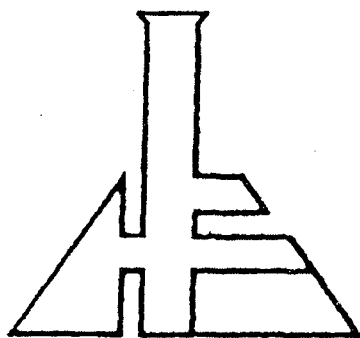


26th
ANNUAL REPORT
2008 - 2009



HINDUSTAN FLUOROCARBONS LIMITED

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BOARD OF DIRECTORS

Shri A S Didolkar Chairman	From 20.5.2002 (HOCL Nominee)
Shri R N Madangeri Director	HOCL Nominee (from 1.2.2008)
Shri T S Gaikwad Managing Director	From 1.1.2008
Shri N Bhattacharya Director	Govt. of India Nominee (upto 20.6.2009)
Shri P S Singh Director	Govt. of India Nominee (from 20.6.2009)
Shri S.W.Oak Director	BIFR Nominee (from 26.7.2007)
Dr.B.D.Kulkarni Director	HOCL Nominee (from 30.1.2009)

AUDITORS

M/s V Rao & Gopi, Chartered Accountants
No.3-5-595, Gr.Floor, Garonda Paul Apts.,
Vittalwadi, 7th Street, Narayanguda,
Hyderabad - 500 029.

BANKERS

State Bank of Hyderabad,
Gunfoundry, Hyderabad.

REGISTRARS & SHARE TRANSFER AGENTS

Share pro services (India) Pvt.Ltd.,
13AB,Samhita Warehousing Complex, Second Floor, Sakinaka
Telephone Exchange Lane,
Off Andheri Kurla Road, Sakinaka, Andheri(East), MUMBAI – 400 072.

REGISTERED OFFICE

1402, Babukhan Estate,
Basheerbagh,
Hyderabad – 500 001

WORKS

Rudraram P O, Sangareddy Tq.
Medak Dist - 502 329
Andhra Pradesh

**NOTICE**

NOTICE is hereby given that the 26th Annual General Meeting of the Members of Hindustan Fluorocarbons Limited will be held on 25.9.2009 at 3.00 P.M at Press Club, Deshodharaka Bhavan, Bashirbagh, Hyderabad-500 001 to transact the following business.

Ordinary Business

1. To receive, consider and adopt the Audited Profit and Loss Account for the year ended 31st March, 2009 and Balance Sheet as on that date together with reports of the Directors' and the Auditors' thereon.
2. To appoint a director in place of Shri P S Singh who retires at this AGM and being eligible offers himself for re-appointment.
3. To appoint a director in place of Shri R N Madangeri who retires at this AGM and being eligible offers himself for re-appointment.

Special Business

4. To consider and if thought fit to pass the following resolutions as ORDINARY resolution with or without modifications:
"RESOLVED THAT Dr.B.D.Kulkarni, Director who was appointed as Independent Director w.e.f. 31.1.2009 and who holds office as such upto the date of this AGM and in respect of whom a notice under section 257 of the Companies Act, 1956 has been received from one member signifying his intention to propose Dr.B.D.Kulkarni as a candidate for the office of the Director of the Company be and is hereby appointed as a Director of the Company, eligible to retire by rotation"
5. To consider and if thought fit to pass the following resolutions as SPECIAL resolutions with or without modifications:
"RESOLVED THAT pursuant to Section 17 of the Companies Act, 1956 and other applicable provisions and subject to such other approvals as may be required, the consent of the Share holders of the company be and is hereby accorded to amend the Object Clause III(B)(9) and Clause III(B)(26) of the Memorandum of Association of the company as under :

Clause III(B)(9) : To sell, lease out or dispose of the undertaking of the company and all or any of the property or effects of the Company for cash or for stock, shares or securities of any other company or for other consideration as the company may think fit.

Clause III(B)(26) : To dedicate, present, lease or otherwise dispose of either voluntarily with or without consideration or for value any property of the Company deemed to be of national, public, or local interest, to any national trust, public body, museum, corporation or authority or any trustees for or on behalf of any of the same or of the public."

**By order of the Board of Directors
of Hindustan Fluorocarbons Ltd.,**

**Sd/-
(T S GAIKWAD)
MANAGING DIRECTOR**

PLACE : HYDERABAD

DATE : 31.7.2009

Regd.Office

1402, Babukhan Estate,
Basheerbagh, Hyderabad – 500 001.

NOTES :

1. A member entitled to attend and vote at the meeting 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 of the company. Proxies, in order to be effective must be lodged at the registered office of the company not less than 48 hrs. before the meeting.
2. The Registered Office of the Company's R&T Agents M/s Sharepro Services (I) Pvt. Ltd., have been shifted and now changed New Address is as under.
13AB, Samhita Warehousing Complex, 2nd Floor, Sakinaka Telephone Exchange Lane, Off.Andheri-Kurla Road, Sakinaka, Mumbai – 400 072. Tel:67720300/351/352, 67720400/211872, Fax : 28591568, e-mail: sharepro@shareproservices.com.
3. **Members/Proxies should bring their attendance slip, duly filled in at the meeting.**



4. **The Register of Members and Shares Transfer Books of the company will remain closed from Saturday the 19th Sept, 2009 to Friday the 25th Sept, 2009 (both days inclusive).**
5. **Members are requested to note the change in the Regd. Office address of the R & T of the Company and then to intimate immediately any change in their addresses registered with the company to the R&T Agents at their new office address.**
6. **Members, who hold shares in the dematerialized form, are requested to bring their depository account number for identification.**
7. **Members are requested to bring their copy of Annual Report at the meeting, as the same will not be distributed again as a measure of economy.**
8. **An Explanatory statement pursuant to Section 173(2) of the Companies Act, 1956 in respect of the Resolution set out against item no.4 & 5 of the notice is enclosed.**

**By order of the Board of Directors
of Hindustan Fluorocarbons Ltd.,**

**Sd/-
(T S GAIKWAD)
MANAGING DIRECTOR**

**PLACE : HYDERABAD
DATE : 31.7.2009**

Regd. Office
1402, Babukhan Estate,
Basheerbagh, Hyderabad – 500 001.

**EXPLANATORY STATEMENT PURSUANT TO
SECTION 173(2) OF THE COMPANIES ACT,
1956.**

Item No.4

The promoter company M/s Hindustan Organic Chemicals Limited to enable the compliance of Clause 49(II) of the listing agreement with the Stock Exchange as to the requirement of Independent Director on the Board has nominated Non-official Independent Director

(NOID) Dr.B.D.Kulkarni on the Board of the Company w.e.f.31.1.2009. Further, as per the clarifications received from BSE where the promoter company is a listed entity, its Independent Directors shall not be deemed to be related to it and they would continue to be independent in the Company in which they are nominated. The Director nominated by HOCL as Non Official Independent Director as Independent Director on the Board of HFL will hold office till the conclusion of AGM of HFL and is eligible for appointment as Director of HFL at the AGM.

The Company has received a proposal from a member proposing the appointment of Dr.B.D.Kulkarni as Director on the Board of HFL pursuant to Section 257 of Companies act, 1956. Dr.B.D.Kulkarni has given his consent to act as Director. Hence, the proposal is placed before the share holders for approval and appointment of Dr.B.D.Kulkarni on the Board of HFL from this AGM to next AGM who is eligible for reappointment.

None of the Directors except Dr.B.D.Kulkarni is interested in the above resolution.

**EXPLANATORY STATEMENT PURSUANT TO
SECTION 173(2) OF THE COMPANIES ACT,
1956.**

Item No.5

To set up a commercial plant, company is proposing to enter into an MoU with M/s Advance Fluorine Technologies Pvt.Ltd.,(AFTPL).

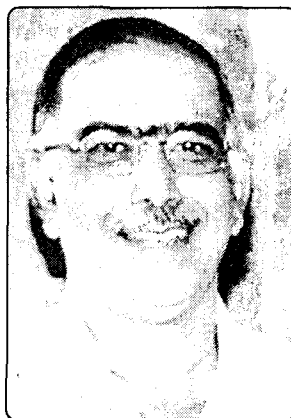
For the above purpose the existing clause no.9 & 26 (page no.3 & 5) of Memorandum and Articles of Association of the Company is required to be amended. Hence the proposal is put up before the shareholders for approval of amendment of clause 9 & 26 of the objects clause of the company.

Further the amendments in objects clause are suggested by Advocates & Solicitors, M/s Crawford Bayley & Co., Mumbai in compliance with Section 16 & 17 of the Companies Act, 1956.

None of the Directors is concerned or interested in the proposed resolutions except to the extent of the shares held by them in their individual capacity.



Chairman's Speech



Dear Shareholders,

I extend my hearty welcome to you to this 26th Annual General Meeting of the company. I am sure, you must have received The Directors' Report and Audited Annual Accounts for the year ended 31st March, 2009 and with your permission I take it as read.

I now proceed to share with you briefly the performance of the company and our activities.

1. OPERATIONS AND OVERALL PERFORMANCE:

Working capital position has been improved during financial year due to enhancement of working capital limits from State Bank of Hyderabad. Hence, the plant capacity utilization has also increased. With this increased capacity utilization, sales turnover

has increased by 35% to Rs.1381.12 lacs as against Rs.1015.55 lacs. in previous year. With this improved sales performance, your company has made net profit of Rs.55.52 lacs from operations.

The quality of our products is continued to be well accepted in the market.

2. SAFETY, ENVIRONMENT & ISO CERTIFICATION :

The company continued to lay emphasis on the consciousness about safety among the employees and periodic reviews of safety measures have enabled the company once again to maintain safe operations during the year. Company's Quality Management System is approved by M/s TUV and they have accredited ISO 9001:2008 certification

**3. FUTURE OUTLOOK :****A. CLEAN DEVELOPMENT MECHANISM
(CDM) PROJECT:**

CDM Project got registered on 14.11.2008 by The United Nations Framework Convention on Climate Change (UNFCCC) Executive Board. It is expected that the CDM facility would be commissioned early next year.

B. DIVERSIFICATION:

PTFE domestic market continues to be sluggish in spite of imposition of antidumping duty on material coming from China. Therefore, the company had to sell more quantity of CFM 22 in a highly competitive market instead of converting it into PTFE. Company has explored various possibilities for development of fluoro speciality chemicals based on intermediate Tetra Fluoro Ethylene (TFE). Company had developed two products based on intermediate TFE so far. Out of this, one product is already commercialized and the sample of the other product developed is sent abroad for conducting environmental trials.

With these initiatives in diversification, it is expected that the Company's financial position will improve.

