



NAVIN FLUORINE
INTERNATIONAL LIMITED

ANNUAL REPORT 2009-10

EXTENDING OUR CAPABILITIES



ARVIND MAFATLAL GROUP
The ethics of excellence

Forward-looking statement

In this Annual Report the forward-looking information if any, is for enabling investors to comprehend our prospects and take informed investment decisions. This report and other statements - written and oral - that we periodically make contain forward-looking statements that set out anticipated results based on the management's plans and assumptions. We have tried, wherever possible to identify such statements by using words such as 'anticipate', 'estimate', 'expects',

'projects', 'intends', 'plans', 'believes', and words of similar substance in connection with any discussion of future performance.

We cannot guarantee that these forward-looking statements will be realized, although we believe we have been prudent in our assumptions. The achievement of results is subject to risks, uncertainties and even inaccuracies in our assumptions. Should known or

unknown risks or uncertainties materialize, or should underlying assumptions prove inaccurate, actual results could vary materially from those anticipated, estimated or projected.

We undertake no obligation to publicly update any forward-looking statements, arising as a result of new information, future events or otherwise.

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Corporate Information

Shri A. N. Mafatlal

Chairman Emeritus

Board of Directors

Shri H. A. Mafatlal

Chairman

Shri T. M. M. Nambiar

Director

Shri P. N. Kapadia

Director

Shri S. S. Lalbhai

Director

Shri S. M. Kulkarni

Director

Shri R. Sankaran

Director

Shri V. P. Mafatlal

Director

Shri S. D. Kakade

Managing Director

Shri A. K. Srivastava

Finance Director

Shri S. S. Khanolkar

President - Fluorochemicals

Company Secretary

Shri N. B. Mankad

Bankers

State Bank of Hyderabad

AXIS Bank Ltd.

HDFC Bank Ltd.

Export Import Bank of India

Auditors

Messrs Deloitte Haskins & Sells

Chartered Accountants

Solicitors

Vigil Juris

Registered Office:

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

Tel: 91 22 6650 9999 / 2404 3300

Fax: 91 22 6650 9800

New Registered Office (w.e.f. 1st July, 2010)

2nd Floor, Suntek Centre,
37/40, Subhash Road,
Vile Parle (East),
Mumbai 400057.

E-mail: info@nfil.in

Website: www.nfil.in

Units

Navin Fluorine, Surat 395023 (Gujarat)

Navin Fluorine, Dewas 455022 (M.P.)

Registrar & Share Transfer Agent

Sharepro Services (India) Pvt. Ltd.

Samhita Warehousing Complex, 2nd Floor,

Gala No.52 to 56, Bldg. No.13 A-B,

Near Sakinaka Telephone Exchange,

Andheri-Kurla Road, Sakinaka, Mumbai 400072.

Tel: 91 22 6772 0300 / 6772 0400

Fax: 91 22 2859 1568 / 2850 8927

E-mail: sharepro@shareproservices.com

Investor relations centre

912, Raheja Centre, Free Press Journal Road, Nariman Point,
Mumbai 400021.

Tel: 91 22 6613 4700

Fax: 91 22 2282 5484

E-mail: sharepro@shareproservices.com

12th Annual General Meeting

On Monday, the 21st June 2010

At 3.00 p.m. at Rama Watumull Auditorium,

K.C. College, Dinshaw Wacha 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 2010-2011 have been paid by the Company to Mumbai, Ahmedabad and National Stock Exchanges wherein the shares of the Company are listed.

NOTICE

NOTICE IS HEREBY GIVEN THAT the Twelfth Annual General Meeting of the Members of the Company will be held on Monday, the 21st JUNE 2010 at 3.00 p.m. at Rama Watumull Auditorium, K.C. College, Dinshaw Wacha Road, Churchgate, Mumbai 400020, to transact the following business:

1. To consider and adopt the Directors' Report, the Audited Financial Statements including Profit and Loss Account for the year ended 31st March 2010 and the Balance Sheet as at that date and the Auditors' Report thereon.
2. To confirm the payment of Interim Dividend on Equity Shares for the year 2009-2010 and to declare Final Dividend.
3. To appoint a Director in place of Shri Sharad M. Kulkarni, who retires by rotation, and being eligible offers himself for reappointment.
4. To appoint a Director in place of Shri R. Sankaran, who retires by rotation, and being eligible offers himself for reappointment.
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 consider and, if thought fit, to pass with or without modification(s), the following resolution as a **SPECIAL RESOLUTION**:

"RESOLVED THAT pursuant to Section 163 (1) and other applicable provisions, if any, of the Companies Act, 1956, the Register of Members, Index of Members, Register and Index of Debenture Holders, if any, in respect of shares and debentures issued by the Company from time to time, and copies of all Annual Returns prepared under Sections 159 and 160, together with copies of certificates and documents required be annexed thereto under Sections 160 and 161, be kept at the Office of the Registrar and Share Transfer Agent of the Company, M/s. Sharepro Services (India) Pvt. Ltd., Samhita Warehousing Complex, 2nd floor, Gala No. 52 to

56, Building No. 13 A-B, Near Sakinaka Telephone Exchange, Andheri – Kurla Road, Sakinaka, Mumbai 400072."

