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AMG
ARVIND MAFATLAL GROUP

Navin Fluorine
International Limited
Annual Report 2006-07

Cautionary statement

Statements in this report relating to the Company's objectives, projections, estimates, expectations or predictions may be forward looking statements within the meaning of applicable security laws or regulations. These statements are based upon certain assumptions and expectations of future events. Actual results could however differ materially from those expressed or implied. Important factors that could make a difference to the Company's operations include global and domestic demand-supply conditions, selling prices, raw material costs and availability, changes in government regulations and tax structure, general economic developments in India and abroad, factors such as litigation, industrial relations and other unforeseen events.

The Company assumes no responsibility in respect of forward-looking statements made herein which may undergo changes in future on the basis of subsequent developments, information or events.



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Corporate Information

Board of Directors

Shri H.A. Mafatlal	<i>Chairman</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 S.M. Kulkarni (w.e.f. 19.10.2006)	<i>Director</i>
Shri R. Sankaran (w.e.f. 30.03.2007)	<i>Director</i>
Shri V.P. Mafatlal	<i>Director</i>
Shri V.P. Sadekar	<i>Managing Director</i>
Shri A.K. Srivastava	<i>Finance Director</i>

Company Secretary

Shri N.B. Mankad

Bankers

State Bank of Hyderabad
UTI Bank Ltd
HDFC Bank Ltd
Export Import Bank of India

Auditors

M/s C.C. Chokshi & Co.
Chartered Accountants

Solicitors

Vigil Juris

Registered office

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

Tel: 91 22 2404 0404 / 2404 3300

Fax: 91 22 2401 4077

E-mail: info@nfil.in

Website: www.nfil.in

Units

Navin Fluorine, Surat 395023. (Gujarat)

Navin Fluorine, Dewas 455022 (M.P.)

Registrars & 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, 2821 5169

Fax: 022-2837 5646

E-mail: sharepro@vsnl.com

9th Annual General Meeting

On Friday, the 20th July 2007

At 3 pm at SNTD Women's 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 2007-08 have been paid by the Company to Mumbai and Ahmedabad stock exchanges where the shares of the Company are listed.

Notice

NOTICE IS HEREBY GIVEN THAT the Nineth Annual General Meeting of the Members of the Company will be held on Friday, the 20th JULY 2007 at 3.00 p.m. at S.N.D.T. Women's 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, 2007 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 P.N. Kapadia, who retires by rotation, and being eligible offers himself for reappointment.

4) To consider and, if thought fit, to pass the following Resolution, with or without modifications, as an

ORDINARY RESOLUTION:

"RESOLVED THAT the vacancy caused in the Board of Directors by the retirement by rotation of Shri A.K. Puri, who is not seeking re-election, be not filled up at this meeting."

5) To consider and, if thought fit, to pass with or without modification (s), the following resolution as an

ORDINARY RESOLUTION.

"RESOLVED THAT subject to the provisions of Sections 224, 225 and other applicable provisions, if any, of the Companies Act, 1956, M/s. Deloitte Haskins & Sells, Chartered Accountants, Mumbai, be and are hereby appointed as the Auditors of the Company to hold office from the conclusion of this Annual General Meeting until the conclusion of the next Annual General Meeting of the Company, on such remuneration as may be fixed by the Board apart from reimbursement of out-of-pocket expenses and applicable taxes, in place of the retiring auditors M/s. C.C. Chokshi & Co., Chartered Accountants, Mumbai, who retire at the conclusion of the 9th Annual General Meeting of the Company and have expressed their inability to offer themselves for reappointment."

6) To appoint Shri S.M. Kulkarni, who was appointed by the Board of Directors of the Company as an Additional Director on 19th October 2006 and who holds office as such up to the date of this 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 appoint Shri R. Sankaran, who was appointed by the Board of Directors of the Company as an Additional Director on 30th March 2007 and who holds office as such up to the date of this 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.

8) To consider and if thought fit, to pass with or without modification (s), the following resolution as a **SPECIAL RESOLUTION.**

"RESOLVED THAT pursuant to the provisions of Section 81(1A) and all other applicable provisions, if any, of the Companies Act, 1956, (the Act), the Memorandum and Articles of Association of the Company, Securities and Exchange Board of India (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999 (hereinafter referred to as "SEBI Guidelines") or any statutory modification(s) or re-enactment of the Act or the SEBI guidelines, provisions of any other applicable laws or regulations and listing agreement (s) entered into by the Company with the stock exchanges where the securities of the Company are listed and subject to such other approvals, permissions and sanctions as may be necessary and subject to such conditions and modifications as may be prescribed or imposed while granting such approvals, permissions and sanctions and which may be agreed to and accepted by the Board of Directors of the Company (hereinafter referred to as "the Board", which term shall be deemed to include any Committee thereof, including the Remuneration Committee to whom the Board has vested the necessary powers, including the powers, conferred by this resolution), the consent of the Company be and is hereby accorded to introduction of the "Employee Stock Option Scheme-2007" (hereinafter referred to as the "ESOS-2007" or the "Scheme"), the salient features of which are furnished in the Explanatory Statement to the Notice and the consent of the

