



NAVIN FLUORINE
INTERNATIONAL LIMITED
8th ANNUAL REPORT 2005 - 2006

“Touching lives.....
.....enriching lifestyle”





Vision Statement

*We
at Navin Fluorine are committed
to creating
a World Class
Customer Focused
Innovative Organization
& become
a partner of choice to the
Chemical, Refrigerant, Crop-science & Life-science
Businesses*

BOARD OF DIRECTORS:

SHRI H.A. MAFATLAL *Chairman*
 SHRI A.K. PURI *Director*
 SHRI T.M.M. NAMBIAR *Director*
 SHRI P.N. KAPADIA *Director*
 SHRI S.S. LALBHAI *Director*
 SHRI V.P. MAFATLAL *Director*
 SHRI V.P. SADEKAR *Managing Director*
 (w.e.f. 01.02.2006)
 SHRI A.K. SRIVASTAVA *Finance Director*
 SHRI D.S. UMALKAR *Chief Executive Officer*
 (upto 31.01.2006)

COMPANY SECRETARY

SHRI N. B. MANKAD

BANKERS

STATE BANK OF HYDERABAD
 UTI BANK LTD
 HDFC BANK LTD
 EXPORT IMPORT BANK OF INDIA

AUDITORS

MESSRS C. C. CHOKSHI & CO.
 Chartered Accountants

SOLICITORS

VIGIL JURIS

REGISTERED OFFICE

1st floor, Kalpataru Point,
 Kamani Marg, Sion (East),
 Mumbai 400022.

UNITS

Navin Fluorine, Surat 395023. (Gujarat)
 Navin Fluorine, Dewas 455022 (M.P.)

REGISTRAR & SHARE TRANSFER AGENT

Sharepro Services (I) Pvt. Ltd.,
 Satam Estate, 3rd Floor, Above Bank of Baroda,
 Chakala, Andheri (East), Mumbai 400099.
 Tel. : 022-2821 5168, 2820 2114
 Fax : 022-2837 5646

8th Annual General Meeting
on Thursday, the 29th of June, 2006
at 3.30 p.m. at S.N.D.T. Womens' University,
Patkar Hall,
1, Nathibai Damodar Thackersey Road,
Churchgate, Mumbai 400020.

1. 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.
2. 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.
3. The Listing Fees for the year 2006-07 have been paid by the Company to Mumbai & Ahmedabad Stock Exchanges where the Shares of the Company are Listed.

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NOTICE

NOTICE IS HEREBY GIVEN THAT the Eighth Annual General Meeting of the Members of the Company will be held on **Thursday, the 29th of JUNE, 2006 at 3.30 p.m.** at **S.N.D.T. Womens' University, Patkar Hall, 1, Nathibai Damodar Thackersey Road, Churchgate, Mumbai 400020**, to transact the following business:

- 1) To consider and adopt the Directors' Report, the Audited Financial Statements including Profit & Loss Account for the year ended 31st March, 2006 and the Balance Sheet as at that date and the Auditors' Report thereon.
- 2) To declare dividend.
- 3) To appoint a Director in place of Shri T.M.M. Nambiar, who retires by rotation, and being eligible offers himself for re-appointment.
- 4) To appoint a Director in place of Shri S.S. Lalbhai, who retires by rotation, and being eligible offers himself for re-appointment.
- 5) To appoint Auditors to hold office from the conclusion of this meeting until the conclusion of the next Annual General Meeting and to fix their remuneration.
- 6) To appoint Shri V. P. Sadekar, who was appointed by the Board of Directors of the Company as an Additional Director w.e.f. 1st February, 2006 and who holds office as such up to the date of the Annual General Meeting under Section 260 of the Companies Act, 1956 and in respect of whom the Company has, as required by Section 257 of the Companies Act, 1956, received notices in writing from some Members of the Company signifying their intention to propose him as a candidate for the office of the Director of the Company, liable to retire by rotation.
- 7) To consider and, if thought fit, to pass the following Resolution, with or without modifications, as a **SPECIAL RESOLUTION**:

"RESOLVED THAT pursuant to the provisions of Sections 198, 269, 310 and 311 and Schedule XIII and

other applicable provisions of the Companies Act, 1956, consent of the Company be and is hereby granted to the appointment of Shri V. P. Sadekar as the Managing Director of the Company for a period of 5 years with effect from 1st February, 2006 on the terms and conditions as to remuneration as set out in the Appointment Letter dated 22nd November, 2005 issued to Shri V. P. Sadekar subject to the approval of the Members, and placed before this meeting, with the liberty and powers to the Board of Directors to increase, alter and vary the salary, commission and perquisites and other terms in such manner as the Board in its absolute discretion deems fit and is acceptable to Shri V. P. Sadekar, within the limits specified in Schedule XIII of the Companies Act, 1956 or any amendments, modifications, re-enactments thereof from time to time in this behalf."

