all material facts in respect of Item Nos. 5 to 9 mentioned in the above Notice.

**In respect of Item No. 5**

Section 224A of the Companies Act, 1956, provides that in case of a Company in which not less than 25% of the Subscribed Share Capital is held by Public Financial Institutions or any Government or Nationalised Banks or other Financial Institutions referred to therein, such appointment or re-appointment of Auditors in such Company shall be made by a Special Resolution. As more than 25% of the Subscribed Share Capital of the Company is held by the Institutions as mentioned above, the Special Resolution is required to be passed for the re-appointment of M/s. C.C. Chokshi & Co., Chartered Accountants, Mumbai.

The Board recommends the re-appointment of M/s. C.C. Chokshi & Co. as the Auditors of the Company.

None of the Directors of the Company are concerned or interested in the Resolution.

**In respect of Item Nos. 6 & 7**

It is desired to purchase 10,000 equity shares of Rs. 10/- each of Mayflower Textiles Pvt. Limited and Myrtle Textiles Pvt. Limited which were incorporated on 30th April, 2004. These Companies are authorized to do the business in Textiles and also business of investments, holding of shares, trading in shares and such other business within the scope of the object clause in their Memorandum of Association. The Company has entered into a partnership in the name and style of Urvija

Associates with these Companies.

With the acquisition of 10,000 equity shares each in the above two Companies, they will become wholly owned subsidiaries of the Company. To take benefit of business opportunity and to have flexibility for investments, it is proposed to acquire equity shares of said Mayflower Textiles Pvt. Ltd. and Myrtle Textiles Pvt. Ltd.

The Board recommends passing of the Resolutions.

None of the Directors of the Company except Shri H.A. Mafatlal, who is a Director of Vibhadeep Investments and Trading Limited, one of the existing members in both the Companies from whom shares are to be acquired, is concerned or interested in the Resolutions.

**In respect of Item No. 8**

The Company has successfully been using world leading Enterprise Resource Planning (ERP) business solution for the last few years resulting in development of inhouse competency and professional skill in usage there of. The Company desires to extend its ERP expertise to other growing chemical enterprises. The Company is contemplating to have professional relationship with leading business software solution provider and leading software project delivery organisation. This is a tremendous opportunity due to the Company's domain expertise in chemical industry and with right kind of technical software alliances, the Company can offer cost effective and rapid software business solutions. As such, enterprise software segment happens to be fastest growing section in India. The Company proposes to promote a specialist enterprise solutions company which will provide ready and customised enterprise solutions to domestic chemical business. It is proposed to invest upto Rs. 5,00,000/- in such Company. Such Company may become a subsidiary or a wholly owned subsidiary of the Company.

The Board recommends passing of the Resolution.

None of the Directors of the Company are concerned or interested in the Resolution.

**In respect of Item No. 9**

The amended Clause 49 of the Listing Agreement to be implemented by all the Listed Companies w.e.f. 1st January, 2006, inter alia, provides that fees / commission can be paid to the Non-Executive Directors (including independent directors) only after prior approval of shareholders in General Meeting.

Pursuant to Rule 10-B of the Companies (Central Government's) General Rules & Forms, 1956 read with Section 310 of the Companies Act, 1956, the Company

**NAVIN FLUORINE INTERNATIONAL LIMITED**

(Formerly known as Polyolefins Rubber Chemicals Limited)

can pay upto Rs.20,000 by way of Sitting Fees to the Directors.

The Resolution is proposed to authorise Board of Directors to fix and pay the Sitting Fees within the limits prescribed under the said Rule 10-B.

In addition to the commission as authorised by the resolution passed at the Company's Annual General Meeting held on 29th September 2003, the Company is also presently paying Sitting Fees to its existing Non-Executive Directors (including Independent Directors) as under (which is within the limits prescribed under Section 310) :

1. For attending meetings of the Board, Audit and Remuneration Committee Rs.3,000/- per meeting.
2. For attending meetings of other Committees Rs.1,500/- per meeting.