7. 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 31 of the Companies Act, 1956, the Articles of Association of the Company be and is hereby altered in the following manner:

After Article 22, the following new Article headed 'Buy Back of Shares & Securities' and numbered 22A shall be inserted as under:

Buy Back of Shares & Securities

22A. Notwithstanding anything contained in these Articles, but subject to provisions of Sections 77A and 77B of the Act, the Company may purchase its own shares or other specified securities (hereinafter referred to as "Buy Back") out of –

- a) Its Free Reserve; or
 - b) The Securities Premium Account; or
 - c) The proceeds of any Shares or other specified securities
- In accordance with the provisions of Sections 77A and 77B and Rules prescribed by the Central Government and/or by Securities and Exchange Board of India in this behalf from time to time, provided that nothing herein contained shall be deemed to affect the rights of the Company under the provisions of Sections 100 to 104 and Section 402 of the Act in so far as and to the extent they are applicable.

Regd. Office:
1st floor, Kalpataru Point
Kamani Marg, Sion (East)
Mumbai 400022
Mumbai
Dated: 28th April 2010

By Order of the Board,
N.B. Mankad
Company Secretary

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 Statements pursuant to Section 173 of the Companies Act, 1956, in respect of Item Nos.6 and 7 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 15th June 2010 to Monday the 21st June 2010 (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 24th June 2010.
5. No Director seeking appointment / re-appointment at the Annual General Meeting holds any equity shares in the Company.
6. Members are requested to note that pursuant to the provisions of Section 205C of the Companies Act, 1956 the dividend remaining unclaimed / unpaid for a period of seven years from the date it becomes due for payment shall be credited to the Investor Education and Protection Fund (Fund) set up by the Central Government. Members who have so far not claimed the dividends are requested to make claim with the Company immediately as no claim shall lie against the Fund or the Company in respect of individual amounts once credited to the said Fund.
7. Copies of documents mentioned in the Explanatory Statement are open for inspection of the Members between 2.00 p.m. to 4.00 p.m. on any working day at the Registered Office of 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 and 7.

In respect of Item No.6

As required under the provisions of the Companies Act, 1956, certain documents such as the Register of Members and Index of Members and other related documents, etc. are required to be kept at the Registered Office of the Company. However, these

documents can be kept at any other place within the city, town or village in which the Registered Office of the Company is situated, with the approval of the Members to be accorded by a Special Resolution.

Sharepro Services (India) Pvt. Ltd., Mumbai are the Registrar and Share Transfer Agent (RTA) of the Company, who has been providing depository related services for the shares held in demat mode and also acting as the Share Transfer Agent for the shares held in physical segment. Hence, the approval of the Members is sought in terms of Section 163 (1) of the Companies Act, 1956, for keeping the aforementioned Registers and documents at the premises of the RTA as stated in the resolution. A copy of the proposed resolution is being forwarded in advance to the Registrar of Companies, Maharashtra, Mumbai, as required under the said Act.

The Board recommends passing of the resolution at Item No.6 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.7

Existing Articles of Association of your Company do not contain any provision relating to buy back of securities. It is prudent that Articles of Association of your Company should contain the provisions empowering the Company to buy back its own shares and other securities as and when deemed necessary subject to the provisions of the Companies Act, 1956 and applicable Rules as may be prescribed by the Central Government / SEBI from time to time.

A copy of the Memorandum & Articles of Association of the Company is open for inspection by the Members between 2.00 p.m. to 4.00 p.m. on any working day at the Registered Office of the Company.

The Board recommends passing of the resolution at Item No.7 for approval by the Members.

