

# TOWARDS A SUSTAINABLE FUTURE



Navin Fluorine International Limited  
Annual Report 2011-12



ARVIND MAFATLAL GROUP  
The ethics of excellence



Shri Arvind N. Mafatlal,  
27 October 1923 - 30 October 2011

“To live in hearts we leave  
behind is not to die.”

– Thomas Campbell

Shri Arvind Mafatlal led the Mafatlal Group for nearly six decades with unparalleled success. Later on, he became the core promoter of the Arvind Mafatlal Group and Chairman Emeritus of Navin Fluorine International Limited.

Arvindbhai was a pioneer in the field of petrochemicals in India and established the first integrated petrochemicals and polymer complex in Thane, Maharashtra for National Organic Chemical Industries Limited (NOCIL) and Polyolefins Industries Limited (PIL) in financial collaboration with Royal Dutch Shell and Hoechst respectively. At around the same time in 1967 he introduced fluorochemicals, another pathbreaking industrial segment into India with first-ever manufacturing facility for hydrofluoric acid and downstream products in this part of Asia, while all along leading the original textile business of the group to glory.

Arvindbhai, throughout his distinguished career, demonstrated the ability to balance business pursuits with devotion to philanthropic and spiritual causes. As a leading industrialist, he was associated with a number of trade bodies and academic institutions. He was a Director of the Reserve Bank of India (RBI) and Industrial Development Bank of India (IDBI), Trustee of Bombay Port Trust, Chairman of the Development Council for Textile Machinery (Government of India), Member of the Agricultural Credit Board of Reserve Bank of India and Member of the Central Advisory Council of Industries, among other prominent engagements.

As someone who was closely interested in furthering the cause of education and research in the country, Arvindbhai served as Chairman of the Executive Council of National Chemical Laboratory (Pune), as a Member of the Advisory



His commitment to social responsibility was ahead of its time and a typical example of the same was his idea of empowering women

Committee of Indian Institute of Technology (Powai), as a Member of the Board of Governors of the Indian Institute of Management (Ahmedabad), as a Member of the Governing Body of CSIR as Chairman of Shri Bhagubhai Mafatlal Polytechnic and College of Engineering among others.

It was, however, through his unwavering involvement and tireless personal efforts in support of humanitarian causes that Arvindbhai's true character shone through. As Chairman and Managing Trustee of Shri Sadguru Seva Sangh, Mumbai, he took keen interest in organising and supervising free eye camps in backward and tribal areas of different states. Nearly 12.5 lacs operations have been carried out in the several camps held by the Trust. Arvindbhai also set an example for the world at large by his personal involvement in organising and participating in relief and rehabilitation work during major national calamities like Koyna earthquake, South Gujarat floods, Rajasthan famine, Bihar famine, drought in Maharashtra, Odisha cyclone and the Gujarat earthquake .

His association with BAIF (formerly Bharatiya Agro Industries Foundation) from 1967, culminating in his nomination as Chairman in 1977, resulted in exemplary implementation of

various community development and relief projects for sustainable rural development, food security and clean environment. He, along with the legendary freedom fighter Shri Manibhai Desai, did remarkable work in the field of cattle development, animal health laboratory facilities, tribal rehabilitation as well as resource (water and land) development. His commitment to the cause of social responsibility was ahead of its time and a typical example of the same was his idea of empowering women at the lowest roots of the society much before others started working on this concept. The sincere approach of BAIF under Arvindbhai's leadership evoked active responses from different state governments and various organisations like NABARD who came forward to add to this movement. The result is that BAIF programmes now benefits more than 4.4 million families across 16 Indian states.

Arvindbhai was not only respected for his business achievements but also for his character, values and principles which he practiced throughout his life time. His philosophy of social upliftment is best summed up in four words famously coined by him viz. anna (livelihood), akshar (literacy), arogya (health) and aacharan (moral character). While most would have been happy to only provide

funds, Arvindbhai worked shoulder to shoulder with volunteers across regions, comfortable in sitting on the ground and sharing a frugal meal with the underprivileged.

Arvindbhai's contribution was extensively recognised: he was a recipient of the Durga Prasad Khaitan Memorial Gold Medal (1966), Business Leadership Award of Madras Management Association (1971), Indian Merchants' Chamber Award (1975), Sir Jehangir Ghandy Gold Medal for Industrial Peace of Xavier Labour Relations Institute (1978), Honour of Maharashtra Economic Development Council (1985), Lions' Humanitarian Award by the International Association of Lions Clubs (US) (1993) and Rotary Club of Bombay's Citizen of Bombay Award for 1995.