**Particulars of the Directors seeking Appointment / Re-appointment at the ensuing Annual General Meeting pursuant to Clause 49 of the Listing Agreement.**

	<b>Mr. A.K. Srivastava</b>	<b>Mr. V.P. Mafatlal</b>
Date of Appointment	<b>21.01.2003</b>	<b>21.01.2003</b>
Expertise in functional area	<b>Finance, Accounting, Taxation and Commerce</b>	<b>Textiles &amp; Chemicals</b>
Brief Resume	B. Sc. (Hons.), FCA Having experience of over 27 years in large corporates in the areas of Finance, Accounting, Taxation and Commerce.	B. Sc. (Economics) University of Pennsylvania, Wharton School, USA. Industrialist having business experience of more than 8 years in Textiles and Chemicals.
Names of the Companies in which he holds Directorship / Committee Memberships.	<b>Director in :</b> Silvia Apparel Ltd. Navin Fluorine International Ltd.  <b>Committee Membership :</b>  <b>Investors Grievance Committee :</b> Navin Fluorine International Ltd.	<b>Director in :</b> Mafatlal Services Ltd. Mafatlal Burlington Industries Ltd. Sunanda Industries Ltd. Tropical Clothing Co. Pvt. Ltd. Cebon Apparel Pvt. Ltd. eyeindia.com Pvt. Ltd. Suvin Technologies Ltd. Suvin Technologies Pte. Ltd., Singapore Intouch Communications Pte. Ltd. Mafatlal Fabrics Pvt. Ltd. Silvia Apparel Ltd. Sarvamangala Holdings Pvt. Ltd. eyeglobal technologies Pvt. Ltd. Marigold International Pvt. Ltd. Myrtle Chemtex Trading Pvt. Ltd. Mayflower Chemtex Trading Pvt. Ltd. Navin Fluorine International Ltd.  <b>Committee Membership : NIL</b>

The said Resolution is proposed to comply with the said requirement of Clause 49 of the Listing Agreement.

The Non-Executive Directors (including Independent Directors) viz. Shri A.K. Puri, Shri T.M.M. Nambiar, Shri P.N. Kapadia, Shri S.S. Lalbhai and Shri V.P. Mafatlal will be entitled to the Sitting Fees and hence are interested in the Resolution.

**By Order of the Board,**

**Niraj B Mankad**  
Company Secretary

**Regd. Office :**

1st floor, Kalpataru Point,  
Kamani Marg, Sion (East),  
Mumbai 400 022.

Mumbai,

Dated : 27th May, 2005



## DIRECTORS' REPORT

to :

the Members,

## Navin Fluorine International Limited

Your Directors are pleased to present the Seventh Annual Report together with the Audited Accounts for the Year ended 31st March, 2005.

## FINANCIAL RESULTS

The Financial Results of the Company for the Year ended 31st March, 2005 are as under :

	Current Year Rupees Lacs	Previous Year Rupees Lacs
Sales (Net of excise duty)	22579	19373
Other Income (including interest/ profit on sale of fixed assets)	2133	625
<b>Gross Profit before Interest, Depreciation, Exceptional Items and Tax</b>	<b>5578</b>	<b>4427</b>
Less : Depreciation	657	536
Interest	710	428
Provision for Tax (including Deferred Tax Income/Loss)	1788	(246)
<b>Net Profit after Tax but before Exceptional Items</b>	<b>2423</b>	<b>3709</b>
Less Exceptional Items :		
Provision / (write back of provision) for doubtful advances	(7229)	3959
Provision for Diminution in Value of Long term Investments	5940	—
Loss on Sale of Long Term Investments	2970	—
Stamp Duty, registration and other expenses	500	—
	<u>2181</u>	<u>3959</u>
<b>Profit / (Loss) after Tax and available for appropriation</b>	<b>242</b>	<b>(250)</b>
Add Surplus brought forward from previous year	623	987
<b>Amount available for Appropriation</b>	<b>865</b>	<b>737</b>
<b>Appropriations :</b>		
Transfer to General Reserve	18	—
Proposed Dividend	124	101
Corporate Dividend Tax thereon	17	13
<b>Surplus carried to Balance Sheet</b>	<b>706</b>	<b>623</b>

Note : Figures have been regrouped wherever necessary to make the information comparable.