4. ACKNOWLEDGEMENTS:

I would like to convey my sincere appreciation for the constant support received from our customers, suppliers, HOCL, Central Govt., Govt. of Andhra Pradesh, our employees and Statutory Bodies, Investors, Banks & FIs etc. In conclusion I am fully confident that with the continued support from all of you my urge to place your company in the pedestal of success will not be unrealistic.

Thank you all once again.

(A.S.DIDOLKAR)
Chairman



DIRECTORS' REPORT

Your Directors are glad to present the 26th Annual Report of the company together with Audited Annual Accounts for the year ended 31st March, 2009.

1. FINANCIAL RESULTS.

	(Rs. in lacs)	
	Financial Year	Financial Year
	2008-09	2007-08
Sales Turnover (Net)	1381.12	1015.55
Reversal of Interest on IFI & HOCL	-	4484.90
Gross Profit	419.21	4145.00
Interest	205.05	63.72
Cash Profit (Loss)	214.16	4081.28
Less: Depreciation	160.93	76.23
Profit (loss) for the year	53.23	4005.05
Prior period Adjustments	(4.78)	8.65
Provision for taxes	2.49	-
Net Profit/(Loss)	55.52	3996.40

In view of the continued accumulated losses incurred by the company in the previous years carried to the balance sheet, your Directors do not recommend any dividend on equity shares for the year ended 31.3.2009.

2. OPERATION AND OVERALL PRODUCTION AND MARKETING PERFORMANCE:

During the year, the sales turnover was Rs.1381.12 lacs as against Rs.1015.55 lacs in the previous year. During the year under report production of PTFE was 21.73 MTs as against 113.99 MTs in the previous year and CFM-22 production was 890.17 MT as against 481.68 MT in the previous year. 668.36 MT of CFM-22 was directly sold in the market and balance quantity i.e., 162.76 MT was used for value added products instead of converting it into PTFE, because contribution from CFM-22 was more than that of PTFE. Quality of all company's products continued to be well accepted by our customers.

3. FUTURE OUTLOOK.

A. Clean Development Mechanism(CDM):
Storage of HCFC-23 was commissioned in the month of October, 2008 and subsequently CDM Project was registered on 14.11.2008 by The United Nations Framework Convention on Climate Change(UNFCCC), Executive Board.

Other activities related to CDM Project are as per schedule and with this schedule, it is expected that project would be completed in early 2010.

Diversification into Fluoro Speciality Chemicals: PTFE domestic market continues to be sluggish in spite of imposition of anti-dumping duty on material coming from China. Therefore, the company had to sell more quantity of CFM-22 in a highly competitive market instead of converting it into PTFE. Company has explored various possibilities for development of fluoro speciality chemicals based on intermediate Tetra Fluoro Ethylene (TFE). Company had developed two products based on intermediate TFE so far. Out of this, one product is already commercialized and the sample of the other product developed is sent abroad for conducting environmental trials.

With these initiatives in diversification, it is expected that the Company's financial position will improve.

4. SAFETY, ENVIRONMENT & ISO CERTIFICATION

The company continued to lay emphasis on safety operations and periodic reviews of safety measures were undertaken to ensure adequate safety safeguards. Company's Quality Management System is approved by M/s TUV and they have accredited ISO 9001:2008 certification.

5. BOARD OF DIRECTORS

The following changes have taken place among the Directors of the Company:

Shri N.Bhattacharya ceased to be Director and in his place Shri P.S.Singh, Dy. Secretary to the Govt. of India, Deptt. of Chemicals & Petrochemicals, Ministry of Chemicals & Fertilizers has been appointed as a Govt. Nominee Director with effect from 20.6.2009.

In pursuance of Article 77 of the Articles of Association of the Company and on the nomination by HOCL, Dr.B.D.Kulkarni has been appointed as Independent Director w.e.f. 31.1.2009.

Government Nominee Director Shri P.S.Singh, Dy.Secretary to Govt. of India from Department of Chemicals and Petrochemicals and Shri R N Madangeri, Director(Tech.), HOCL will retire at this AGM and being eligible have offered themselves for reappointment.

**6. INDUSTRIAL RELATIONS**

Employee relation continued to be cordial through out the year. Company continued to follow Govt. policy of reservation in recruitment of SC/ST/OBC. Analysis relating to SC/ST/OBC/ WOMEN personnel in the company is given at Annexure-II.

7. PARTICULARS OF EMPLOYEES:

None of the employee of the company is drawing remuneration requiring disclosure pursuant to Section 217(2A) of Companies Act, 1956 read with Companies (Particulars of Employees) Rules, 1975.

8. DISCLOSURES-CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION FOREIGN EXCHANGE EARNINGS AND OUTGO.

Particulars with respect to Conservation of Energy, Technology Absorption, Foreign Exchange earning and outgo as required under Companies (Disclosure of Particulars in the Report of the Board of Directors) Rules, 1988 in so far as they relate to the company are furnished in the annexure.

9. VIGILANCE

With the approval of the Ministry an Officer of the company has been nominated as "Vigilance Officer" (Part time) from amongst the Officers of the Company to take care of Vigilance functions. Vigilance activities have mainly been directed to check the lacunae in the existing systems and procedures through periodical checks. The instructions of the Central Vigilance Commission received from time to time have been implemented to strengthen the vigilance machinery in the company.

10. AUDITORS

In pursuance of Section 619(2) of the Companies Act, 1956, the Comptroller and Auditor General of India has appointed M/s.V Rao & Gopi, Chartered Accountants, Hyderabad as Auditors of the Company to Audit the accounts for the year ended 31st March, 2009.

The comments of the Comptroller and Auditor General of India u/s 619(4) of the Companies Act, 1956 on the Accounts of the company for 2008-09 has been annexed to the Annual Report for the period 2008-09.

11. TRADING AND DEMAT FACILITIES FOR SHARES:

Your Directors are glad to report that Mumbai Stock Exchange has revoked the suspension in trading and reinstated the trading in equity shares of the company. Company got ISIN No.INE 806J01013 and demat facilities with Central Depository Services (India) Limited, (CDSL) for the equity shares of the company.

12. CORPORATE GOVERNANCE

All the members are aware that the company shares are listed at Stock Exchanges of Hyderabad, Mumbai and as per Clause 49 of the listing agreement. Corporate Governance report is annexed hereto and forms part of the Directors' Report.

13. RESPONSIBILITY STATEMENT

The Directors confirm:

- That in the preparation of the annual accounts, the applicable accounting standards have been followed and that no material departures have been made from the same.
- That they have selected such accounting policies and applied them consistently and made judgments and estimates that are responsible and prudent so as to give a true and fair view of the state of affairs of the company for the period.
- That they have taken proper and sufficient care of the maintenance of adequate accounting records in accordance with the provisions of the companies Act, 1956 for safe guarding the assets of the company and for preventing and detecting fraud and other irregularities.
- That they have prepared the annual accounts on a going concern basis.

14. ACKNOWLEDGEMENTS

Your directors wish to acknowledge the sustained efforts and dedication of the employees.

The substantial and timely assistance from the holding company, Hindustan Organic Chemicals Limited in all respects is gratefully acknowledged. Your Directors also wish to thank State Bank of Hyderabad, the company's bankers for their support. We also wish to place on record our gratitude for the assistance received from Govt. of India, Govt. of Andhra Pradesh, APIDC, Raw Materials suppliers and our valued customers.

For and on behalf of the Board of Directors

Place: Hyderabad
Date: 31.7.2009

(A.S. DIDOLKAR)
CHAIRMAN

**ANNEXURE-I****(FORM A)****FORM FOR DISCLOSURE OF PARTICULARS WITH RESPECT TO CONSERVATION OF ENERGY**

A. POWER AND FUEL CONSUMPTION		CURRENT YEAR	PREVIOUS YEAR
1. Electricity			
Purchased units		40,22,400 KWH	53,78,085 KWH
TOTAL AMOUNT		Rs.1,60,32,301	Rs.2,05,14,727
Rate/Unit		Rs.3.99	Rs.3.81
B) OWN GENERATION			
i) Through Diesel Generator		1,06,200 KWH	52,156 KWH
Units per Liter of Diesel Oil		2.78 KWH	3.08 KWH
Cost per unit		Rs.10.90	Rs.9.54
ii) Through Steam Turbine		-	-
Generator Units		-	-
3. FURNACE OIL			
Quantity		356	351.50
Total Amount		87,50,315	67,30,281
Average rate per KL		Rs.24,579.54	Rs.19,147.31
B. CONSUMPTION PER UNIT OF PRODUCTION			
PRODUCT: PTFE (MT)		22,453 KWH	47,179.00 KWH
Electricity per MT of PTFE			
(Since PTFE Prodn. is very low, consumption figures are not comparable)			
Furnace oil per MT of PTFE		3.99 KL	3.08 KL
HSD rate per KL		Rs.30,338.21	Rs.29,424.94

During this year, following energy conservation schemes were implemented:

- ♦ Steam distribution layout was changed according to usage. This has saved about 25 KL of Furnace Oil in terms of rupees it is about Rs.6.00 lacs. Investment for this modification is about Rs.25,000/-.
- ♦ Old cooling water circulation pumps were changed by higher efficiency pumps. Electrical energy saved per annum with this scheme is about Rs.21.00 lacs. Investment made for this modification is Rs.1.70 lacs.
- ♦ Process modification was carried out in monomer plant to make effective utilization of utilities. This modification has resulted in saving of electrical energy by about Rs.20 lacs per annum. Investment for this modification is about Rs.25,000/-

ANNEXURE-II

Consolidated report as on 31-03-2009 (SC/ST/OBC/WOMEN)

Group	Total Strength	SC	ST	OBC	WOMEN
A	46	03	01	14	01
B	-	-	-	-	-
C	87	15	05	18	03
D	26	06	13	07	-
TOTAL	159	24	19	39	04

**CORPORATE GOVERNANCE REPORT AS ON 31.3.2009****(Annexure to Directors' Report)**

As per the Code of Governance propounded by the Government, Corporate Governance involves a set of relationships between a Company's management, its Board, its shareholders and other stakeholders. Corporate Governance provides a principled process and structure through which the objectives of the Company, the means of attaining the objectives and systems of monitoring performance are also set. The Management believes that strong and sound corporate governance is an important instrument of protection of stake holders, through transparency, professionalism, accountability and adequate disclosures. The company continuously endeavors to improve on these aspects on an on going basis.

The key to good Corporate Governance is well functioning Board of Directors. Board is responsible to shareholders for performance of the Company. Company cannot prosper without the trust and support of its shareholders.

Given below is the Report of Directors on Corporate Governance in accordance with the provisions of Listing Agreement.