We are truly indebted and grateful to Arvindbhai for his contribution to the growth of the industry and the well being of society by being an exemplary leader who lived his entire life by his values. We at NFIL, now dedicate ourselves to continue our journey on the path shown by him over these past decades.

In his passing away, the world has lost a unique personality—a business genius with a compassionate heart, and a gentle and sensitive individual.

May his soul rest in peace.

### 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

## Board of Directors

Shri H.A. Mafatlal	<i>Chairman</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	<i>Director</i>
Shri R. Sankaran	<i>Director</i>
Shri V.P. Mafatlal	<i>Director</i>
Shri S.G. Mankad	<i>Director</i>
Shri A.K. Srivastava	<i>Finance Director</i>
Shri S.S. Khanolkar	<i>Managing Director</i>

## Company Secretary

Shri N.B. Mankad

## Bankers

State Bank of Hyderabad  
AXIS Bank Limited  
HDFC Bank Limited

## Auditors

Messrs Deloitte Haskins & Sells  
*Chartered Accountants*

## Solicitors

Vigil Juris

## Registered Office

2nd Floor Sunteck Centre 37/40 Subhash Road  
Vile Parle (East) Mumbai 400057  
Tel: 91 22 6650 9999, Fax: 91 22 6650 9800  
E-mail: [info@nfil.in](mailto:info@nfil.in)  
Website: [www.nfil.in](http://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.13A-B  
Near Sakinaka Telephone Exchange Andheri-Kurla Road  
Sakinaka Mumbai 400072  
Tel: 91 22 6772 0300 / 0400, Fax: 91 22 2859 1568 / 2850 8927  
E-mail: [sharepro@shareproservices.com](mailto:sharepro@shareproservices.com)

## Investor relations centre

Sharepro Services (India) Pvt. Ltd.

- |  |   |
|--|---|
| 1. 912 Raheja Centre<br>Free Press Journal Road<br>Nariman Point Mumbai 400021<br>Tel: 91 22 6613 4700<br>Fax: 91 22 2282 5484<br>E-mail: <a href="mailto:sharepro@shareproservices.com">sharepro@shareproservices.com</a> | 2. Devnandan Mega Mall<br>Office No.416-420 4th Floor<br>Opp. Sanyas Ashram<br>Ashram Road Ahmedabad 380006<br>Tel: 079 26582381/84 |
|--|---|

## 14th Annual General Meeting

On Monday, 18th June 2012  
At 3.00 p.m. at Rama Watumull Auditorium  
K.C. College Dinshaw Wacha Road  
Churchgate Mumbai 400020

- 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 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.
- The Listing Fees for the year 2012-13 have been paid by the Company to Mumbai, Ahmedabad and National Stock Exchanges where the shares of the Company are listed.

# CHAIRMAN'S REVIEW

Navin Fluorine International Limited reported its best year so far. This was due to a combination of very good operational performance, record inflows from carbon credits and gains arising from exceptional items.

The Company reported a 63% increase in revenues from operations and a 323% growth in its profit after tax for 2011-12. Operational revenues grew 28% from Rs. 35,241 lac in 2010-11 to Rs. 45,196 lac in 2011-12.

The Company was allocated all its entitled CERs in 2011-12. Until July, the prices were fairly strong and weakened as the year progressed. The economic uncertainties in the EU are still continuing, thereby putting price pressures on the CERs.

## Challenges

The Company's operational performance diverged during the two halves of the financial year under review. Demand was upbeat during the first half of the financial year. While raw material prices were increasing, we were able to recover

most of the cost increase. However, the global economy suddenly weakened in the second half, creating a high-cost inventory and slowing customer demand. High volatility in the foreign exchange rates also posed challenge during the year.

## Business evolution

NFIL has always been an innovative company. The Company deals in manufacture of fluorine compounds strictly regulated by environment protection agencies. Till 2002-03, the Company was largely a refrigerant manufacturer that enjoyed a seller's market. The Montreal Protocol phased out CFC gas manufacture and in view of this, the Company embarked on the decision to shift its dependence from refrigerant gas manufacture to specialty fluorochemicals.