Company be and is hereby accorded to the Board of Directors of the Company to create, grant, offer, issue and allot at any time to or to the benefit of such person(s) as may be determined by the Remuneration Committee, and who are in permanent employment of the Company in the management cadre, including any Managing Director(s) and Whole time Director(s) of the Company who are not part of promoters group (hereinafter collectively referred to as the "designated employees") as are proposed to be covered under the Scheme, options exercisable into not more than 504900 equity shares of Rs.10/- each of the Company being up to 5% of the paid-up equity share capital of the Company, in one or more tranches, and on such terms and conditions as may be fixed or determined by the Board or the Remuneration Committee in accordance with the provisions of the law, SEBI guidelines or guidelines issued by the relevant Authority(ies)."

"RESOLVED FURTHER THAT without prejudice to the generality of the above, the Board be and is hereby authorised to formulate the Scheme (including terms relating to eligibility of the said designated employees under the Scheme), to grant the options under the Scheme (detailing the terms of the option) at such time or times as it may decide in its absolute discretion."

"RESOLVED FURTHER THAT in case of any corporate action(s) such as rights issues, bonus issues, merger, demerger, amalgamation, sale of division and any other form of corporate restructuring, if any additional equity shares are required to be issued by the Company to the Option Grantees for the purpose of making a fair and reasonable adjustment to the options granted earlier, the above ceiling of up to 504900 equity shares of Rs.10/- each shall be deemed to be increased proportionately to the extent of such additional equity shares issued."

"RESOLVED FURTHER THAT the Board be and is hereby authorised to issue and allot equity share upon exercise of options from time to time in accordance with the Scheme and such equity shares shall rank pari passu in all respect with the then existing equity shares of the Company."

"RESOLVED FURTHER THAT in case the equity shares of the Company are either sub-divided or consolidated, then the number of shares to be allotted and the price of acquisition payable by the Option Grantees under the

Scheme shall automatically stand reduced or augmented, as the case may be, in the same proportion as the present face value of Rs.10/- per equity share bears to the revised face value of the equity shares of the Company after such sub-division or consolidation, without affecting any other rights or obligations of the said allottees."

"RESOLVED FURTHER THAT the Board be and is hereby authorised to take necessary steps for listing of the securities allotted under the Scheme on the stock exchanges where the securities of the Company are listed as per the provisions of the listing agreement(s) with the concerned stock exchanges, the SEBI guidelines and other applicable laws and regulations."

"RESOLVED FURTHER THAT for the purpose of giving effect to the above resolution, the Board be and is hereby authorised to do all such acts, deeds, matters and things as it may, in its absolute discretion, deem necessary, expedient or proper and to settle any questions, difficulties or doubts that may arise in this regard at any stage including at the time of listing of the Securities without requiring the Board to secure any further consent or approval of the Members of the Company to the end and intent that the Members shall be deemed to have given their approval thereto expressly by the authority of this resolution."

"RESOLVED FURTHER THAT the Board be and is hereby authorised to make modifications, changes, variations, alterations or revisions in the said Scheme as it may deem fit, from time to time in conformity with the provisions of the Companies Act, 1956, the Memorandum and Articles of Association of the Company, SEBI Guidelines and any other applicable laws."

By Order of the Board,

N.B. Mankad
Company Secretary

Regd. Office:

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

Dated: 1st May 2007

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 8 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 Monday the 18th June 2007 to Thursday the 21st June 2007 (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 21st June 2007 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 18th June 2007.

4. The dividend as recommended by the Board of Directors, if declared at the Annual General Meeting, will be paid on or after 23rd July 2007.

5. Shri P.N. Kapadia, one of the Non-Executive Director seeking reappointment at this meeting holds 385 equity shares in joint capacity in the Company. No other Director seeking appointment / reappointment at the Annual General Meeting holds any equity 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. 5 to 8 mentioned in the above Notice.

In respect of Item No.5

Presently, the Company's accounts are being audited by M/s. C.C. Chokshi & Co., Chartered Accountants, Mumbai, who are an associate of M/s. Deloitte Haskins & Sells. M/s. C.C. Chokshi & Co. retire as Auditors at the conclusion of the 9th Annual General Meeting of the Company and they have expressed their inability to offer themselves for reappointment.

The Company has received a special notice from a Member of the Company, in terms of the provisions of the Companies Act, signifying his intention to propose the appointment of M/s. Deloitte Haskins & Sells, Chartered Accountants, Mumbai, as the Auditors of the Company from the conclusion of the 9th Annual General Meeting till the conclusion of the next Annual General Meeting.