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

"RESOLVED THAT in continuation of the Special Resolution passed at the 5th Annual General Meeting of the Company held on 29th September, 2003 approving the appointment and terms of remuneration of Shri A.K. Srivastava as a Whole Time Director designated as Finance Director, the remuneration payable to Shri A.K. Srivastava for any financial year during 1st May, 2006 to 30th April, 2008, be paid as minimum remuneration in case of absence or inadequacy of profits subject to the limits prescribed in paragraph 1(B) of Section II of Part II of Schedule XIII of the Companies Act 1956."

By Order of the Board,

N. B. Mankad
Company Secretary

Regd. Office :

1st floor, Kalpataru Point,
Kamani Marg,
Sion (East), Mumbai 400 022.
Mumbai, dated, 2nd May, 2006

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.6 to 8 mentioned in the above Notice is annexed hereto.
3. Copies of the documents mentioned in the Explanatory Statement are open for inspection of the Members between 2.00 p.m. and 4.00 p.m. on any working day at the Registered Office of the Company.
4. The Register of Members and the Share Transfer Books of the Company will remain closed from Tuesday the 30th of May, 2006 to Thursday the 1st of June, 2006 (both days inclusive) for the purpose of payment of dividend, if any. Dividend shall be payable to shareholders holding shares in physical form at close of business hours on Thursday the 1st of June, 2006 and in respect of shares held in demat form to those persons who are beneficiaries of shares of the Company in the Register of Depositories at the close of business hours on Monday the 29th of May, 2006.
5. The dividend as recommended by the Board of Directors, if declared at the Annual General Meeting, will be paid on or after 1st July, 2006.
6. None of the Non-Executive Directors seeking election at this meeting are holding any shares in the Company.

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. 6 to 8 mentioned in the above Notice.

In respect of Item No. 6

Shri V. P. Sadekar aged 50 years is a B.E. (Chemical Engg.) and has over 25 years experience spanning across various functions viz. Plant Operations, Project Execution and Corporate Planning, Business Development, Sales and Marketing and General Management in Indian and Multinational Companies.

He has specifically played leadership roles in Specialty Chemicals, Pharmaceutical and Agro Chemical companies of repute.

Shri V. P. Sadekar was appointed by the Board of Directors of the Company as an Additional Director of the Company w.e.f. 1st February, 2006 under Article 127 of the Articles of Association of the Company and under Section 260 of the Companies Act, 1956. He will hold office as an Additional Director up to the date of the ensuing Annual General Meeting. As required under Section 257 of the Companies Act, 1956, notices have been received from some Members of the Company along with a deposit of Rs.500/- each, signifying their intention to propose Shri V. P. Sadekar as a candidate for the office of the Director of the Company, liable to retire by rotation.

The Board recommends his appointment as a Director in the interest of the Company, to utilize his expertise.

None of the Directors, except Shri V. P. Sadekar, is concerned or interested in the Resolution.

In respect of Item No. 7

The Board of Directors of the Company at their meeting held on 12th November, 2005 appointed Shri V. P. Sadekar as the Managing Director for a period of five years from 1st February, 2006, subject to the consent of the members of the Company, on the following terms and conditions:

TERMS OF REMUNERATION

- I (a) Basic Salary: Rs.24,00,000/- per annum.
- (b) Perquisites
 - Fully furnished house or House Rent Allowance in lieu thereof.
 - Expenditure incurred on gas, electricity, water and servants etc.
 - Mediciam Policy, Personal Accident Insurance, Leave Travel Concession and Club Fees as per the Rules of the Company.
 - Allowances amounting to Rs.13,20,000 per annum.

Perquisites shall be valued as per Income-Tax Rules, wherever applicable, and in the absence of any such Rules, perquisites shall be valued at actual costs.