The name of the Company has been changed to Navin Fluorine International Limited with effect from 6<sup>th</sup> October, 2004. The name now represents the true nature of its core business i.e. manufacturing and selling fluorine chemicals.

During the year, the Company disbursed Rs.495 lacs to complete the obligatory infusion of Rs.9,000 lacs into Mafatral Industries Limited (MIL) by September 2004, as mandated by the Board for Industrial & Financial Reconstruction (BIFR) through the Sanctioned Scheme of Demerger (SS) of MIL dated 30<sup>th</sup> October 2002. The entire amount has since been converted into 9,00,00,000 Optionally Convertible Fully Redeemable Non-Cumulative Preference Shares of Rs.10/- each of MIL.

As you are aware, Sulakshana Securities Limited (SSL) was identified through the 'SS' of MIL for the purpose of settling dues worth Rs.25721 lacs of the Term Lenders of MIL by liquidating certain identified assets of equal value, as on the date of the 'SS', within thirty months from that date. The 'SS' mandated that the Company will give a guarantee to the Term Lenders such that any shortfall in their settlement amount will be made good by the Company with rights, as available to a guarantor under Sections 140 and 141 of the Indian Contract Act, over the remaining assets of SSL after completion of the settlement. In this regard, dues valued at Rs.9858 lacs, including interest, to IDBI were settled during the year through a debt-asset swap. The Company gave a Corporate Guarantee for Rs.1000 lacs to IDBI to make good shortfall, if any, between the swap value and the actual consideration at which the lender may sell these assets between the 5<sup>th</sup> and the 9<sup>th</sup> year of the date of this debt asset swap. The Company was required to bear, to the extent of Rs.500 lacs, stamp duty, registration and other expenses, pertaining to this debt asset swap. This is expensed out in the Profit & Loss Account under the head 'Exceptional Items'. Amount outstanding to MIL's Secured Term Lenders as on 31<sup>st</sup> March, 2005, in the books of SSL, therefore, stands at Rs.5276 lacs. The matter is under active consideration and is expected to get settled shortly.

## 2. INCREASE IN CAPITAL

Pursuant to the 'SS' of MIL, the Company successfully came out with a Rights Issue of 50,49,999 equity shares of Rs.10/- each, in the ratio of 1:1 at a price of Rs.60/- per share including premium. The terms of payment were Rs.30/- per share on application and balance Rs.30/- payable on first and final call within one year. The issue was open between 21<sup>st</sup> August, 2004 and 24<sup>th</sup> September 2004. It was oversubscribed by 1.30 times and the subject shares were allotted on 20<sup>th</sup> October 2004. Consequently, the issued and subscribed share capital of the Company stands increased to 1,00,99,889 equity shares at a face value of Rs.1010 lacs. The Paid up Capital of the Company as on 31<sup>st</sup> March 2005 is Rs.757.81 lacs.

## 3. INVESTMENTS :

As mentioned earlier, during the year under review the

entire amount of Rs.9000 lacs funded to MIL was converted into 9,00,00,000 Optionally Convertible Fully Redeemable Non-Cumulative Preference Shares of Rs.10/- each of MIL. Out of the above, 3,00,00,000 Preference Shares were sold at an aggregate value of Rs.30 lacs resulting into a Rs.2970 lacs loss on sale of investment. Further, in view of MIL's negative networth of Rs.39223 lacs as at 30<sup>th</sup> September, 2004, their last audited Balance Sheet date, it is decided to write down the value of the remaining investment in the aforementioned Preference Shares of MIL to 1 % of their nominal value. The Profit & Loss Account is appropriately charged in this regard under the heading *Exceptional Items*.