M/s. Deloitte Haskins & Sells, Chartered Accountants, Mumbai, have expressed their willingness to act as Auditors of the Company, if appointed, and have also confirmed that the said appointment would be in conformity with the provisions of Section 224 (1B) of the Companies Act, 1956.

In view of the above, and based on the recommendations of the Audit Committee, the Board of Directors, have, also at their meeting held on 1st May 2007, proposed the appointment of M/s. Deloitte Haskins & Sells, Chartered Accountants, Mumbai, as the Statutory Auditors in place of M/s. C.C. Chokshi & Co. for the financial year 2007-08.

The Board recommends passing of Resolution at Item No.5 for approval by the Members.

None of the Directors of the Company is concerned or interested in the said resolution.

In respect of Item No.6

Shri S.M. Kulkarni aged 68 years is a B.E., Fellow Institute of Management - UK, Fellow Indian Institute of Engineers and Fellow Institute of Directors, U.K. He is currently a Consultant and acts as a Corporate and Business Advisor to several Indian and International Corporate entities and has

vast expertise in areas of International Business, Alliance Management, Strategic Planning, Corporate Governance, Business Development, Venture Capital Funding and Education. He has extensive international experience that covers Europe, Asia Pacific, North Africa and Middle East.

Shri S.M. Kulkarni was appointed by the Board of Directors of the Company as an Additional Director of the Company w.e.f. 19th October 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 S.M. Kulkarni 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 utilise his expertise.

None of the Directors, except Shri S.M. Kulkarni, is concerned or interested in the Resolution.

In respect of Item No. 7

Shri R. Sankaran aged 61 years holds Masters Degree in Economics and Diploma in Business Management and Financial Management, Mumbai University. He is an eminent consultant in the field of Financial Services Industry over past 3 decades and has held the position as Head of the Merchant Banking for Standard Chartered Bank and as a Senior Partner of Arthur Andersen.

He is an active speaker in the areas of Capital Market, Development Finance and Corporate Finance and is associated with various Bankers Training Colleges etc.

Shri R. Sankaran was appointed by the Board of Directors of the Company as an Additional Director of the Company w.e.f. 30th March 2007 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 R. Sankaran 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 utilise his expertise.

None of the Directors, except Shri R. Sankaran, is concerned or interested in the Resolution.

In respect of Item No.8

The employees of a Company play a critical and important role in the growth of every Company. The Company believes that the employees working at senior level should actively participate in the progress of the Company and should share the value created due to their sincere efforts. In order to appreciate the hard work put in by the employees of the Company at senior level, to ensure alignment of senior level employees' interest in the growth of the Company and to reward them in a suitable manner, the Board of Directors at its meeting held on 1st May 2007 have resolved to introduce the "Employee Stock Option Scheme 2007" (hereinafter referred to as "ESOS-2007" or "the Scheme") subject to the approval of the shareholders and the provisions of the Securities and Exchange Board of India (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines 1999, as amended from time to time (the "SEBI guidelines"). The Board of Directors has constituted a Remuneration Committee comprising of a majority of independent directors which has been entrusted with the task of formulating the detailed terms and conditions of the ESOS-2007 and once formulated, to administer and implement the ESOS-2007 in accordance with the SEBI guidelines.

The approval of the shareholders is therefore being sought for issue of stock options to the employees of the Company by introduction of the ESOS-2007.

The main features of the ESOS-2007 are as under:

1. Total number of options to be granted

The designated employees of the Company would be entitled to avail of a total of not more than 504900 options under the Scheme which will be formulated by the Board of Directors of the Company (the "Board" which expression includes any Committee thereof, including the Remuneration Committee of the Board of Directors) within the broad parameters as may be approved by the shareholders. Each option when exercised would be converted into one equity share of Rs. 10/- each fully paid-up of your Company.

SEBI Guidelines require that in case of any corporate action(s) such as rights issues, bonus issues, merger, demerger, amalgamation, sale of division and others, a fair and reasonable adjustment needs to be made to the options granted. Accordingly, if any additional equity shares are required to be issued by the Company to the Option Grantees for making such fair and reasonable adjustment, the ceiling of 504900 equity shares shall be deemed to be increased proportionately to the extent of such additional equity shares required to be issued.

2. Identification of classes of employees entitled to participate in the Employee Stock Option Scheme

The Remuneration Committee or the Board shall decide about the employees of the Company in the management cadre, including the Managing Director(s) and the Whole Time Directors, but excluding the promoters or persons belonging to the promoter group of the Company, who would be entitled to be granted stock options under the Scheme.

3. Transferability of employee stock options

The stock options granted to an employee will not be transferable to any person and shall not be renounced, pledged, hypothecated, mortgaged or otherwise alienated in any manner. However, in the event of the death of an employee stock option holder while in the employment of the Company, the legal heirs or nominee can exercise all vested options within 12 months from the date of death of

such employee and all unvested options will vest immediately.