The salary and perquisites as mentioned under I (a) and (b) hereinabove shall be exclusive of :

- (i) Contribution to provident fund, superannuation fund or annuity fund to the extent these either singly or put together, are not taxable under the Income-Tax Act, 1961.
 - (ii) Gratuity payable at a rate not exceeding half a month's salary for each completed year of service and
 - (iii) Encashment of leave at the end of the tenure.
- II Commission, at the discretion of the Board, not exceeding 1% of the profits of the Company at the end of each financial year, computed in the manner laid down in Section 309(5) of the Companies Act, 1956, subject to the ceiling laid down in Sections 198 and 309 of the Companies Act, 1956 on the total remuneration provided further that the amount of such commission shall not exceed the amount equal to twice the annual basic salary.
- Apart from remuneration, Shri V. P. Sadekar shall be entitled to :
- (a) Free use of the Company's car with driver, for the business of the Company.
 - (b) Free telephone facility at residence.
 - (c) Reimbursement of expenses actually and properly incurred by him for the business of the Company.
- III In case of absence or inadequacy of profits in any financial year of the Company during 01.02.2006 to 31.01.2009, Shri

V. P. Sadekar will be entitled to the said salary, perquisites and other allowances mentioned above as the minimum remuneration, subject to the limits prescribed in paragraph 1(B) of Section II of Part II of Schedule XIII of the Companies Act, 1956.

Subject to the limits prescribed under Schedule XIII of the Companies Act, 1956, the Board may alter or vary the above referred terms of appointment, salary, commission and perquisites payable in such manner as the Board in its absolute discretion deems fit and acceptable to Shri V. P. Sadekar provided that, in the event of absence or inadequacy of profits, such alterations are within the limits specified in paragraph 1(B) of Section II of Part II of Schedule XIII of the Companies Act, 1956 or any amendments, modifications or re-enactments made thereof from time to time.

Shri V. P. Sadekar shall not be entitled to receive sitting fees for attending the meetings of the Board of Directors or any Committee thereof.

A copy of the Appointment Letter issued to Shri V. P. Sadekar, subject to the approval of the Members, recording the terms of his appointment for a period of five years from 1st February, 2006, and referred to in the said resolution, is available for inspection by the Members between 2.00 p.m. and 4.00 p.m. on any working day at the Registered Office of the Company.

Other particulars, which are required to be disclosed under Section II of Part II of the said Schedule XIII, are given in Annexure 'A' to this Explanatory Statement.

None of the Directors of the Company except Shri V. P. Sadekar is concerned or interested in the Resolution.

The Notice convening ensuing Annual General Meeting of the members of the Company, alongwith the above Explanatory Statement may be treated as an abstract of the terms of the Agreement relating to the appointment of Shri V. P. Sadekar as Managing Director of the Company, as required by Section 302 of the Companies Act, 1956.

The Board of Directors recommend passing of the Special Resolution at item No.7 of the Notice.

In respect of Item No. 8

As the Members are aware, a Special Resolution was passed at the 5th Annual General Meeting of the Company held on 29th September, 2003, approving the appointment and terms of remuneration of Shri A.K. Srivastava as a Whole Time Director designated as Finance Director for a period of 5 years w.e.f. 1st May, 2003. Pursuant to the provisions of Schedule XIII of the Companies Act, 1956 in case of absence or inadequacy of profits, the Special Resolution was valid for a period of 3 years covering the Financial Years during 1st May, 2003 to 30th April, 2006. It is therefore proposed to approve the payment of minimum remuneration to Shri A.K. Srivastava for the balance period of his appointment, in case of absence or inadequacy of profits in any Financial Year during 1st May, 2006 to 30th April, 2008 subject to the limits prescribed in paragraph 1(B) of Section II of Part II of Schedule XIII of the Companies Act,

1956. The Company does not envisage a scenario of absence or inadequacy of profits in these Financial Years, however, out of abundant caution, an enabling resolution is proposed for the approval of the Members.

The present remuneration payable to Shri A.K. Srivastava is as under:

- I (a) Basic Salary : Rs.21,96,000/- per annum
 - (b) Perquisites :
 - Fully furnished house or House Rent Allowance in lieu thereof.
 - Expenditure incurred on gas, electricity, water, servants etc.
 - Mediclaime Policy, Personal Accident Insurance, Leave Travel Concession and Club Fees as per the rules of the Company.
 - Allowances amounting to Rs.2,00,000/- per annum
- Perquisites shall be valued as per Income-tax Rules, wherever applicable and in the absence of any such Rules, perquisites shall be valued at actual cost.
- The salary and perquisites as mentioned under I (a) and (b) hereinabove shall be exclusive of :
- (i) contribution to provident fund, superannuation fund or annuity fund to the extent these either singly or put together, are not taxable under the Income-Tax Act, 1961.
 - (ii) gratuity payable at a rate not exceeding half a month's salary for each completed year of service and
 - (iii) encashment of leave at the end of the tenure.