BOARD OF DIRECTORS – COMPOSITION

Your company feels that Board of Directors must be an optimum combination of executive and non-executive directors representing the different fields. The strength of Board of Directors as on 31.3.2009 and at present(31.07.2009) is six. It has a mix of executive and non-executive directors. The Board comprises of three directors nominated by HOCL of which one Director is Chairman of the Board. The other non-executive directors are representing the Department of Chemicals & Fertilizers and BIFR.

Sl. No.	Directors /Shri	Category of Director (ED,NED,NEID)	Date of appointment	Date of Ceasure	No.of other Directorships	Membership in Other Board Committees	Chairmanship in Other Board Committees
1	AS Didolkar	Chairman NED	19.1.2001	-	2	2	2
2.	T S Gaikwad	ED	1.1.2008	-	-	-	-
3.	R N Madangeri	NED	1.2.2008	-	2	1	-
4.	S.W.Oak	NED	26.7.2007	-	1	1	-
5.	N.Bhattacharya	NED	25.9.2007	17.6.2009	-	-	-
6.	P S Singh	NED	17.6.2009	-	-	-	-
7.	Dr.B.D.Kulkarni	NED	31.1.2009	-	1	-	-

CHANGES IN THE BOARD OF DIRECTORS:

The following changes have taken place among the Directors of the Company:

Shri N.Bhattacharya ceased to be Director w.e.f.20.6.2009. He was Dy.Secretary to the Govt. of India, from the Ministry of Chemicals & Fertilizers, Deptt.of Chemicals & Petrochemicals.

Shri PS Singh is appointed (in place of Shri N.Bhattacharya) as a Govt. Nominee Director w.e.f.20.6.2009. He is Dy. Secretary to the Govt. of India from the Ministry of Chemicals & Fertilizers, Deptt. of Chemicals & Petrochemicals, Govt.of India.

Dr.B.D.Kulkarni is appointed as Independent Director by HOCL w.e.f. 31.1.2009. He is acting Director of NCL Pune, and also on the Board of HOCL as Non Official Independent Director.

**RESPONSIBILITIES :**

The Board has a formal schedule of matters reserved for its consideration and decision which includes review of corporate performance, financial resources, strategy formulation, policy and control, organizational structure and reporting to shareholders. The combined wisdom and experience of the Board has brought a wide range of skills and professionalism to the functioning of the organization.

ROLE OF INDEPENDENT DIRECTORS :

The independent directors including the nominee directors play an important role in the deliberations at the Board Meetings and bring to the Company their wide-ranging experience in the fields of finance, audit, marketing, technical, engineering and public policy. All independent directors were members of the Audit Committee.

BOARD MEETINGS

The meetings of the Board of Directors are generally scheduled well in advance and are generally held either at Hyderabad where Regd.office of the company is located or at Holding Company, HOCL Corporate Office at Mumbai. The members of the Board have access to all information of the company and are free to recommend inclusion of any matter in the agenda for discussion. Senior management personnel are invited to attend the board meeting for clarifications as and when required.

During the year under review Board Meetings were held on 24.4.2008, 26.6.2008, 29.7.2008, 24.9.2008, 17.10.2008, 14.11.2008, 28.1.2009 and 30.3.2009.

The attendance of the Directors at Board Meeting is as follows:

Sl. No.	Directors	Board Meetings Held	Board Meetings Attend	Attendance At the Last AGM
1.	Shri A S Didolkar, Chairman	08	07	YES
2.	Shri R N Madangeri, Director	08	08	YES
3.	Shri N Bhattacharya, Director	08	04	YES
4.	Shri S W Oak, BIFR Spl. Director	08	07	YES
5.	Shri T S Gaikwad, Managing Director	08	08	YES

NOTES:

1. Sri N Bhattacharya ceased to be Govt. Nominee Director w.e.f. 20.6.2009.
2. Dr. B. D. Kulkarni is appointed as Independent Director w.e.f. 31.1.2009
3. Sri .P.S. Singh is appointed as Govt. Nominee Director w.e.f. 17.6.2009

COMMITTEES OF THE BOARD

To enable better and more focused attention on the efforts of the company, the Board delegates particular matters to the Committees of the Board set up for the purpose with adequate delegations of powers and to discharge urgent business of the company. These Committees are (a) Audit Committee (b) Share Transfer and Shareholders/Investors' Grievance Committee.

The details of the Audit Committee and Share Transfer/Shareholders' /Investors' Grievance Committee:


AUDIT COMMITTEE
(i) Terms of Reference:

Apart from all the matters provided in Clause 49 of the Listing Agreement and Section 292(A) of the Companies (Amendment) Act, 2002, the Committee reviews reports of the Internal Auditors, meets Statutory Auditors periodically and discusses their findings, suggestions, internal control systems, compliance with the accounting standard, scope of audit, observations of the Auditors and other related matters. The committee also reviews the major accounting policies followed by the company. The committee invites senior executives as it considers appropriate at its meetings. Other Functional Directors (MD, HFL, Chairman etc.) on the Board and Head of Internal Audit (on invitation) attend the meetings of Audit Committee as special invitees.

The representatives of the Statutory Auditors are also invited to attend the meetings. The Company Secretary of HOCL acts as Secretary to the Committee.

(ii) Composition:

The Committee as on 31st March, 2009 comprised of two non Executive Directors. Though the meetings were called during April, '08 and Oct, '08, the same could not be held for want of quorum. The Committee met two times during the year 2008-09 i.e., 29.7.2008 and 28.1.2009.

Further, in compliance of Clause 49 II of the Listing Agreement with Stock Exchange, the Audit Committee was reconstituted at the Board Meeting held on 20.6.2009 comprising of Shri S W Oak, Director as Chairman of the Committee, Dr.B.D.Kulkarni, Independent Director as Member and Sri P S Singh, Govt.Nominee Independent Director as Member of the Committee in place of Shri N.Bhattacharya. With this the Audit Committee comprises of three Non Executive Independent Directors.

(iii) The attendance of the members at the meetings was as follows:

Name of the Member	Status	No. of Meetings attended
1. Shri S W Oak	Chairman	02
2. Shri N Bhattacharya	Member	02

SHARE TRANSFER AND SHAREHOLDERS/INVESTORS GRIEVANCE COMMITTEE:

As required under the Companies Act, 1956, the company already has a Share Transfer and Share Holders/Investors' Grievance Committee comprising of Shri A S Didolkar, Chairman, Shri R N Madangeri, Director as Member. The quorum of the Committee is two.

SHARE TRANSFER SYSTEM:

The company has a Share Transfer Committee which is authorized to transfer securities as and when they are received both under physical and electronic mode. Further, for dematerialization of shares company shares can be dematerialized with CDSL under ISIN No.INE 806J01013. As all the formalities have already been completed at Bombay Stock Exchange(BSE) trading of share through BSE is slightly to commence soon, as the BSE has already approved revocation and reinstatement of trading in equity shares of the company.

The Company Secretary of HOCL acts as Secretary to the Committee.

The share transfer committee meets regularly and approves all matters related to shares vis-à-vis transfers, deletions, transmissions, dematerialization and re-materialization of shares. There were no pending complaints and request for demat.

This committee is vested with requisite powers and authorities to specifically look into the redressal of shareholders and investors grievances.

The letters received from the investors were attended/resolved to the satisfaction of investors.

The transfers of shares were affected within the stipulated time. The Committee met 11 times and the details are as under :

26.5.2008, 29.7.2008, 13.8.2008, 29.8.2008, 16.10.2008, 31.10.2008, 1.12.2008, 30.12.2008, 30.1.2009, 16.2.2009 and 18.3.2009.

**Summarized information on complaints received and resolved during 1st April, 2008 to 31st March, 2009:**

Sl. No.	Nature of Complaint	Received	Redressed	Pending as on 31.3.2009
1.	Non-receipt of Dividend	-	-	-
2.	Non-receipt of shares lodged for transfer	-	-	-
3.	Others (N/R of Annual Report, etc).	1	1	-

Please note that the above grievances have been redressed within 30 days of the receipt thereof.

REMUNERATION COMMITTEE:

Hindustan Fluorocarbons Limited, being a Govt. Company, the remuneration of the Executive Directors is decided by the Government of India. Non-executive Directors are not paid any remuneration except sitting fees for attending the meetings of the Board or Committees thereof. However, Government Nominee Directors are not paid any Sitting Fees.

In view of the above, no Remuneration Committee has been constituted.

DETAILS OF REMUNERATION PAID TO THE DIRECTORS FOR THE YEAR 2008-2009:(Rs.in Lacs)

Name	Salary including perks	Arrears	Retirement benefits	Total
1. T S Gaikwad	6.48			6.48

The Executive Directors have been appointed by the President of India for a period of 5 years or till attaining the age of superannuation, whichever is earlier. The appointment may be terminated even during this period either side on three months notice or on payment of three months salary in lieu thereof.

The company has not given any stock options.

i. Non-executive Directors : The Company does not pay any remuneration to non-executive Directors for attending the meetings of the Board of Directors thereof. The company pays Sitting Fees and out of pocket expenses at the rate of Rs.1000/- per meeting per Non Official Independent Director for attending each meeting of the Board of Directors and also Rs.1000/- for attending each meeting of Committee of the Directors. The details of sitting fees paid during the year 2008-2009 are as follows:

Sl.No.	Name of the Director	Sitting fees (including out of pocket expenses) Amount(Rs.)
1.	S W Oak	Rs.9,000/-

ANNUAL GENERAL MEETINGS

The last three Annual General Meetings of the company were held as under :

Particulars	FY-2005-06	FY-2006-07	FY-2007-08
DATE	22.9.2006	25.9.2007	24.9.2008
TIME	12.00 p.m.	3.00 P.M.	3.00 P.M
VENUE	Deshodharaka Bhavan Basherbagh, Hyderabad-500 001	Deshodharaka Bhavan Basherbagh, Hyderabad-500 001	11-6-841, P B No. 14, Red Hills, Hyderabad.

No special resolutions were passed through postal ballot at the last Annual General Meeting (AGM).

No special resolutions are proposed through postal ballot at the forthcoming Annual General Meeting.

**COMPLIANCE OFFICER :**

Shri E Surya Rao, Dy.General Manager(Finance) is the Compliance Officer w.e.f. 23.3.2009 (upto 31.1.2009, Shri T Eshwaraiah, Chief Manager(HRD) was the Compliance Officer) of the Company under Clause 47 of the Listing Agreement.