During the year the Company invested Rs.15 lacs in the equity shares of SSL making it a wholly owned subsidiary of the Company in terms of the SS.

The Company, during the year, also contributed Rs.80,000/- to the Capital of Urvija Associates, a Partnership Firm, in which the Company has an 80 % share of Profit or Loss.

In 2004-05, the Company is required to publish its Consolidated Financial Statements, comprising of the financial statements of Mafatlal Burlington Industries Limited (MBIL), Sulakshana Securities Limited (SSL), Urvija Associates (UA) and Molex Mafatlal Micron Private Limited (MMMPL). However, the financial data of MMMPL has not been consolidated due to non-availability of it's Audited Accounts.

The Company, has 50% shareholding in MBIL a denim Joint Venture with Burlington Mills, Inc., USA. The Company has exercised its right, as per the Shareholders' Agreement between the JV partners, to acquire the balance shares in MBIL from Burlington Mills, Inc. The matter is currently in Arbitration.

The Company and its wholly owned subsidiary, SSL holds 13.71 lac and 57.49 lac equity shares of MMMPL respectively, which brings the aggregate holding of the Company, including shares held through subsidiary, to 49 % of the paid up equity capital of MMMPL.

#### 4. BORROWINGS :

The 'SS' of MIL envisaged term loans aggregating to Rs.6500 lacs to be raised by the Company to fulfill the obligation of funding MIL. The Company drew down the last tranche of Rs.1000 lacs out of Rs.6500 lacs of term loans tied up during the previous year.

In order to augment the emerging working capital needs the Company also increased the working capital facilities, both fund based and non-fund based, to Rs.2250 lacs.

#### 5. DIVIDEND :

The Board of Directors are pleased to recommend a

dividend of 20% for the year as under :

- Rs.2/- per share on 50,49,999 fully paid equity shares of the nominal value of Rs.10/- each aggregating to Rs. 101 lacs.
- For shares issued during the year 2004-2005, Re.0.89 per share on 6,337 fully paid equity shares of Rs.10/- each and Re.0.45 per share on 50,43,553 partly paid equity shares (Rs.5/- paid-up), pro-rata from the date of allotment, i.e. 20<sup>th</sup> October, 2004. Aggregate amount of dividend payable on partly paid equity shares issued during the year is Rs.22.52 lacs and on fully paid equity shares is Rs.0.06 lacs.

#### 6. YEAR IN RETROSPECT :

The year ended on 31<sup>st</sup> March 2005 was a challenging year for your Company which saw a near stagnation in the domestic market and almost all the growth came from the exports.

During the year the US Dollar continued to remain weak vis-à-vis the Indian Rupee. As a result the pressure on export realizations continued. In the home markets your Company had to combat the cascading impact of lower import tariffs and a strong Rupee. The feed stock and raw material prices spiralled up during the current year as a consequence of crude oil price hike and exerted a significant adverse impact on product margins.

In spite of these adverse factors, your Company has managed to grow its top line by 16% and reach a turnover of Rs. 225 crores. This growth could be achieved primarily due to 15% more production of basic raw material HF in a newly commissioned plant and its derivatives. The additional capacity of basic raw material like HF has removed one of the principal hurdles in volume growth and added intrinsic strength to the fluoro chemical business of your Company.

Other significant achievement of your Company was to design, develop and commission one of the largest Fluorobenzene plant in the world. This was done in a record nine months from conceptualising to commissioning. This is the first successful plant in India that has started producing this value added basic specialty intermediate for local and export markets. The other attempt of producing fluorobenzene in India based on Chinese technology was made by our competitor in the late nineties but was aborted due to technoeconomic failures.

Your Company was also successful in inventing a novel process for aminobenzotrifluoride by a unique route that has improved the selectivity of the desired product by six times than the conventional process. This has given a tremendous advantage to the marketing of this product in the international arena.