II. Apart from remuneration, Shri A.K. Srivastava is entitled to :

- (a) free use of the Company's car for the business of the Company with reimbursement of driver's salary.
- (b) free telephone facility at residence.
- (c) reimbursement of expenses actually and properly incurred by him for the business of the Company.

The said remuneration is subject to revision by the Board of Directors, as approved by the shareholders by the said Special Resolution passed in the 5th Annual General Meeting.

None of the Directors of the Company except Shri A.K. Srivastava is concerned or interested in the Resolution.

The Board of Directors recommend passing of the Special Resolution at item No.8 of the Notice.

By Order of the Board,

N. B. Mankad
Company Secretary

Regd. Office:

1st floor, Kalpataru Point,
Kamani Marg,
Sion (East),
Mumbai 400022.

Mumbai, dated, 2nd May, 2006

**Annexure 'A' to the
 EXPLANATORY STATEMENT**

Statement as required under Section II of Part II of Schedule XIII of the Companies Act, 1956 giving details in respect of appointment of Shri V. P. Sadekar.

I GENERAL INFORMATION:

1. **Nature of Industry**
 Chemical Industry

2. **Date or expected date of commencement of commercial production :**

2002-2003 was the first year of operationalisation of the Company. Pursuant to the Rehabilitation Scheme of Mafatlal Industries Limited (MIL) sanctioned by the Hon'ble BIFR vide its Order dated 30th October, 2002, the Chemical Business of MIL vested as a going concern in the Company w.e.f. Appointed Date of 1st March, 2002.

3. **In case of new companies, expected date of commencement of activities as per project approved by financial institutions appearing in the prospectus :**

N.A.

4. **Financial performance based on given indicators :**

	Current Year Rs. in lacs	Previous Year Rs. in lacs
Turnover (Net)	23,276.09	22,579.48
Profit after tax	855.22	242.33

5. **Export performance and net foreign exchange earnings :**

	Current Year Rs. in lacs	Previous Year Rs. in lacs
A) FOB value of exports	9166.80	9155.97
B) Others	526.61	119.46
	9693.41	9275.43
	Current Year Rs. in lacs	Previous Year Rs. in lacs
Net Foreign Exchange Earnings	1078.66	3222.48

6. **Foreign investments or collaborators, if any,**
 NIL

II INFORMATION ABOUT THE APPOINTEE:

1. **Background details :**

Shri V. P. Sadekar aged 50 years is a B.E. (Chemical Engg.) and has over 25 years experience spanning

across various functions viz. Plant Operations, Project Execution and Corporate Planning, Business Development, Sales and Marketing and General Management in Indian and Multinational Companies.

2. **Past remuneration :**

Shri V. P. Sadekar had an annual basic salary of Rs.16,00,000/-. He also enjoyed perquisites such as HRA, LTA, PF, Super Annuation etc. to the tune of Rs.33,00,000/- per annum.

3. **Job profile and suitability :**

Shri V. P. Sadekar is a Chemical Engineer and has over 25 years of experience spanning across various functions viz. plant operations, project execution & corporate planning, business development, sales & marketing and general management in Indian and multinational companies.

Shri V. P. Sadekar has specifically played leadership roles in specialty chemicals, pharmaceuticals and agrochemical companies of repute. Keeping in view his overall experience in the chemical and related industries, and the responsibilities to be shouldered by him, he is suitable for the position of Managing Director of the Company.

4. **Remuneration proposed :**

As mentioned in Explanatory Statement in respect of Item No.7.

5. **Comparative remuneration profile with respect to industry, size of the company, profile of the position and person (in case of expatriates the relevant details would be w.r.t. the country of his origin) :**

Considering the size of the Company, the industry benchmarks, experience of the appointee and the responsibilities to be shouldered by him, the proposed remuneration is commensurate with the remuneration paid to similar appointees in other companies.

6. **Pecuniary relationship directly or indirectly with the Company, or relationship with the managerial personnel, if any :**

Besides his proposed remuneration, Shri V. P. Sadekar does not have any pecuniary relationship with the Company and its managerial personnel.

III OTHER INFORMATION :

1. Reasons of loss or inadequate profits - N.A.
2. Steps taken or proposed to be taken for improvement - N.A.
3. Expected increase in productivity and profits in measurable terms - N.A.