GENERAL SHAREHOLDER INFORMATION:

Registered Office	1402, Babukhan Estate, Bashirbagh, Hyderabad – 500 001.
Tentative Financial Calendar	1 st Quarter Results on or before 31 st July of the year.2 nd Quarter Results on or before 31 st Oct, of the year.3 rd Quarter Results on or before 31 st Jan, of the year.4 th Quarter Results on or before 30 th April, of the following year
Date of book closure	(For the purpose of Annual General Meeting)19.9.2009 to 25.9.2009(both days inclusive)
Dividend payment date (tentative)	N.A
Listing on Stock Exchanges	The shares of the Company are listed on - The Stock Exchange, Mumbai - The Hyderabad Stock Exchange, Hyderabad
Registrar & Transfer Agents	M/s Sharepro Services (India) Pvt.Ltd., 13AB, Samhita Warehousing Complex, 2 nd Floor, Sakinaka Telephone Exchange Lane, Off.Andheri-Kurla Road, Sakinaka, Mumbai–400 072. Tel:67720300/351/352, 67720400/211872, Fax : 28591568e-mail: sharepro@shareproservices.com.

DISCLOSURES:

- i. The above disclosure though materially significant related party transactions but does not have potential conflict with the interests of the company at large.
- ii. Details of non-compliance, penalties, structure by SEBI/Statutory Authorities/Stock Exchanges on matters relating to capital markets during the last 3 years – None.
- iii. It is affirmed that no personnel has been denied access to the Audit Committee.

MEANS OF COMMUNICATION

- I. Quarterly, half-yearly and annual audited financial results of the Company are sent to the Stock Exchanges immediately after they are approved by the Board. The results are published in Regional Language and English National daily as per the requirement of Listing Agreement.
- II. Whenever Directors' appointed or re-appointed, Stock Exchanges are intimated through Fax/ Speed Post/Courier Service.

MARKET PRICE DATA

As per the records available with the company, the trading on equity shares of your company has been suspended at Bombay Stock Exchange Ltd. (BSE) since 1998 (in view of the negative net worth of the company). The Company has been taking all possible steps for reinstatement of the trading at BSE.

However, though the Equity Shares are listed at Hyderabad Stock Exchange(HSE), the high/low price of Equity shares are not available at HSE as there are no quotations at the said HSE.

**DISTRIBUTION OF SHAREHOLDING**

Category	No. of shares held	Percentage of Shareholding
I. <u>CONTROLLING/STRATEGIC HOLDINGS:</u>		
1. Hindustan Organic Chemicals Limited	11065200	56.46
2. A.P. Industrial Development Corpn. Ltd.,	870000	4.44
SUB TOTAL	11935200	60.90
II. <u>FREE FLOAT:</u>		
A. <u>BASED IN INDIA</u>		
1. Indian Individuals/HUFs	4601300	23.48
2. Indian Corp. Bodies/Trustees/Partnership	591200	3.02
3. Independent Directors & Relatives	100	0.00
4. Present employees	64300	0.33
5. Banks/Financial Institutions	1681900	8.58
6. Insurance companies	470000	2.40
7. Mutual funds	101200	0.52
SUB-TOTAL	7510000	38.32
B. <u>BASED OVERSEAS:</u>		
1. Non-resident Indians	153900	0.79
GRAND TOTAL	19599100	100.00

DEMATERIALISATION OF SHARES & LIQUIDITY:

Though the shares of the company are compulsorily required to be traded in dematerialized mode, your company being a sick company SEBI Guidelines and instructions and stock exchange rules and regulations do not offer DEMAT facility to such company with a negative net worth (sick company). In spite of this fact, company approached repeatedly with Central Depositories Services (India) Ltd., (CDSL) to demat the equity shares. CDSL has admitted the company's share in the CDSL under ISIN No. INE806J01013.

Further, BSE has approved the re-instatement of Trading in Equity Shares of the Company and approved the revocation of suspension in Trading at BSE subject to fulfillment of certain conditions. As the required conditions are complied with and completed, BSE Officials have confirmed that BSE has issued the Notice for revocation of suspension in Trading in the Shares of the Company (HFL) at BSE, w.e.f. Thursday, 3rd September, 2009.

CFO CERTIFICATION

Shri E Surya Rao, Dy. General Manager (Finance), CFO of the company hereby certify that :

- a) We have reviewed financial statements and the cash flow statement for the year 2008-09 and that to the best of our knowledge and belief:
 - i) These statements do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading.
 - ii) These statements together present a true and fair view of the company's affairs and are in compliance with existing accounting standards, applicable laws and regulations.
- b) There are, to the best of our knowledge and belief, no transactions entered into by the company during the year which are fraudulent, illegal or violative of the company's code of conduct.



- c) We accept responsibility for establishing and maintaining internal controls and that they have evaluated the effectiveness of the internal control systems of the company and they have disclosed to the auditors and the Audit Committee, deficiencies in the design of operation of internal controls, if any, of which they are aware and the steps they have taken or propose to take to rectify these deficiencies.
- d) We have indicated to the auditors and the Audit Committee :
- significant changes in internal control during the year;
 - significant changes in accounting policies during the year and that the same have been disclosed in the notes to the financial statements; and
 - instances of significant fraud of which they have become aware and the involvement therein, if any, of the management or an employee having a significant role in the company's internal control system.

COMPLIANCE OFFICER'S RESPONSIBILITY STATEMENT:

The Compliance Officer (Mr.E Surya Rao,) confirms that the Company has :

- Maintained all the Statutory Registers required to be maintained under the Companies Act, 1956 ("the Act") and rules made thereunder.
- Filed all forms and returns and furnished necessary particulars in time to Registrar of Companies (ROC) and/or Authorities as required under the Act.
- Issued all notices as required to be given for convening the meeting of the Board of Directors and General Meetings of the shareholders within the time limits prescribed by the law.
- Conducted the meetings of the Board of Directors and Annual General Meeting as per the provisions of the Act.
- Complied with all the requirements relating to the minutes of the proceedings of the meeting of the Directors and the shareholders.
- Made due disclosures under the requirements of the Act including the requirements in pursuance to the disclosures made by the directors.
- Obtained necessary approvals of the directors, shareholders, Central Government and other authorities as per the statutory requirements.
- Given loans and made investments in accordance with the requirements of the Act.
- Not exceeded the borrowing powers of the company.
- Registered all the particulars relating to the creation, modification and satisfaction of the charges with the ROC.
- Effected share transfers and dispatched the certificates within the time limit prescribed under the Act and rules made there under.
- Complied with all the requirements of the Listing Agreement entered into with the Stock Exchanges.

The company has also complied with the requirements prescribed by Securities and Exchange Board of India (SEBI) and other statutory authorities and also the requirements under the Act and related status in force.

NON-MANDATORY REQUIREMENTS**RE-APPOINTMENT OF DIRECTORS**

Shri P S Singh, Shri R N Madangeri will retire by rotation at this AGM and are eligible for re-appointment.

Sd/-

(E SURYA RAO)

DY.GENERAL MANAGER(FIN.)/
COMPLIANCE OFFICER

Place : Hyderabad

Date : 31.7.2009



CERTIFICATE ON CORPORATE GOVERNANCE

The Members,
Hindustan fluorocarbons ltd
Hyderabad.

We have examined the compliance of conditions of Corporate Governance by Hindustan Fluorocarbons Ltd., Hyderabad, for the Year ended March 31, 2009, as stipulated in Clause-49 of the Listing Agreement of the said Company with the Stock Exchanges.

The compliance of conditions of Corporate Governance is the responsibility of the Management. Our examination was limited to procedures and implementation thereof, adopted by the company for ensuring the compliance of conditions of Corporate Governance. It is neither an audit nor an expression of opinion on the financial statements of the company.

In our opinion and to the best of our information and according to the explanations given to us and the representations made by the Directors and the Management we certify that the Company has partially complied with the conditions of Corporate Governance as stipulated in the above mentioned listing Agreement. The report of non compliance has been submitted to the management to comply and to disclose the same to the shareholders.

We further state that such compliance is neither an assurance as to the future viability of the company nor the efficiency of effectiveness with the Management has conducted the affairs of the company.

For Ahalada Rao. V & Associates
Company Secretaries,

Date: 30.07.2009
Place: Hyderabad

Sd/-
Ahalada Rao. V
CP No. 3607

**AUDITORS' REPORT**

To
The Members,
Hindustan Fluorocarbons Ltd.,
Hyderabad.

We have audited the attached Balance Sheet of **Hindustan Fluorocarbons Ltd.**, Hyderabad, as at March 31, 2009, the Profit and Loss Account and the Cash Flow Statement for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these Financial Statements based on our audit.

We conducted our audit in accordance with Auditing Standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the Financial Statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the Financial Statements. An audit also includes assessing the accounting principles used and significant estimates made by the management, as well as evaluating the overall Financial Statements presentation. We believe that our audit provides a reasonable basis for our opinion.

1. As required by the Companies(Auditors' Report) Order, 2003, issued by the Central Government of India in terms of sub-section(4A) of Section 227 of the Companies Act, 1956, we enclose in the Annexure here to a statement of the matters specified in paragraphs 4 & 5 of the said Order.
2. Further to our comments in the Annexure referred to in paragraph (1) above, we report that:
 - a) We have obtained all the information and explanations which, to the best of our knowledge and belief were necessary for the purpose of our audit;
 - b) In our opinion, proper books of account, as required by law, have been kept by the Company, so far as appears from our examination of those books;

- c) The Balance Sheet, Profit and Loss Account and the Cash Flow Statements dealt with by this report are in agreement with the books of accounts.
- d) In our opinion, the Balance Sheet, Profit and Loss Account and the Cash Flow Statement dealt with this report comply with the Mandatory Accounting Standards referred to in sub-section(3c) of Section 211 of the Companies Act, 1956.
- e) As per the Notification No.GSR.829(e), dated 21.10.2003 issued by the Central Government clause(G) of sub-section(1) of Section 274 of the Companies Act, 1956, is not applicable to the Government Company and hence we offer no comment as to whether any of the Directors are disqualified from being appointed as the Director in terms of the said section.
- f) In our opinion and to the best of our information and according to the explanations given to us, the said accounts read together with the Accounting Policies and Notes to Accounts annexed to this report, give the information required by the Companies Act, 1956 in the manner so required and give a true and fair view in conformity with the Accounting Principles generally accepted in India subject to the following qualifications,
 - i. regarding Sundry Debtors : These are subject to confirmation by the parties and review by the company (Note No.12)
 - ii. regarding valuation of HFC-23 Gas : The company reported a profit of Rs.55.52 lacs by taking HFC-23 gas(CFM-23) as closing WIP relating to future Carbon Credits amounting to Rs.772.04 lacs

HFC-23 is an effluent generated in the process of production of main products and is stored in a tanker with 45.00 MT capacity, in the factory located at Rudraram P.O., Sangareddy Taluka, Medak District. The quantity of the HFC-23 gas in the tank was measured at 15.42 MT as per the meter as on



MANAGEMENT DISCUSSION AND ANALYSIS

The financial year of the company consist of 12 months ended as on 31st March, 2009.