4. Requirements of vesting, period of vesting and maximum period within which the options shall be vested

The Options granted shall vest so long as the employee continues to be in the employment of the Company. The Remuneration Committee may, at its discretion, lay down certain criteria including, but not limited to, performance metrics on the achievement of which the granted options would vest, the detailed terms and conditions relating to such criteria for vesting and the proportion in which the options granted would vest.

The first grant of options under the Scheme will be made immediately after the approval of the Shareholders by this resolution. The exact proportion in which or the exact number of options and the exact period over which the options would vest would be determined by the Remuneration Committee, subject to the minimum vesting period of one year from the date of grant of options.

5. Exercise Price

The exercise price shall be the market price of equity shares of the Company on the date prior to the date on which the Remuneration Committee finalises the specific number of Options to be granted to the designated Employees.

6. Exercise Period and the process of Exercise

The exercise period would commence one year from the date of vesting and will expire on completion of ten years from the date of vesting of options.

The options will be exercisable by the designated Employees by a written application accompanied by payment of the exercise price to the Company to exercise the options in such manner, and on execution of such documents, as may be prescribed by the Remuneration Committee from time to time. The options will lapse if not exercised within the specified exercise period.

7. Appraisal Process for determining the eligibility of the employees to ESOS-2007

The appraisal process for determining the eligibility of the employees will be specified by the Remuneration Committee, and will be based on criteria such as role / level of the employee, past performance record, future potential of the employees, balance number of year of service until normal retirement age and/or such other criteria that may be determined by the Remuneration Committee at its sole discretion.

8. Maximum number of options to be issued per employee and in aggregate

The number of Options that may be granted to an employee under the Scheme shall be decided by the Board or its Committee. However, the number of options that may be granted to a single employee under the Scheme shall not exceed 0.33% of the paid-up equity share capital of your Company at the time of grant of options. The aggregate of all such grants shall not exceed 504900 Options (5% of paid up equity share capital of your Company).

9. Disclosure and Accounting Policies

The Company shall comply with the accounting policies prescribed under Clause 13.1 of the Securities and Exchange Board of India (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999 and all other disclosure requirements and accounting policies prescribed as per the SEBI Guidelines and other applicable laws and regulations.

10. Method of option valuation

To calculate the employee's compensation cost, the Company shall use the Intrinsic Value Method for valuation of the options granted.

In case the Company calculates the employee compensation cost using the Intrinsic value of the Stock Options, the difference between the employees compensation cost so computed and the cost that shall have been recognised if it had used the Fair Value of the options, shall be disclosed in

the Directors' Report and also the impact of this difference on profits and on EPS of the Company shall also be disclosed in the Directors' Report.

As the Scheme provides for issue of shares to be offered to persons other than existing shareholders of the Company, consent of the members is being sought pursuant to Section 81 (1A) and all other applicable provisions, if any, of the Companies Act and as per Clause 6 of the SEBI Guidelines.

Accordingly, the Board recommends the resolution as set out in the notice, for your approval as a Special Resolution.

The options to be granted under the ESOS-2007 shall not be treated as an offer or invitation made to the public for subscription in the securities of the Company.

Shri V.P. Sadekar the Managing Director of the Company and Shri A.K. Srivastava, Finance Director of the Company may be deemed to be concerned or interested in this resolution to the extent of stock options or securities that may be obtained by them under the said Scheme. Except as aforesaid none of the other Directors of your Company are concerned or interested in this resolution.

By Order of the Board,

N.B. Mankad

Company Secretary

Regd. Office:

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

Dated: 1st May 2007

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

Name	Shri P.N. Kapadia	Shri S.M. Kulkarni	Shri R. Sankaran
Age	55 years	68 years	61 years
Date of Appointment	21.01.2003	19.10.2006	30.03.2007
Expertise in functional areas		Corporate and Business Advisor	Financial Services and Business Consultant
Brief resume	B.A., LL.B. Experience of more than 29 years in legal field. He is a Partner of Vigil Juris, Advocates and Solicitors, Mumbai.	B.E., Fellow Institute of Management - U.K., Fellow Indian Institute of Engineers and Fellow Institute of Directors, U.K. He is currently a Consultant and acts as a Corporate and Business Advisor to several Indian and International Corporate entities and has vast expertise in the areas of International Business, Alliance Management, Strategic Planning, Corporate Governance, Business Development, Venture Capital Funding and Education.	Masters in Economics and Diploma in Business Management and Financial Management, Mumbai University. He is an eminent consultant in the field of Financial Services Industry over past 3 decades and has held the position as Head of the Merchant Banking for Standard Chartered Bank and as a Senior Partner of Arthur Andersen.