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

Name	Shri T.M.M. Nambiar	Shri S.S. Lalbhai	Shri V. P. Sadekar
Age	69 years	46 years	50 years
Date of Appointment	03.03.2003	03.03.2003	01.02.2006
Expertise in functional areas	Having vast experience of over 43 years and was associated as President / Chairman / Member of the prestigious Institutions like Cement Manufacturers' Association, National Council for Cement & Building Materials and Development Council for Cement Industry, the Associated Chambers of Commerce & Industry of India, Bombay Chamber of Commerce etc. He was associated for more than 26 years with Associated Cement Company Ltd. including 6 years as Managing Director.	Industrialist having varied experience of more than 23 years in Chemicals & General Management.	Having over 25 years of experience spanning across various functions viz. plant operations, project execution & corporate planning, business development, sales and marketing and general management in Indian and Multinational Companies. He has specifically played leadership roles in Specialty Chemicals, Pharmaceuticals and Agro Chemical Companies of repute.
Brief resume	B. Com., ACA	B. Sc., M. S. (Chemistry), U.S.A., M.S. (Economy Planning & Policy), Boston, U.S.A.	B.E. (Chemical Engg.)
Names of the Companies in which he holds Directorship/ Committee Memberships.	Director in: Carborundum Universal Ltd. Coromandel Fertilisers Ltd. ION Exchange Envofarms. ION Exchange (India) Ltd. Navin Fluorine International Ltd. Committee Memberships: Audit Committee: Carborundum Universal Ltd. Coromandel Fertilisers Ltd. ION Exchange (India) Ltd. Navin Fluorine International Ltd. Remuneration Committee: Navin Fluorine International Ltd. Shareholders'/ Investors' Grievance Committee: Coromandel Fertilisers Ltd. Navin Fluorine International Ltd.	Director in: Atul Ltd. Navin Fluorine International Ltd. Wyeth Ltd. Committee Memberships: Audit Committee: Navin Fluorine International Ltd. Remuneration Committee: Navin Fluorine International Ltd. Share Transfer and Shareholders/ Investors Grievance Committee: Atul Limited	Director in: Navin Fluorine International Ltd. Committee Memberships: NIL

DIRECTORS' REPORT

To:
 The Members,
Navin Fluorine International Limited

Your Directors are pleased to present the Eighth Annual Report together with the Audited Accounts for the Year ended 31st March, 2006.

1. FINANCIAL RESULTS :

The Financial Results of the company for the year ended 31st March, 2006 are as under:

	Current Year Rupees lacs	Previous Year Rupees lacs
Sales (Net off excise duty)	23276	22579
Other Income (including interest / profit on sale of fixed assets)	552	2133
Profit / (Loss) before Interest, Depreciation, Exceptional Items and Tax	3483	5578
Less : Depreciation	750	657
Interest	818	710
Provision for Tax including Deferred Tax Income/Loss	939	1788
Profit / (Loss) after Tax but before Exceptional Items	976	2423
Less : Exceptional Items		
Provision / (write back of provision) for Doubtful Advances	121	(7229)
Diminution in Value of Long term Investments	-	5940
Loss on Sale of Long Term Investments	-	2970
Stamp Duty, registration and other expenses	-	500
	<u>121</u>	<u>2181</u>
Profit / (Loss) after Tax and available for appropriation	855	242
Add : Surplus / (Deficit) brought forward from previous year	707	624
Amount available for Appropriation	1562	866
Transfer to Contingency Reserve pursuant to debt-asset swap of SSL with IDBI	250	-
Transfer to General Reserve	86	18
Proposed Dividend	268	124
Corporate Dividend Tax thereon	38	17
Surplus carried to Balance Sheet	920	707

Note:

Figures have been regrouped wherever necessary to make the information comparable

2. INCREASE IN CAPITAL :

The First and Final Call of Rs. 30/- (including premium) per share, with regard to 50,49,999 Equity Shares of the Company issued on Rights Basis during 2004 - 05 was made during the year. Consequently, the issued and subscribed share capital of the Company stands increased to 1,00,99,889 at a face value of Rs.1010 lacs. The Paid up Capital of the Company as on 31st March, 2006 is Rs.1009 lacs.

3. INVESTMENTS :

The Company's investment portfolio remained unchanged during the year.

The Company holds 49.99% of the equity share capital in Mafatlal Denim Limited (MDL, formerly known as Mafatlal Burlington Industries Limited). With effect from 1st April, 2006, MDL ceased to be a joint venture and became an associate of your Company.