INDUSTRY STRUCTURE : The Industry is dominated by large integrated players consisting of both Indian and International. The total PTFE market is about 2500-3500 MT/annum consisting of various grades. Out of this, emulsion grade requirement is about 1000 – 1300 MT. Most of these grades are being imported at below our cost of production. In India, only HFL is making emulsion grades. Total production capacity in India is 6000 MT including HFL. However, our product is not competitive because of uneconomical plant size and old technology.

PTFE domestic market continuous to be sluggish in spite of imposing Anti Dumping Duty on material coming from China/Russia, as the duty is not adequate.

FUTURE OUTLOOK: As discussed above, it is known fact that company cannot make sustainable business only on PTFE because of old technology and low capacity of the plant resulting in higher cost of production with which unable to compete in the market. To overcome this problem within the limited resources, company has explored various possibilities which can be implemented immediately. Company has entered into development of various Fluoro Speciality Chemicals based on one of our intermediate product i.e. TFE and Company has already developed two fluoro speciality products which are commercially accepted in the market. It is expected that the contribution on these fluoro specialty chemicals is more than PTFE.

Clean Development Mechanism(CDM) : During production of HCFC-22, HFC-23 is generated as by-product. As per Kyoto Protocol, HFC-23 gas is designated as global warming gas. Hence, there was an opportunity for the company to develop CDM Project based on this gas.

Accordingly, company has submitted detailed project to United Nations Framework Convention on Climate Change (UNFCCC) Executive Board for registration of CDM Project and same was registered in the month of November, 2008. Other activities of the project are being implemented at site and it is expected that CDM Project will be commissioned in the month of Jan, 2010. Company will start earning revenue from CDM activity.

PROFILE OF DIRECTORS:

Dr.B.D.KULKARNI : HOCL nominated Independent Director on the Board of HFL w.e.f. 31.1.2009. His qualifications are B.Tech Chemical Engg, M.Tech. Chemical Engg., Ph.D Chemical Engg. He is in Government service, Acting Director, NCL Pune. He is Director in NCL, Pune and Non-official Independent Director in HOCL.

SHRI P S SINGH : He is Dy.Secretary to the Govt.of India, Ministry of Chemicals & Fertilizers, Deptt. of Chemicals & Petrochemicals. He was appointed as Director on the HFL Board on 20.6.2009.



Declaration by CEO of the company on Code of Conduct

I hereby declare that:

1. Code of conduct for the Board members and senior management of the company was approved by the Board of Directors in the Board Meeting and the same was adopted by the company.
2. Code of Conduct adopted by the Company was circulated to the members of the board and senior management of the company.
3. All the members of the Board and senior management of the company have complied with all the provisions of the code of conduct.

For HINDUSTAN FLUOROCARBONS LIMITED

Sd/-

(T S GAIKWAD)

MANAGING DIRECTOR

Place: Hyderabad

Date: 31.7.2009



31.3.2009. The cost of production of this gas is NIL, since the total costs are absorbed by the main products. In earlier years this HFC-23 gas (CFM-23) used to be vent out in the open sky. This gas having global warming potential has fallen under Kyoto Protocol. Therefore it is entitled to claim Carbon Credits after incineration as per the guidelines of UNFCCC. Recently as per the Kyoto Protocol, the Carbon Emission Reduction (CERs) and its valuation has come. So far the company has no such CERs. The process for getting such credits is to incinerate the HFC-23(CFM-23) in the prescribed manner as per UNFCCC. For incineration of this gas, specialized machinery is required and the same is under erection through a BOT Contractor Viz., SRF Ltd., who is entitled for around 30% of CERs.

Incineration has to be undertaken as per the guideline of UNFCCC (Certifying Authority). After Oxidation with specialized machinery under the supervision of the Certifying Authority and after proving that hazardous elements are totally eliminated the certifying authority may grant such CERs. After fulfilling all the above conditions as laid down by the certifying agency the company will be awarded CERs. These CERs are salable/transferable at the market price prevailing on the date of transfer. The company considered eligible CERs as WIP and valued as follows.

The accumulated HFC-23 Gas 15.42 MT, stored in the tank has been considered for eligible CERs to the tune of 1,80,414 CERs. Out of this SRF Ltd., (BOT Contractor of CDM Project) share is around 30% i.e. 54,124/- CERs and PWC, CDM Project Consultant's share is around 5% i.e. 9020 CERs. Balance is pertaining to HFL i.e., 1,17,269 CERs. The Company considered these 1,17,269 eligible CERs of the Company's portion and valued at the

lowest rate quoted during the year in the international market i.e., Euro 11 per CER at exchange conversion rate of Rs.63/- per EURO as on 31.3.2009. The value of CERs taken as WIP is Rs.772.04 lacs after deducting 5% of the total value to be incurred towards future cost for processing. As per AS-2 issued by ICAI in respect inventories, valuation shall be made at the lower of cost and net realizable value. Since the cost of producing R-23 is NIL, the value of stock R-23 gas shall be nil. Further the process of incineration of the gas has not yet took place and no carbon credits are on hand. Hence the value of Rs.772.04 lacs for the carbon credits arrived by the company as closing WIP is not correct since the position of HFC-23 is same on the date of completion of the audit as it was as on 31st March, 2009. Hence the valuation of HFC-23 as WIP is in deviation of AS-2. This is the first year wherein this issue crop up, as such there is no precedent to follow.

Therefore in our view, had the observation made by us considered, the Profit as reported by the Company for the year amounting to Rs.55.52 lacs would have been converted into a loss of Rs.716.52 lacs, the Net current assets would have been negative i.e., Rs.304.94 lacs(as against the reported figure of +Rs.467.10 lacs) and the Profit & Loss under Misc.Assets would have been Rs.5978.59 lacs (as against the reported figure of Rs.5206.55 lacs).

- i) In the case of Balance Sheet, of the state of affairs of the company as at 31st March, 2009,
- ii) In the case of the Profit and Loss Account of the Profit for the year ended on that date and
- iii) In the case of Cash Flow statement of the cash flows for the year ended on that date.

For **V.RAO & GOPI**
Chartered Accountants
Sd/-

(**P.Hanumantha Rao**)
Partner
M.No.26990

Place: Hyderabad
Date : 23.6.2009

**Annexure to Auditors' Report**

(Referred to in Paragraph 1 of our report of even date)

1. In respect of its fixed assets:
 - a. The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.
 - b. All the fixed assets have been physically verified by management during the year and there is regular programme of verification which, in our opinion, is reasonable having regard to the size of the Company and the nature of its assets. As informed no material discrepancies were noticed on such verification.
 - c. During the year, the Company has not disposed off substantial part of its fixed assets.
2. In respect of its inventories:
 - a. As explained to us, the stocks of finished products, stock-in-process and raw materials have been physically verified by the management during the year. Stocks of stores and spare parts are reported to be physically verified in accordance with the procedure followed by the management. In our opinion, the frequency of such physical verification of stocks is reasonable.
 - b. In our opinion, the procedures of physical verification of stocks followed by the management are reasonable and adequate in relation to the size of the Company and the nature of its business.
 - c. The Company is maintaining proper records of inventory and no material discrepancies have been noticed on physical verification of stocks as compared to the books/records.
3. The Company has not granted/taken any loans secured or unsecured to/from companies, firms or other parties covered in the register maintained u/s 301 of the Companies Act, 1956, except for an additional loan taken from its holding company, HOCL, of Rs.433.54 lakhs and the total amount outstanding as on 31.3.2009 was Rs.3596.93 lakhs including the loans taken in earlier years. In our opinion, the rate of interest and other conditions governing the loan are prima facie not prejudicial to the interest of the Company.
4. In our opinion and according to the information and explanations given to us, there are adequate internal control procedures, commensurate with the size of the Company and the nature of its business with regard to the purchase of inventory, fixed assets and with regard to the sale of goods.
5. In our opinion and according to the information and explanations given to us, there are no transactions in pursuance of contracts or arrangements entered in the register maintained u/s 301 of the Companies Act, 1956, aggregating during the year to Rs.5,00,000/- (Rupees Five lakhs only) or more in respect of any party.
6. The Company has not accepted any deposits from the public.
7. The Company has been getting the internal audit of its accounts by appointing a firm of Chartered Accountants as Internal Auditors. But the internal audit has not been done for the year under audit.
8. We have broadly reviewed the books of account maintained by the Company pursuant to the rules made by the Central Government for the maintenance of cost records u/s 209(1)(d) of the Companies Act, 1956, and we are of the opinion that prima facie the prescribed accounts and records have been made and maintained. We have not however made a detailed examination of the records with a view to determine whether they are accurate or complete.



9. a. As per the records of the Company, the Company is generally regular in depositing with the appropriate authorities undisputed statutory dues such as VAT/Sales Tax, Income Tax, Wealth Tax, Customs Duty, Excise Duty, Cess and other statutory dues applicable to it, but not regular in depositing periodical payments like Provident Fund, Central Sales Tax and there are arrears of Provident Fund and Central Sales Tax outstanding for a period more than 6 months to the tune of Rs.20.13 lakhs, Rs.45.31 lakhs, respectively from the period they become payable.
b. According to the information and explanation given to us, there are no dues of PF, IE & PF, ESI, VAT/Sales Tax, Income Tax, Customs Duty, Wealth Tax, Excise Duty and Cess etc., which have not been deposited on account of any dispute.
10. The accumulated losses of the company as at the end of the year are more than fifty percent of its net worth. In our opinion the company has incurred cash losses during the current financial year if HFC-23 gas valuation amounting to Rs.7,72,04,112/- has not taken into account and we have qualified in our audit report for inclusion of HFC-23 gas in the closing WIP valuation violating AS-2 issued by ICAI (refer the qualification in our main report).
11. The Company has not defaulted in repayment of dues to financial institutions during the current financial year. There are no over dues as on 31st March, 2009.
12. The Company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities of a similar nature and hence maintenance of documents and records relating to such items are not applicable.
13. In our opinion, the Company is not a chit fund or a nidhi/mutual benefit fund/society. Therefore, clause-4(iii) of the Companies (Auditors' Report) Order, 2003, is not applicable to the Company.
14. The Company has not dealt in or traded in shares, securities, debentures and other investments.
15. The Company has not given any guarantee for loans taken by others from banks and financial institutions.
16. The Company has taken secured loan during the year covered by our audit from HOCL to the tune of Rs.433.54 lacs in accordance with BIFR's MDRS (the unsecured loans outstanding as on 31.3.2008 were converted into secured loans during the year), from SBH, Gunfoundry, Hyderabad and Rs.218.73 lacs as Term Loan (5 Years). We have not come across any instances where such loans were applied for the purpose other than the purpose for which the loans were obtained.
17. In our opinion and as per the explanations given to us no funds raised on short term basis have not been used for long term purposes and vice-versa.
18. The Company has not made any preferential allotment of the shares during the year.
19. The Company has not issued any debentures during the year.
20. The Company has not raised any money by public issues during the year.
21. Based upon the audit procedures performed and information and explanations given by the management, we report that no fraud on or by the Company has been noticed or reported during the course of our audit.