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

Regd. Office:

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

Dated: 28th April 2010

By Order of the Board,
N.B. Mankad
Company Secretary

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

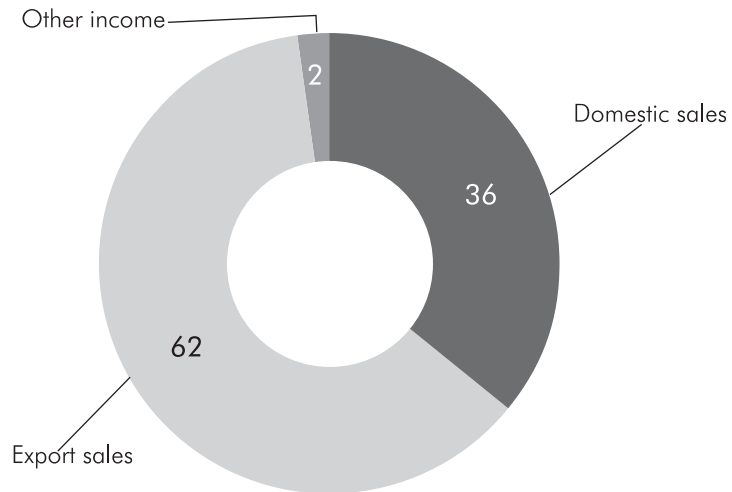
| Name | Shri S.M. Kulkarni | Shri R. Sankaran |
|---|--|---|
| Age | 71 years | 64 years |
| Date of appointment | 19.10.2006 | 30.03.2007 |
| Expertise in functional areas | Corporate and Business Advisor | Financial Services and Business Consultant |
| Brief resume | <p>B.E., Fellow Institute of Management – U.K., Fellow Indian Institute of Engineers and Fellow Institute of Directors, U.K.</p> <p>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.</p> | <p>Masters in Economics and Diploma in Business Management and Financial Management, Mumbai University.</p> <p>He is an eminent consultant in the field of Financial Services over past 3 decades and has held the position of Head of Merchant Banking for Standard Chartered Bank and as a Senior Partner of Arthur Anderson.</p> |
| Names of the Companies in which he holds Directorship / Committee memberships | <p>Director in: INEOS ABS (India) Ltd. Bayer CropScience Ltd. Hindustan Construction Co. Ltd. Raychem RPG Limited Travel Voyages Pvt. Ltd. HCC Real Estate Ltd. RPG Enterprises Ltd. J.M. Financial Trustee Co. Pvt. Ltd. Camlin Fine Chemicals Ltd. Lavasa Corporation Ltd. Global Procurement Consultants Ltd. KEC International Ltd. Navin Fluorine International Ltd.</p> <p>Committee Membership: Audit Committee: Bayer CropScience Ltd.-Chairman INEOS ABS Ltd.-Chairman Hindustan Construction Co. Ltd.-Chairman Camlin Fine Chemicals Ltd.-Chairman HCC Real Estate Ltd.-Chairman KEC International Ltd.-Member Navin Fluorine International Ltd.-Member</p> <p>Remuneration Committee: INEOS ABS Ltd.-Member KEC International Ltd.-Member Camlin Fine Chemicals Ltd.-Member Navin Fluorine International Ltd.-Member</p> <p>Shareholders Grievances Committee: Bayer CropScience Ltd.-Member</p> | <p>Director in: DBS Chola AMC Ltd. (now known as L&T Investment Mgmt. Ltd.) Purple Infotech Pvt. Ltd. IGFT Pvt. Ltd. Networth Stock Broking Ltd. Petron Engineering Construction Ltd. Navin Fluorine International Ltd.</p> <p>Committee Membership: Audit Committee: DBS Chola AMC Ltd. (now known as L&T Investment Mgmt. Ltd.) Networth Stock Broking Ltd. Petron Engineering Construction Ltd.</p> |

Summarised Financial Data

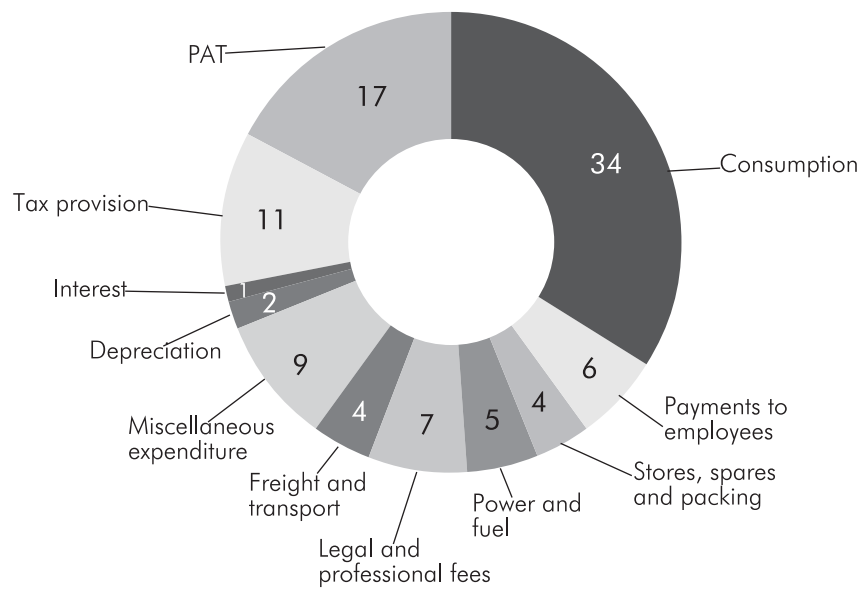
(Rupees in lacs)