The Company and its wholly owned subsidiary SSL together continues to hold 49 % of the equity share capital (71.20 lacs shares) of Molex Mafatlal Micron (P) Limited (MMMPL). The Company is actively considering divestment of these shares. The results of MMMPL have not been consolidated and reported due to their non-availability.

4. BORROWINGS :

As you may have observed, the Company over the past few years, has been using its internal cash generations to invest strongly in plant, equipment and technology to get into newer products and also augment its existing manufacturing capabilities such that the results of the Company can be insulated from the impact of CFC phase-out in 2010.

During the year, your Company tied up term loans worth Rs.5000 lacs from Export Import Bank of India (EXIM) for various projects. Amounts aggregating to Rs.2563 lacs have been drawn down to support the ongoing Capital Expenditures.

With the change in the product and market profiles the need for working capital has also increased. In order to augment the emerging working capital needs, the Company doubled its working capital facilities, both fund based and non-fund based, to Rs.4500 lacs during the year. Currently, UTI Bank Limited and State Bank of Hyderabad are the working capital bankers of the Company.

5. DIVIDEND :

The Board of Directors are pleased to recommend a

dividend of 30% for the year as under:

- Rs.3/- per share on 5056336 fully paid equity shares of the nominal value of Rs.10/- each.
- For 5043553 partly paid up shares whose first and final call was made during the year 2005-06:
 - ▲ Re.0.68 per share, pro-rata from the first day till 12th September, 2005, (last date of receiving the call money) and
 - ▲ Re.1.64 per share on these shares (less 23104 shares where calls are in arrears) after those becoming fully paid.

Aggregate amount of dividend payable on partly paid equity shares is Rs.34.20 lacs and on fully paid equity shares is Rs.234.22 lacs.

6. YEAR IN RETROSPECT :

During the year ended 31st March, 2006 the Company further consolidated its position in the Specialty Fluorochemicals both in the local and international markets. In some of the products it has clearly emerged as a global player.

During the year under review the U S Dollar continued to remain weak vis-à-vis the Indian Rupee putting export realizations and domestic margins under pressure. In the home markets, your Company had to confront the cascading impact of lower import tariffs.

The CFC volumes during 2005, as mandated under the Montreal Protocol, were brought down to fifty percent of the baseline volumes. Despite this turndown the Company maintained the export turnover at last year's levels and has grown in the domestic market by a modest 4 %. The growth has been led by the fluoro-specialties and HCFCs. Due to change in the Aluminium manufacturing process resulting in switchover to cheaper input materials, the smelter fluorides business suffered.

Due to rise in the international crude oil prices, various feedstock chemicals saw steep increases during the year. Also your Company could not participate strongly in the dye intermediate business during the year and lost further market share due to a very competitive market situation. The prices of most of the major input materials continued to remain at their peaks resulting in enormous pressure on the margins. The supply of some of the strategic raw materials continued to be critical.

The only silver lining was the firming up of CFC export prices in the face of a global supply constraint. HCFC

prices however, continued to remain weak in the export markets.

Your Company maintained a strong presence in the international market with several global crop and life science majors as its customers. The Company continued to consolidate its position by entering into medium to long-term contracts with these customers.

The R&D has worked relentlessly on new value added molecules based on specific customer requirements. These molecules are currently at different stages of commercialization and some of them are expected to yield good commercial success in the years to come. The other significant effort put in by the process engineers is in the area of improving manufacturing efficiencies thereby making the products more cost competitive.

During the year, the Company implemented an HF recovery and HCL quality improvement project. This facility, when fully operational, on one hand will bring down the cost of production by improving HF consumption norms in the down stream product and on the other hand it will improve the price realization of HCL which is sold as a byproduct. Both these will have significant positive impact on the bottom-line during the forthcoming years.

Increase in the capacities of specialty fluorochemicals over the last three years resulted in increase in the captive demand of sulphuric acid and Oleum. Until recently the additional sulphuric acid and Oleum were being bought out. During the year the Company implemented a sulphuric acid modernization project and henceforth, the entire captive requirement of sulphuric acid will be met internally. The savings in cost of own manufactured sulphuric acid against that of bought out will add to the bottom-line. Higher in-house sulphuric acid production will also mean higher waste heat steam availability, resulting in further savings in energy costs. The impact will be manifested in the results of the coming years.

The new SPOR 11 plant at the Surat facility got stabilized during the year. SPOR 11 being a building block molecule will give your Company a huge competitive edge in the specialty segment in the years to come. Today, the Company's SPOR 11 capacity is one of the largest in the world.

SAP, one of the world's best ERP systems continued to provide a world class information platform to the Company.