For V.RAO & GOPI
Chartered Accountants
Sd/-

(P.Hanumantha Rao)
Partner
M.No.26990

Place: Hyderabad
Date : 23.6.2009

**Comments of the Comptroller and Auditor General of India Under Section 619(4) of the Companies Act, 1956 on the Accounts of Hindustan Fluorocarbons Limited, Hyderabad for the Year Ended 31st March, 2009.**

The preparation of financial statements of Hindustan Fluorocarbons Limited, Hyderabad for the year ended on 31st March, 2009 in accordance with the financial reporting framework prescribed under the Companies Act, 1956 is the responsibility of the management of the Company. The statutory auditor appointed by the Comptroller and Auditor General of India under Section 619(2) of the Companies Act, 1956 is responsible for expressing opinion on these financial statements under Section 227 of the Companies Act, 1956 based on the independent audit in accordance with the auditing and assurance standards prescribed by their professional body, the Institute of Chartered Accountants of India. This is stated to have been done by them vide their Audit Report dated.23rd June,2009.

I on the behalf of the Comptroller and Auditor General of India have conducted a supplementary audit under Section 619(3) (b) of the Companies Act, 1956 of the financial statements of Hindustan Fluorocarbons Limited, Hyderabad for the year ended on 31 March, 2009. This supplementary audit has been carried out independently without access to the working papers of the statutory auditor and is limited primarily to inquiries of the statutory auditor and company personnel and a selective examination of some of the accounting records. On the basis of my audit, nothing significant has come to my knowledge, which would give rise to any comment upon or supplement to statutory auditor's report under Section 619(4) of the Companies Act, 1956.

Place : Hyderabad
Date : 31st July, 2009.

For and on the behalf of the
Comptroller and Auditor General of India

Sd/-
(ROY MATHRANI)
Principal Director of Commercial Audit &
Ex-Officio Member, Audit Board,
Hyderabad.

**BALANCE SHEET AS AT 31st MARCH 2009**

		SCH	As at 31-03-2009		As at 31-03-2008	
			Rs. in Lacs	Rs. in Lacs	Rs. in Lacs	Rs. in Lacs
SOURCES OF FUNDS						
1	Share Holders Funds					
	a. Share Capital	1	1961.46		1961.46	
	b. Reserves and Surplus	2	0.00	1961.46	0.00	1961.46
2	Loan Funds					
	a. Secured Loans	3	4488.58		214.39	
	b. Unsecured Loans	4	0.00	4488.58	3052.41	3266.80
	TOTAL			6450.04		5228.26
APPLICATION OF FUNDS						
1	Fixed Assets					
	a. Gross block	5	5245.38		5225.77	
	Less: Depreciation		4940.84		4908.48	
	Net block			304.54		317.29
	b. Capital Work in Progress			57.42		54.92
2	Current Assets, Loans & Advances					
	a. Inventories	6	1084.74		227.01	
	b. Sundry Debtors	7	8.96		15.82	
	c. Cash and Bank Balances	8	33.84		1.89	
	d. Loans and Advances	9	183.63		147.49	
			1311.17		392.21	
	Less: Current Liabilities & Provisions	10				
	a. Current Liabilities		665.14		647.81	
	b. Provisions		178.94		150.41	
	Net Current Assets			467.09		(406.01)
3	Misc. Assets					
	Profit and Loss Account		5206.55		5262.06	
	Refurbishment exp. Not written off		228.12			
	Expenditure not written off - VRS		186.31	5620.98		5262.06
	TOTAL			6450.04		5228.26
	Notes to the Accounts	20				

As per our report of even date
for **V RAO & GOPI**
Chartered Accountants

By Order of the Board

Sd/-
P HANUMANTHA RAO
Partner
M.No.26990

Sd/-
A S DIDOLKAR
Chairman

Sd/-
R.N.MADANGERI
Director

Sd/-
T S GAIKWAD
Managing Director

PLACE: MUMBAI
DATE : 20-06-2009

Sd/-
E SURYA RAO
DY.General Manager (Finance)


PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31st MARCH 2009

INCOME	SCH	As at 31-03-2009		As at 31-03-2008	
		Rs. in Lacs	Rs. in Lacs	Rs. in Lacs	Rs. in Lacs
Sales	11	1381.12		1015.55	
Other Income	12	38.79		4522.11	
Accretion/(Decretion) in stocks	13	843.78		(29.60)	
			2263.69		5508.06
EXPENDITURE					
Materials Consumed	14	937.32		491.62	
Employees Remuneration and Benefits	15	454.57		432.89	
Manufacturing, Admn. and Selling Exp.	16	452.59		438.49	
Interest and Financial charges	17	205.05		63.72	
Depreciation	5	32.39	2081.92	41.73	1468.45
VRS expenditure			37.26		0.00
Loss on Impairment of Assets			34.25		34.25
Loss on Discarded / Deleted Assets	18		0.00		0.31
Refurbishment expenses written off			57.03		
Total			2210.46		1503.01
Profit before Prior period Adjustments			53.23		4005.05
Prior Period Adjustments (net)	19		4.78		(6.85)
Profit / (Loss) before Taxes			58.00		3998.20
Provision for Frieng Benefit Tax (FBT)			2.49		1.80
PROFIT			55.51		3996.40
Balance Brought forward from the Prev.year			5262.06		9258.46
Balance of Loss carried to Balance Sheet			5206.55		5262.06
Notes to the Accounts	20				

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for **V RAO & GOPI**
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Managing Director

PLACE: MUMBAI
DATE : 20-06-2009

Sd/-
E SURYA RAO
DY.General Manager (Finance)



HINDUSTAN FLUOROCARBONS LIMITED

As at 31-03-2009
Rs. in Lacs Rs. in Lacs

As at 31-03-2008
Rs. in Lacs Rs. in Lacs

SCHEDULE - 1**SHARE CAPITAL****Authorised**

2,10,00,000 Equity shares of Rs.10/- each	2100.00	2100.00
(Previous year 2,10,00,000 Equity Shares of Rs.10/- each)		

Issued

1,96,30,000 Equity shares of Rs.10/- each	1963.00	1963.00
(Previous year 1,96,30,000 Equity Shares of Rs.10/- each)		

Subscribed

1,95,99,100 of Rs.10/- each fully paid	1959.91	1959.91
(Previous year 1,95,99,100 Shares of Rs.10/- each)		

Shares forfeited (amount originally paid)	1.55	1.55
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(Number of Shares 30900)	1961.46	1961.46
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Note: Of the above 1,10,65,200 Equity shares are held by M/s Hindustan OrganicChemicals Ltd. The Holding Company.

SCHEDULE - 2**RESERVES AND SURPLUS**

Investment Allowance Reserve	0.00	0.00
Less: Transferred to Profit & Loss Account	0.00	0.00
	0.00	0.00

SCHEDULE - 3**SECURED LOANS**

From State Bank of Hyderabad :

Cash Credit	308.96	113.28
Clean Credit	0.00	101.11
Short Term Corp.Loan	363.96	0.00
Term Loan(5 Years)	218.73	0.00

From Other Financial Institutions:

Hindustan Organic Chemicals Ltd.,(Holding Company)	3596.93	0.00
	4488.58	214.39

SCHEDULE - 4**UNSECURED LOANS**

Hindustan Organic Chemicals Ltd (Holding Company)	0.00	2609.72
Add: Addl. Loan	0.00	430.08
Interest Accrued and Due	0.00	12.61
	0.00	3052.41



SCHEDULE -5
HINDUSTAN FLUOROCARBONS LIMITED
FIXED ASSETS AND CAPITAL WORK IN PROGRESS

Rs. in Lacs

PARTICULARS	GROSS BLOCK (AT COST)				DEPRECIATION				NET BLOCK	
	AS AT 1-4-2008	ADDI- TIONS	DELE- TIONS	AS AT 31-3-2009	UPTO 1-4-2008	FOR THE YEAR	ADJUST -MENTS	UPTO 31-3-2009	AS AT 31-3-2009	AS AT 31-3-2008
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
FIXED ASSETS										
Land	68.42	0.00	0.00	68.42	0.00	0.00	0.00	0.00	68.42	68.42
Factory Buildings	79.49	0.00	0.00	79.49	52.82	2.66	0.00	55.48	24.01	26.67
Non-Factory Buildings	68.49	0.00	0.00	68.49	22.74	1.12	0.00	23.86	44.63	45.75
Fencing and compound wall	11.09	0.00	0.00	11.09	11.09	0.00	0.00	11.09	0.00	0.00
Plant and Machinery	4,617.44	16.70	0.00	4,634.14	4,454.09	16.62	0.70	4,471.41	162.73	163.35
Electrical Installations & equipments	300.11	2.01	0.00	302.12	291.85	8.26	0.08	300.19	1.93	8.26
Furniture & Fixtures & other equipments	62.73	0.56	0.00	63.29	58.30	2.22	0.06	60.58	2.71	4.44
Computers	18.00	0.35	0.00	18.35	17.59	0.65	0.01	18.25	0.10	0.41
TOTAL	5,225.77	19.62	0.00	5,245.39	4,908.48	31.53	0.85	4,940.86	304.52	317.29
Capital WIP \$	233.63	36.75		270.38	178.71	34.25	0.00	212.96	57.42	54.92
GRAND TOTAL (A+B)	5,459.40	56.37	0.00	5,515.76	5,087.19	65.78	0.85	5,153.83	361.94	372.21
Previous Year Figures	5,428.51	32.30	(1.41)	5,459.40	5,011.90	75.98	0.45	5,087.19	372.21	416.61

\$ Represents cost of Equipment held in stores at factory.