The specialty chemical business of your company is



technology driven with R&D as its growth engine. This is borne out by the fact that fifteen new products/processes were successfully developed by in house R&D efforts and are now in various stages of commercialization. The specialty product basket has since swelled to fifty five and the range is ever increasing. The result of all this is evident from the export growth of specialty fluorochemicals which was 300%.

Refrigerant gases continue to be the backbone of your company's business and will continue to do so in times to come. Though CFC business is declining as per the requirements of Montreal Protocol and your company is fully compliant, HCFC business is showing definitive signs of growth commensurate with air conditioning industry and is making up partly for the CFC business attrition. There is a growth in CFC substitutes market as well and your company is present with more than 30% share in this future growth area. The substitute growth is led by HFC 134a and your company is contemplating an investment in the manufacturing of this high tech refrigerant gas subject to techno economic feasibility.

Smelter fluorides, which once constituted the core of our business are steadily loosing ground to competitive products like low density aluminum fluoride and recycled bath material. As a result of this shift, the domestic volumes have shown a drastic decline over last year and the Company will be looking more to exports to maintain the volumes.

In April 2004, your Company completed the investment in 2.7 MW Gas based captive power plant with a waste heat recovery system at its Surat unit. It was fully operational during the last year with commensurate benefits of cost of power and the co-generated steam. The waste heat recovery system also helped in augmenting the overall steam balance at the Surat facility.

Your company has prepared a blueprint of Capex and Rs. 63 Crores were invested over the last three years. These were fully funded out of cash flows generated from business. During the current year, your Company plans investment of another Rs 50 crores in Capex.

SAP, the best ERP (Enterprise Resource Planning) is the platform for Sales & Distribution, Materials Management and Financial Information functions since last year. During the year, it went live with Production Planning, Quality Systems, Plant Maintenance and Controlling modules. Consequently, all the major business processes have now been mapped and integrated at all the five regional offices, two manufacturing locations and the Head Office.

Your Company, as always, has been aware of its responsibilities as a good corporate citizen, in health,

safety and environment management. This is demonstrated by the fact that the year under review passed without any major accident in both the manufacturing plants. The industrial relations at both the manufacturing units remained cordial.

**7. SUBSIDIARY :**

During the year Sulakshana Securities Limited (SSL) has become a wholly owned subsidiary of the Company. As required under Section 212 of the Companies Act, 1956, the audited Balance Sheet as at and the Profit & Loss Account along with the Directors' Report of SSL for the year ended 31.03.2005 is attached herewith.

**8. INDUSTRIAL RELATIONS :**

The relations between the employees and the Management have remained cordial.

**9. INSURANCE :**

The properties and insurable interest of your Company like Building, Plant & Machinery, Stocks, etc., are properly insured.

**10. PARTICULARS OF EMPLOYEES :**

In compliance with the provisions of Section 217(2A) of the Companies Act, 1956, a statement giving requisite information is annexed hereto.

**11. ENERGY, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS AND OUTGO :**

Additional information on conservation of energy, technology absorption, foreign exchange earnings and outgo as required to be disclosed in terms of Section 217(1)(e) of the Companies Act, 1956 read with the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 is annexed hereto and forms part of this Report.

**12. REPORTS ON CORPORATE GOVERNANCE AND MANAGEMENT DISCUSSION AND ANALYSIS :**

As required under the Listing Agreement with Stock Exchanges, reports on "Corporate Governance" as well as "Management Discussion and Analysis" are attached and forms part of the Directors' Report.

**13. DIRECTORATE :**

Shri A.K. Srivastava and Shri V.P. Mafatlal retire by rotation at the ensuing Annual General Meeting, and being eligible, offer themselves for re-appointment.