| Particulars | Financial Year Ended on | | | | | |
|---|-------------------------|-----------|-----------|-----------|-----------|-----------|
| | 2004 - 05 | 2005 - 06 | 2006 - 07 | 2007 - 08 | 2008 - 09 | 2009 - 10 |
| Profit & Loss Account | | | | | | |
| Total Income | 24712 | 23828 | 27392 | 29544 | 42262 | 43723 |
| Profit before Depreciation, Interest, Exceptional Items and Tax | 5579 | 3483 | 4580 | 4058 | 10178 | 13589 |
| Exceptional Items | (2181) | (121) | (260) | (506) | (757) | |
| Interest | (711) | (818) | (783) | (890) | (863) | (249) |
| Depreciation and Impairment | (657) | (750) | (883) | (1148) | (1718) | (1107) |
| Profit before Tax | 2030 | 1794 | 2655 | 1514 | 7309 | 12233 |
| Profit after Tax | 242 | 855 | 1260 | 788 | 4529 | 7436 |
| Dividend (Rs. per share) | 2.00 | 3.00 | 4.00 | 4.00 | 10.00 | 14.00 |
| Earning per share (EPS) Rs. | 3.59 | 9.54 | 12.47 | 7.81 | 44.84 | 73.63 |
| Balance Sheet | | | | | | |
| Net Fixed Assets | 11801 | 14166 | 17252 | 18312 | 17396 | 17793 |
| Investments | 2262 | 2262 | 1743 | 1625 | 1625 | 85 |
| Net Current Assets | 7619 | 9963 | 9780 | 9942 | 10860 | 14455 |
| Total Application | 21946 | 26391 | 28775 | 29879 | 29881 | 32333 |
| Borrowings | 7009 | 8807 | 9247 | 9175 | 5264 | 1136 |
| Net Worth | 14937 | 17426 | 18567 | 19239 | 22902 | 29098 |
| Total Sources | 21946 | 26391 | 28775 | 29879 | 29881 | 32333 |
| Book value per Share (Rs.) of Rs. 10 each | 147.90 | 172.54 | 183.84 | 190.48 | 226.75 | 288.10 |
| Debt / Equity Ratio | 0.47 | 0.51 | 0.50 | 0.48 | 0.23 | 0.04 |
| Operating EBITDA (%) | 23% | 15% | 17% | 14% | 25% | 31% |
| Profit After Tax (%) | 1% | 4% | 5% | 3% | 11% | 17% |
| Return on Net Worth (%) | 2% | 5% | 7% | 4% | 21% | 29% |
| Return on Capital Employed | 14% | 11% | 12% | 8% | 27% | 40% |

Rupee Earned (%)



Rupee Spent (%)



Directors' report

To

The members,

Navin Fluorine International Limited

Your Directors are pleased to present the 12th Annual Report together with the audited accounts for the year ended 31st March 2010.

1. Financial results

| | <i>(Rupees in lacs)</i> | |
|---|-------------------------|---------------|
| | Current year | Previous year |
| Operating income | 42,933 | 41,788 |
| Other income (including non-recurring income) | 790 | 474 |
| EBIDTA before exceptional items | 13,589 | 10,648 |
| Less: Depreciation and impairment | 1,107 | 1,718 |
| Interest | 249 | 863 |
| Tax | 4,797 | 2,780 |
| PAT before exceptional items | 7,436 | 5,286 |
| Less: Exceptional items | – | 757 |
| Profit after tax | 7,436 | 4,529 |
| Add: Surplus brought forward from the previous year | 3,545 | 1,013 |
| Amount available for appropriation | 10,981 | 5,542 |
| Appropriation | | |
| Transfer to contingency reserve | – | 250 |
| Transfer to debenture redemption reserve | 81 | 112 |
| Transfer to general reserve | 744 | 453 |
| Interim dividend | 656 | 505 |
| Proposed final dividend | 757 | 505 |
| Corporate dividend tax | 241 | 173 |
| Surplus carried to Balance sheet | 8,502 | 3,545 |