As at 31-03-2009
Rs. in Lacs Rs. in Lacs

As at 31-03-2008
Rs. in Lacs Rs. in Lacs

SCHEDULE -6**INVENTORIES (AS TAKEN, VALUED AND CERTIFIED BY THE MANAGEMENT)**

1. Stores and Spares	145.68		134.31	
Packing Material	1.03		1.71	
Fuel	4.45	151.16	0.70	136.72
2. Raw Materials		26.01		47.03
3. Materials in Transit		20.95		0.25
4. Stock -in-Process		863.12		27.51
5. Finished Products		23.50		15.50
	1084.74		227.01	

SCHEDULE -7**SUNDRY DEBTORS (Unsecured)**

Exceeding Six months				
- Considered good	0.00		0.00	
- Considered doubtful	309.64		309.64	
		309.64		309.64
Others-considered good		8.96		15.82
		318.60		325.46
Less: Provision for doubtful debts		309.64		309.64
Total		8.96		15.82

SCHEDULE -8**CASH AND BANK BALANCES**

1. Cash on hand		0.05		0.36
2. Margin Money Deposits		32.71		
Bank Balances with Scheduled Banks				
3. At SBH, Mumbai	0.11		0.11	
4. At SBH, Ahmedabad	0.10		0.10	
5. At SBH, New Delhi	0.10		0.10	
6. At SBH, Ismailkhan pet	0.77	1.08	1.21	1.52
		33.84		1.89

SCHEDULE -9**LOANS AND ADVANCES (Unsecured)**

1. Advances recoverable in cash or in kind or for value to be received	70.22		16.92	
Less: Considered doubtful advance	0.91	69.31	0.91	16.01
2. Balance with Excise Authorities		8.70		31.67
3. Income Tax refundable		5.70		4.84
4. Prepaid Expenses		10.24		6.20
5. E S I Deposit		8.00		8.00
6. Deposits		80.77		80.77
7. Deposit with IDBI (OA)		0.00		0.00
8. Insurance Claims receivable		0.00		0.00
9. VAT Credit Receivable		0.00		0.00
10. Bank charges prepaid		0.92		0.00
		183.64		147.49


SCHEDULE -10
A) CURRENT LIABILITIES & PROVISIONS
CURRENT LIABILITIES
1. Sundry Creditors

SSI units	30.51		1.23	
Capital Goods	8.00		14.63	
Other Creditors	234.90		189.42	
	273.41		205.28	
For expenses	153.59		251.56	
Dues to Employees	45.33	472.33	34.24	491.08

2. Other Liabilities
3. Advances from Customers
4. Officers Salary arrears
5. Deposits from Contractors & others
6. Excise Duty
7. Freight on Sales
B) PROVISIONS
Out standing Provisions
Opening at the Beginning of the year
Add: Addl. Provision
Less: Utilised
Less: Reserves
SCHEDULE -11
SALES
1. Sale of PTFE

Less: Excise Duty	154.66		774.82	
Less: Sales Tax	16.96		92.61	
Less: Trade Discount	3.22		20.54	
	8.29		97.79	
		126.19		563.88

2. Sale of ADCS

Less: Excise Duty	23.08		53.39	
Less: Sales Tax	2.63		7.07	
Less: Trade Discount	0.75		1.76	
	0.00		0.00	
		19.70		44.57

3. Sale of CFM

Less: Excise Duty	1661.40		487.75	
Less: Sales Tax	150.16		66.44	
Less: Trade Discount	28.70		14.21	
	304.95	1177.59	0.00	407.10

4. Sale of TFE

Less: Excise Duty	65.02		0.00	
Less: Sales Tax	6.08		0.00	
Less: Trade Discount	1.30		0.00	
	0.00	57.64	0.00	0.00
		1381.12		1015.55


SCHEDULE -12
OTHER INCOME

	As at 31-03-2009		As at 31-03-2008	
	Rs. in Lacs	Rs. in Lacs	Rs. in Lacs	Rs. in Lacs
1. Interest received from others (Gross TDS Deducted Rs. 1.46 lacs previous year Rs. 1.32 lacs)		4.16		6.28
2. Sale of Hydrochloric acid		19.66		21.04
3. Miscellaneous Income		14.97		9.88
4. Reversal of Interest on IFI's & HOCL		0.00		4484.90
		38.79		4522.10

SCHEDULE -13
ACCRETION/(DECRETION) IN STOCKS

Closing stock				
Stock-in-process	863.12		27.51	
Finished products	23.50		15.50	
		886.62		43.01
Less: Opening Stock				
Stock-in-process	27.51		36.23	
Finished products	15.50		40.10	
		43.01		76.33
		843.61		(33.32)
Less: Increase/(Decrease) in Excise duty on Finished products		0.17		(3.72)
		843.78		(29.60)

SCHEDULE -14
MATERIAL CONSUMED
CONSUMPTION OF

Raw material	929.58		483.00	
Stores & Spares	7.74	937.32	8.62	491.62

SCHEDULE-15
EMPLOYEES REMUNERATION & BENEFITS

1. Salaries, Wages, Bonus, Gratuity & other allowances	382.61		361.41	
2. Contribution to Provident & other funds	28.30		27.50	
3. Contribution to ESI	1.13		1.47	
4. Workmen and staff welfare expenses	42.53	454.57	42.51	432.89

SCHEDULE -16
MANUFACTURING, ADMN, & SELLING EXPENSES

1. Power		160.32		205.08
2. Fuel		99.08		72.28
3. Water Charges		37.17		37.94
4. Rent		2.70		0.18
5. Rates & Taxes		7.09		4.94
6. Repairs and Maintenance				
To Building	5.66		0.00	
To Machinery	21.63		12.35	
To Other Assets	3.37	30.66	0.96	13.31
7. Insurance		7.36		10.43
8. Travelling Expenses		4.94		2.35
9. Conveyance		51.38		51.42
10. Auditors Remuneration				
- Audit Fee	0.66		0.67	
- Quaterly Review fee	0.24		0.27	
	0.90		0.94	
- Less: Service Tax Credit	0.06	0.84	0.10	0.84


As at 31-03-2009
As at 31-03-2008

Rs. in Lacs Rs. in Lacs Rs. in Lacs Rs. in Lacs

11. Professional charges	12.83	1.92
12. Printing & Stationery	2.12	1.46
13. Postage, Telephone & Telex Charges	5.94	5.32
14. Security Service Charges	11.09	8.70
15. Job work expenditure	9.68	1.60
16. Other Misc. Expenses	5.75	18.99
17. Provision for Bad and doubtful debts	0.00	0.00
18. Advertisement & Publicity	0.60	0.25
19. Transit House Maintenance	1.70	1.00
20. Entertainment Expenses	0.53	0.05
21. Office Maintenance	0.80	0.43
Total	452.59	438.49

SCHEDULE -17
INTEREST AND FINANCING CHARGES

1. Interest - SBH	21.72	0.00
2. Interest on Working Capital	29.15	33.33
3. Interest on Funded Interest -IFI'S	0.00	0.00
4. Interest on secured loan-HOC	110.98	8.69
4. Interest on Others	11.42	14.84
6. Bank Charges	31.78	6.86
	205.05	63.72

SCHEDULE -18
LOSS ON DELETED / DISCARDED ASSETS

Fax Machines & Cell Phone	0.00	0.31
	0.00	0.31

SCHEDULE -19
PRIOR PERIOD EXPENSES

1. Repairs & Maintenance	0.00	0.40
2. Rates & Taxes	0.00	0.03
3. Transport	0.02	0.00
4. FBT Diff	0.28	0.03
5. Advance to Suppliers	0.00	8.70
6. Office Maintenance	0.10	0.00
7. Sharepro Service	0.54	0.00
8. AP Pollution	0.08	0.00
9. Canteen Expenses	0.00	0.09
10. Subscriptions	0.01	0.00
11. Bank Charges	0.01	0.00
12. Anantha Subramanyam	0.16	0.00
13. Postage/Courier	0.05	0.00
14. Security Services	0.00	0.00
15. Stores Overhead	0.22	0.00
16. PF Pension Contribution	0.01	0.00
17. Telephones	0.00	0.03
Total	1.48	9.28

PRIOR PERIOD INCOME

Sundry Debtors & Creditors	0.00	2.43
Transportation charges	6.26	0.00
	6.26	(2.43)
	(4.78)	6.85

**SCHEDULE 20****NOTES TO ACCOUNTS:****PART A: SIGNIFICANT ACCOUNTING POLICIES:****1. GENERAL:**

- 1.1. The Accounts have been prepared on historical cost basis.
- 1.2. All revenues and expenses are accounted on accrual basis except to the extent stated otherwise.

2. FIXED ASSETS:

- 2.1. Fixed assets (including capital work-in-progress) are accounted at cost, net of modvat credit.
- 2.2. Expenditure during construction period including interest on loans borrowed is included in the Capital cost.

3. DEPRECIATION

- 3.1. Depreciation is provided on Straight-Line Method in accordance with Schedule XIV of the Companies Act, 1956, as amended, treating plant and machinery as continuous process plant.
- 3.2. Depreciation on assets costing less than Rs.5000/- is provided at 100%.
- 3.3. Expenditure not represented by assets is written off over a period of 5 years.

4. VOLUNTARY RETIREMENT SCHEME

- 4.1. During the year an amount of Rs.223.57 lacs has been incurred towards VRS payments for 31 employees in accordance with BIFR's Modified Draft Rehabilitation Scheme(MDRS). Out of this, an amount Rs.37.26 lacs was charged to P&L Account in the current year. The balance will be written off in the next three years (Rs.74.52 Lac each in 2009-10 & 2010-11 and Rs.37.27 Lacs in 2011-12) in accordance with BIFR's Modified Draft Rehabilitation Scheme(MDRS). As per AS-15 issued by ICAI, VRS expenditure is to be written off over the pay back period, but the deferred VRS Expenditure cannot be carried forward beyond 31.03.2010. The Company is following the guide lines contained in the BIFR's MDRS in this matter deviating from AS issued by ICAI.

5. REFURBISHMENT EXPENDITURE

- 5.1. During the year an amount of Rs.285.14 lacs has been incurred towards Refurbishment Expenditure on Plant and Machinery. Out of which Rs.57.03 lacs was charged to Current year. The balance will be written off in 4 equal amounts of Rs.57.03 Lacs in the next four years in accordance with BIFR's Modified Draft Rehabilitation Scheme(MDRS). As per AS-6 issued by ICAI, any expenditure incurred for improvement in performance of the Plant & Machinery, should be capitalized and depreciated accordingly as per Schedule –XIV applicable to the Company. However the Company is following the guide lines contained in the BIFR's MDRS in this matter deviating from AS issued by ICAI.

**6. SALES**

Sales are net of trade discount and exclusive of Excise Duty and Sales Tax.

7. INVENTORIES

- 7.1. The closing stock of raw materials, stores and spares etc., are valued at cost by adopting weighted average method after giving due credit for VAT. Stock-in-process and finished goods are valued at cost or net realizable value whichever is lower after giving due credit for VAT. HFC-23 Gas is converted into eligible CERs and are valued at the lowest quoted price during the year in the international market by deducting 5% of the estimated value towards future costs to be incurred in further processing of R-23(Refer to Para No.17 also)
- 7.2. Excise duty payable on finished goods manufactured but not removed is included in the valuation of such stocks.
- 7.3. Sales of realizable scrap are accounted on receipt basis.
- 7.4. Insurance claims are accounted on accrual basis on admission of claims.