**14. DIRECTORS' RESPONSIBILITY STATEMENT :**

As required under the provisions of Section 217 (2AA) of the Companies Act, 1956, your Directors report that :

- (i) in the preparation of the annual accounts, the applicable accounting standards have been followed along with proper explanation relating to material departures;

- (ii) the directors had 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 at the end of the Financial Year and of the profit of the Company for the year under review;
- (iii) the directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- (iv) the directors have prepared the annual accounts on a going concern basis.

**15. AUDITORS :**

At the Annual General Meeting, Members are requested to appoint Auditors for the current year and fix their remuneration. The specific notes forming part of the accounts referred to in the Auditors' Report are self-explanatory and give complete information.

**16. APPRECIATION :**

The Directors wish to place on record their appreciation of the devoted services of the workers, staff and the officers who have largely contributed to the efficient management of the Company.

For and on behalf of the Board  
**H.A. MAFATLAL**  
 Chairman

Mumbai

Dated : 27<sup>th</sup> May, 2005

**ANNEXURE TO THE DIRECTORS' REPORT 2004-2005 :**

Disclosure of particulars with respect to Conservation of Energy, Technology Absorption and Foreign Exchange Earnings and Outgo as required under the Companies (Disclosure of Particulars in the Board of Directors' Report) Rules, 1988.

**(1) CONSERVATION OF ENERGY**

**A) Energy Conservation Measures taken**

- 1. During the year the Company implemented a project to set up an environment friendly 2700 Kwh natural gas based captive power plant with waste heat recovery system. This has come on stream in the month of April 2004 thereby reducing the 'per unit cost' of power and steam substantially.
- 2. Recycling of flugases for Flourspar drying in new hydrofluoric acid plant thereby reducing the energy norms of the products.
- 3. Drives of heavy-duty motors are being progressively rationalized to reduce the fixed power consumption losses.

- 4. Old refrigeration compressor in new hydrofluoric acid plant has been replaced by a new screw type compressor resulting in lower energy consumption.
- 5. Cooling tower in the BF<sub>3</sub> plant have been revamped to improve energy efficiency.
- 6. Vacuum pumps are being progressively replaced by steam jet ejectors.

**B) ADDITIONAL INVESTMENTS AND PROPOSALS, IF ANY, BEING IMPLEMENTED FOR REDUCTION IN CONSUMPTION OF ENERGY**

The 2700 Kwh Captive Power Plant with waste heat recovery system was implemented during the year and has resulted in substantial savings in the per unit power and steam costs. In addition, the Company as a matter of practice keeps exploring process improvements and newer ways of rationalizing energy costs.

**C) IMPACT OF THE MEASURES AT (A) AND (B) ABOVE FOR REDUCTION OF THE ENERGY CONSUMPTION AND CONSEQUENT IMPACT ON THE COST OF PRODUCTION OF GOODS**

As indicated in (A) and (B) above.

**D) TOTAL ENERGY CONSUMPTION AND ENERGY CONSUMPTION PER UNIT OF PRODUCTION**

The above information is furnished in the prescribed Form 'A' annexed hereto.

**(2) TECHNOLOGY ABSORPTION**

Efforts made in technology absorption are furnished in prescribed Form 'B' annexed hereto.

**(3) FOREIGN EXCHANGE EARNINGS AND OUTGO**

**A) Activities relating to export initiatives taken to increase exports, developments of new export markets for products and services and export plans.**

The export teams regularly visits the markets, customers and end users of the different products. Along with the technical team, the export group also attends important industry exhibitions in different continents, where they get exposed to the newer developments in the industry, markets, end users of the products. During the year the Company participated in Chemspec Exhibition held in Hyderabad on 23<sup>rd</sup> and 24<sup>th</sup> February 2005 which was attended by many international pharma and agro majors.

**B) Total Foreign Exchange used and earned**

Total foreign exchange used and earned (in Rs. Lacs)

	Current Year	Previous Year
Total foreign exchange used	6052.95	4791.92
Total foreign exchange earned	9275.43	6634.66