Navin Fluorine is attractively positioned for the future. The Company is now taking its business ahead through various initiatives. The Company's investment in research has translated into new molecule development and process



Navin Fluorine is attractively positioned for the future and is taking its business ahead through various initiatives.



During the year, we invested and commissioned a new cGMP (current Good Manufacturing Practice) pilot plant at Dewas.

optimisation. The Company has been investing in research, pilot plant and multi-product plants during the last couple of years. This integrated asset is now becoming a cornerstone for growth of our specialty business. By enabling ourselves with a capability of serving research solutions and quantities from grams to tonnes, we are able to develop strong customer relationships.

Your Company has also been substantially investing in various initiatives to enhance its commitment to safety, health and environment.

### Growth initiative

We have been continuously investing in our new growth vertical of CRAMS (contract research and manufacturing services).

In 2011-12, the Company acquired a 51% stake in a UK-based company Manchester Organics Limited, a research-driven organisation with a rich competence in fluorine chemistry. The acquired company is engaged in valuable research partnerships with global pharma

and agrochemical companies. It possesses a catalogue of more than 12,700 compounds, making it one of the select research-led companies of its kind in the world.

During the year, we invested and commissioned a new cGMP (current Good Manufacturing Practice) pilot plant at Dewas. This will help us develop value-added pharmaceutical ingredients and strengthen our relationship with global pharmaceutical companies.

The Company also acquired around 85 acres in Dahej (Gujarat) for its expansion plans.

### Corporate social responsibility

During the year under review, in honour of late Chairman Emeritus Shri Arvind Mafatlal, the Company created the Arvind Mafatlal Foundation for various public charitable objectives.

### Optimism

There is a sense of optimism at Navin Fluorine for good reasons.

A combination of various initiatives will drive our growth beyond 2012 in a sustainable way as we gradually move away from CERs in the coming years. We have a very strong management set up to take the Company forward on the growth path.

With income potential from CERs expected to last only up to 2013, we are progressively investing in strengthening our core competence in specialty fluorochemicals. Our investment in production assets is ready and expected to deliver attractive revenues.

### In appreciation

In conclusion, I would like to express my gratitude to our shareholders, employees, bankers, customers, suppliers, advisors and other partners for their continued support and we assure you that we will endeavour to enhance value for our entire stakeholding family.

Sincerely,

H. A. Mafatlal

Chairman      Dated 30th April 2012



# NOTICE

**NOTICE IS HEREBY GIVEN THAT** the Fourteenth Annual General Meeting of the Members of the Company will be held on Monday, the 18th June 2012 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 2012 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 2011-12 and to declare a final dividend and a special dividend for the year 2011-12 on equity shares.
3. To appoint a Director in place of Shri S. S. Lalbhai who retires by rotation, and being eligible, offers himself for reappointment.

4. To appoint a Director in place of Shri P. N. Kapadia 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.

**Regd. Office:**

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

By Order of the Board

**N. B. Mankad**  
*Company Secretary*

Mumbai,

Dated: 30th April 2012

## 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 Register of Members and the Share Transfer Books of the Company will remain closed from Monday, 11th June 2012 to Friday 15th June 2012 (both days inclusive) for the purpose of payment of dividend, if any.
3. The final and special dividend as recommended by the Board of Directors, if declared at the Annual General Meeting will be paid on Thursday, 21st June 2012.
4. Shri S. S. Lalbhai and Shri P. N. Kapadia Non-Executive Independent Directors, seeking reappointment at this meeting hold 500 and 1,385 equity shares respectively in the Company.
5. 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. The Company has already transferred the unclaimed/unpaid dividend declared for the year 2004 to the said fund. Members who have so far not claimed the dividends declared for any subsequent financial year(s) thereafter 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.

6. The Ministry of Corporate Affairs has taken a "Green Initiative in Corporate Governance" by allowing paperless compliances by the company and has issued circulars allowing service of notices/documents including annual report by e-mail to its members. To support this green initiative of the government in full measure, members who have not registered their e-mail addresses so far, are requested to register the same, in respect of electronic holdings with the depository through their depository participants. Members who are holding shares in physical form are requested to get their e-mail addresses registered with the Registrar and Share Transfer Agent.