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

2. Dividend

Your Company declared interim dividend of Rs. 6.50 per share in the month of October 2009 aggregating to Rs. 656.49 lacs for 1,00,99,889 equity shares of nominal value of Rs. 10 each. The Board of Directors is pleased to recommend a final dividend for the year of Rs. 7.50 per share on 1,00,99,889 equity shares of nominal value of Rs. 10 each, aggregating to Rs. 757.49 lacs taking the total dividend payout to Rs. 14 per share of a nominal value of Rs. 10 each.

3. Year in retrospect

- Turnover of your Company for the year remained flat at Rs. 42,933 lacs against Rs. 41,788 lacs of the previous year.
- Profit before tax increased by 67% from Rs. 7,309 lacs to Rs. 12,233 lacs.
- Profit after tax increased by 64% from Rs. 4,529 lacs to Rs. 7,436 lacs.

2009–10 reflected signs of recovery after a weak 2008-09. It was a year of plunging costs, especially the ones linked to the global commodity prices. As indicated in the previous year, the recessionary trends continued until mid-year and demand started picking up in the second half of the year. Your Company did well to retain the finished products' prices at a higher level while capturing the gains from low input costs. Demand for the refrigerant gases and specialty chemicals were robust in the last quarter while bulk fluoride was under some price pressures.

The Indian Rupee strengthened against the US \$ by over 10% during 2009-10. The year started at Rs. 50 to a dollar while it ended at Rs. 45 to a dollar hurting the export value of your Company. Handsome gains could be captured in the import leg of your Company's transactions. The Euro movement during the year against the rupee was wider. Starting the year at 67, Euro peaked to 71 in October to climb down to 60 in March 10.

During the second full year of its operation the Clean Development Mechanism (CDM) project achieved 100% capacity utilisation and contributed handsomely towards the global efforts on abatement of green-house gases emissions. The entire sales of Certified Emissions Reductions (CERs) are in dollars and Euros. Weakening of the dollar and Euro adversely impacted the realisations from the CDM project.

CER prices also remained range bound. The year started low and the prices improved in the later half of the year. However, the advantage of a higher price was eroded partially by the weakening of US dollar and Euro around the same time.

The demand for carbon credits in the near term is expected to

remain steady despite uncertainties around the Kyoto Protocol and its continuity beyond 2012.

Prices of almost all key raw materials e.g. Fluorspar, Sulphur and Chloroform, among others, softened during the year. Significant share of these gains was locked in by your Company through long to medium term procurement contracts. Though there were price pressures on the bulk fluorides and some of the refrigerant gases initially, the finished product prices looked up during the third and fourth quarters and your Company could cash in the advantages locked in through strategic buying of its major raw materials. Natural gas was available during the year in good quantities but at a 20% higher price putting enormous pressures on the cost of conversion.

As stated last year, a major Company-wide initiative was carried out and areas of cost reduction and profit improvement were identified and benchmarked with the best in industry. In each of the operating functions targets were set and pursued relentlessly which yielded handsome long-term benefits to your Company.

As a part of the all round efficiency improvement plan your Company focused relentlessly on rationalising its deployment of expensive working capital and was able to substantially reduce inventories and receivables from Rs. 12,164 lacs at the beginning of the year to Rs. 8,614 lacs as on 31st March, 2010 releasing Rs. 3,550 lacs from working capital.

Your Company also formulated a strategic plan, defining its medium term objectives and launched its contract research and contract manufacturing initiatives at its existing site in Dewas, Madhya Pradesh. The ensuing investments will get commissioned towards the fourth quarter of the current fiscal.

During 2009-10, your Company commissioned the pilot plant as an integral part of its state-of-the art R&D centre in Surat. This will help your Company to develop new value-added molecules based on specific customer requirements and speed up the process of their commercialisation. It will also serve as the initial backbone to the contract research and manufacturing initiatives.

In order to strengthen the process capabilities and widen the product range following significant investment in R&D, your Company is also building a multi-purpose plant to become operational by the middle of the current financial year. With this, your Company will considerably consolidate its specialty fluorochemicals operations in Surat by moving in some of the compatible processes, equipment and plants from Dewas.

NFIL is aware of its responsibilities as a good corporate citizen in health, safety and environmental management, the details of which are covered in the management discussion and analysis.