**Particulars of the Directors seeking appointment/reappointment at the ensuing Annual General Meeting pursuant to Clause 49 of the Listing Agreement**

Name	Shri S. S. Lalbhai	Shri P.N. Kapadia
Age	51 years	60 years
Date of Appointment / Reappointment	3rd March 2003	21st January 2003
Expertise in functional areas	He is an industrialist having varied experience of more than 28 years in chemicals & general management	Advocate & Solicitor
Brief resume	B.Sc., M.S. (Chemistry), U.S.A., M.S. (Economy Planning & Policy), Boston, U.S.A.	B.A., L.L.B. Experience of more than 34 years in the legal field. He is a partner of Vigil Juris, Advocates & Solicitors, Mumbai.
Name of the Companies in which he holds Directorship / Committee Memberships	<p><b>Director in:</b> Atul Ltd. Wyeth Ltd. Atul Bioscience Ltd. Atul Rajasthan Date Palms Ltd. Amal Ltd.</p> <p><b>Committee Membership:</b> <b>Audit Committee:</b> Navin Fluorine International Ltd.</p> <p><b>Share Transfer and Shareholders / Investors Grievance Committee:</b> Atul Ltd. Wyeth Ltd.</p> <p><b>Remuneration Committee:</b> Navin Fluorine International Ltd.</p>	<p><b>Director in:</b> Afcons Infrastructure Ltd. Sumangala Investments Pvt. Ltd. HTA Marketing Services Pvt. Ltd. Mafatlal Denim Ltd. Hindustan Thompson Associates Pvt. Ltd. Gokak Textiles Ltd. C3 Advisors Pvt. Ltd.</p> <p><b>Committee Membership:</b> <b>Audit Committee:</b> Mafatlal Denim Ltd. Afcons Infrastructure Ltd. Navin Fluorine International Ltd.</p> <p><b>Shareholders/Investors Grievance Committee:</b> Afcons Infrastructure Ltd. Navin Fluorine International Ltd.</p> <p><b>Remuneration Committee:</b> Afcons Infrastructure Ltd.</p>

**SUMMARISED FINANCIAL DATA**
*(Rupees in lacs)*

Particulars	Financial Year							
	2004 - 05	2005 - 06	2006 - 07	2007 - 08	2008 - 09	2009 - 10	2010 - 11	2011 - 12
<b>PROFIT &amp; LOSS ACCOUNT</b>								
Total Income	24712	23828	27392	29544	42262	43723	44113	79486
Profit before Depreciation, Interest, Exceptional Items and Tax	5579	3483	4580	4058	10178	13589	12313	34071
Exceptional Items	(2181)	(121)	(260)	(506)	(757)	—	—	—
Finance costs	(711)	(818)	(783)	(890)	(863)	(249)	(360)	(354)
Depreciation, Amortisation and Impairment	(657)	(750)	(883)	(1148)	(1718)	(1107)	(1354)	(1773)
Profit before Tax	2030	1794	2655	1514	7309	12233	10599	31944
Profit after Tax	242	855	1260	788	4529	7436	7164	23124
Dividend (Rs. per share)	2.00	3.00	4.00	4.00	10.00	14.00	15.00	75.00*
Earning per share (EPS) Rs	3.59	9.54	12.47	7.81	44.84	73.63	71.11	236.90
<b>BALANCE SHEET</b>								
Net Fixed Assets	11801	14166	17252	18312	17396	17793	20491	24168
Investments	2262	2262	1743	1625	1625	85	4776	20494
Current Assets (Net)	7619	9963	9780	9942	10860	14455	14734	15873
Total Application	21946	26391	28775	29879	29881	32333	40002	60536
Borrowings	7009	8807	9247	9175	5264	1136	4907	9334
Net Worth	14937	17426	18567	19239	22902	29098	33180	48337
Total Sources	21946	26391	28775	29879	29881	32333	40002	60536
Book value per Equity Share (Rs) (Face value - Rs.10 per Share)	147.90	172.54	183.84	190.48	226.75	288.10	339.92	495.20
Debt/ Equity Ratio	0.47	0.51	0.50	0.48	0.23	0.04	0.15	0.19
Operating EBIDTA (%)	23%	15%	17%	14%	25%	31%	28%	43%
Profit After Tax (%)	1%	4%	5%	3%	11%	17%	16%	29%
Return on Net Worth (%)	2%	5%	7%	4%	21%	29%	23%	57%
Return on Capital Employed (%)	14%	11%	12%	8%	27%	40%	30%	64%

\* Including special dividend of Rs. 60/-