8. RETIREMENT BENEFITS

- 8.1. In respect of gratuity the company has taken an Insurance Policy with Life Insurance Corporation of India to cover the gratuity that may be payable to employees on retirement. The premium on the policy is being charged to Profit and Loss account.
- 8.2. Leave encashment and other retirement benefits are accounted on accrual basis and charged to P&L Account.
- 8.3. Contributions to Provident Fund are charged to P&L A/c.

9. EXCHANGE FLUCTUATION

Year-end balance of foreign currency transactions are translated at the year-end rates and the corresponding effect is given in the respective accounts. Transactions completed during the year are adjusted on actual basis.

PART B:**1. OTHERS:**

1. The Company entered into a lease-cum-sale agreement with Andhra Pradesh Industrial Infrastructure Company (APIIC) in April 1986 for the land acquired by APIIC under the Land acquisition act and allotted to the company. Subsequently the title in respect of the land had been transferred in favour of the company.

2. LOANS:

- 2.1. Cash Credit, ILC/FLC/BG, Short Term Corporate Loan and Long Term Loan facilities from State Bank of Hyderabad is secured by hypothecation of raw materials, stock-in-process, finished



goods, consumable stores, book debts, Buildings, Plant and Machinery and Company's Land Ac.64.00 cents out of the total land of Ac 146.00 cents.

2.2. Cash Credit, ILC/FLC/BG, Short Term Corporate Loan and Long Term Loan facilities from State Bank of Hyderabad are guaranteed by the holding company, viz. Hindustan Organic Chemicals Ltd..

3. An amount of Rs. 3596.93 lacs (Previous year Rs.3052.41 lacs) is due to Hindustan Organic Chemicals Limited (HOCL) including Rs.110.98 lacs (Previous year Rs.12.61 lacs) provided during the year as interest on HOCL loan for which 1st Charge was created on Company's Ac. 82.00 cents of land out of the total land of Ac 146.00 cents.

4. Credit has not been taken into account in respect of claims for penalty / damage recoverable from certain suppliers/ works contractors arising due to non- adherence to the stipulated contractual terms.

5. During the current year finished goods, which have not moved for more than 3 years are valued at Rs.1.00/kg and the consequential difference in value is Rs.0.00 lacs (Previous year Rs.0.01 lacs).

6. CONTINGENT LIABILITIES NOT PROVIDED FOR:

	2008-09 Rs.in lacs	2007-08 Rs.in lacs
A Claims against the Company not acknowledged as debts.	12.01	12.01
B FLC/ILC Obtained as on 31-03-2009	134.50	0.00
C E S I	13.46	13.46
D Salary arrears for Officers	570.00	450.00
E Salary arrears for Non-officers	1030.00	910.00
F Differential Sales Tax due to non submission of "C" forms	276.07	176.07
TOTAL	2036.04	1561.54\
7. Estimated amount of contracts remaining to be executed on capital account and not provided for (net of advances).	0.00	0.00
8. Expenditure incurred in foreign currency	NIL	NIL
9. IFIs & HOCL sacrifice of Loans and/or interest during the current year Nil. IFIs & HOCL sacrificed Loans and/or interest an amount of Rs. 1442.10 lacs and Rs.3042.80 Lacs respectively in line with BIFR order in the previous year.		
10. Excise duty on closing finishing goods in respect of goods manufactured by the company amounting to Rs.1.79 lacs (previous year 1.95 lacs) is included in the valuation of such stocks.		
11. Unpaid overdue amounts due on 31 st March, 2009 to Small Scale/Ancillary Industrial suppliers on account of principal amount together with interest aggregated to Rs.0.00 lacs (Previous year Rs.0.00 lacs). This disclosure is based on information available with the company with regard to the		



status of the suppliers as defined under interest on delayed payments to Small Scale and Ancillary Industries Undertaking Act, 1993.

12. Balance standing to the debit/credit of parties is subject to confirmation by them and reviews by the Company.

13. As required by Accounting Standard 28 loss on impairment of incinerator system an amount of Rs.34.25 lacs (Previous year 34.25 lacs) is charged off during the year.

14. As required by Accounting Standard 20 issued by the Institute of Chartered Accountants of India, the reporting in respect of Earning per Share (EPS) is as follows:

	2008-09 Rs.in lacs	2007-08 Rs.in lacs
Profit / Loss available to equity shareholders	55.52	3996.38
Weighted average no of equity share for basic EPS	No. 19599100	No. 19599100
Normal value of equity shares	Rs.10.00	Rs.10.00
Basic earning per equity share	Rs.0.28	Rs.2.04

15. As per AS- 22 issued by ICAI, the company has not accounted the related tax on them in its books as deferred tax assets/liability, as no sufficient income is available to realize them. Company shall recognize related tax on them, as deferred tax assets in succeeding years only when there is certainty that sufficient taxable income will be available.

16. Auditors remuneration includes Statutory Audit fee Rs.0.60 lacs and Limited review Rs.0.24 lacs.

17. During the year HFC viz. R-23 gas storage facilities were created under CDM project. The company accumulated HFC-23 Gas 15.42 MT, stored in the tank has been considered for eligible CERs to the tune of 1,80,414 CERs. Out of this SRF(BOT Contractor of CDM Project) share is around 30% i.e. 54,124 CERs and PWC, CDM Project Consultant's share is around 5% i.e. 9,020 CERs. Balance is pertaining to HFL ie. 1,17,269 CERs. Insurance coverage is also taken for Rs.43.95 crores to cover any eventuality for one year accumulation of HFC-23 Gas. The eligible CERs of our portion 1,17,269 CERs is considered as WIP and valued at the lowest rate quoted during the year in the international market i.e.Euro 11 per CER at exchange conversion rate of Rs.63 per EURO as on 31.3.2009. The value of CERs taken as WIP is Rs,7,72,04,112 after deducting 5% of the total value to be incurred towards future cost for processing. As per AS-2 issued by ICAI in respect Closing stock, valuation shall be made at Cost or Net Realisable value which ever is less. The cost of producing R-23 gas is Nil. The valuation of R-23 Gas is in deviation of AS-2.

18. Quantitative details regarding consumption of Raw Materials:

	2008-09		2007-08	
	Qty MT.	Value Rs.in lacs.	Qty MT.	Value Rs.in lacs
a. AHF	497.690	519.61	270.510	200.32
b. Chloroform	1416.540	382.41	761.079	241.55
c. RM-258	75.00	7.44	0.187	16.60
d. Others		19.43	-	24.58
TOTAL		928.89		483.05


19. Consumption of Raw Materials:

	2008-09		2007-08	
	Rs.in lacs	% of Total consumption	Rs.in lacs	% of Total consumption
a. IMPORTED	0.00	0.00	19.45	4.02
b. Indigenous	928.89	100.00	463.60	95.98
Total	928.89	100.00	483.05	100.00

20. Quantitative information about capacity, production, stock and sales: (Rs.in lacs.)

	2008-09		2007-08	
	Qty MT.	Value	Qty MT.	Value
A. PTFE				
Licensed capacity	500TPA*	—	500TPA*	-
Installed capacity	500TPA*		500TPA*	-
Opening stock	3.39	13.31	8.29	34.42
Production	21.73	113.99
Captive Consumption	-	-	-	-
Sales	20.98	126.19	118.89	563.89
Closing Stock	4.142	21.71	3.39	13.31
B.CFM-22				
Licensed capacity	1265 TPA*	-	1265 TPA*	-
Installed capacity	1265 TPA*	-	1265 TPA*	-
Opening stock	5.61	7.37	7.522	9.86
Production	890.17	-	481.68	-
Captive Consumption	162.76	-	335.28	-
Sales	668.363	1177.59	148.31	407.10
Closing Stock	64.66	83.55	5.61	7.37

* As certified by the Management and relied upon by the auditors, being a technical matter.

2008-09 (Rs.in lacs) 2007-08 (Rs.in lacs)
21. a) CIF value of imports of Raw materials

and Stores and Spares.

41.80

28.51

b) FOB Values of Exports

0.00

0.00

22. Managerial remuneration included in employee's remuneration and benefits (Rs.in lacs)

	2008-2009	2007-2008
Managing Director		
Salary	4.59	2.04
Rental accommodation	1.39	1.78
Medical reimbursement	0.04	0.02
Company Contribution to PF	0.46	0.20
Leave Travel Allowance	0.00	0.06
Total	6.48	4.10

Managing Director's Remuneration for the period from 01-04-2008 to 31-03-2009.

23. Previous year figures have been regrouped/reclassified/recast wherever necessary to conform to current year's classification.

As per our report of even date
for **V RAO & GOPI**

Chartered Accountants

By Order of the Board

Sd/-
P HANUMANTHA RAO
Partner
M.No.26990

Sd/-
A S DIDOLKAR
Chairman

Sd/-
R.N.MADANGERI
Director

Sd/-
T S GAIKWAD
Managing Director

Sd/-

PLACE: MUMBAI
DATE : 20-06-2009

E SURYA RAO
DY.General Manager (Finance)



24. Information as required under Part-IV of the Schedule VI to the Companies Act, 1956.

Balance Sheet Abstract and Companies General Business Profile:
I. Registration Details:

Registration No. State Code
 Balance Sheet
 Date Month Year

II. Capital Raised during the year (Amount in Rs.Thousands)

Public Issue Rights Issue
 Bonus Issue Private Placement

III. Position of Mobilisation and Deployment of Funds (Amount in Rs.Thousands)

Total Liabilities Total Assets

6 Sources of Funds

Paid-up Capital Reserves & Surplus
 Secured Loans Unsecured Loans

7 Application of Funds

Net Fixed Assets Investments
 Net current Assets Misc.Expenditure
 Accumulated Losses

IV. Performance of Company (Amount in Rs.Thousands).

Turnover Total Expenditure
 Profit Before Tax Profit After Tax

V. Earning per Share in Rs. Dividend Rate %

VI. Generic Names of Three Principal Products/Services of the Company (as per monetary terms)

Item Code No (ITC Code) :
 Product description : FLUOROPOLYMERS (PTFE etc.,)

By Order of the Board

for **V RAO & GOPI**
Chartered Accountants

Sd/-
P HANUMANTHA RAO
 Partner
 M.No.26990

Sd/-
A S DIDOLKAR
 Chairman

Sd/-
R.N.MADANGERI
 Director

Sd/-
T S GAIKWAD
 Managing Director

PLACE: MUMBAI
 DATE : 20-06-2009

Sd/-
E SURYA RAO
 DY.General Manager (Finance)


2008-2009
Rs. in Lacs

2007-08
Rs. in Lacs

A. CASH FLOW FROM OPERATING ACTIVITIES:

Net Profit before taxation and Extraordinary items	53.23	4005.05
Adjustments for :		
Depreciation	32.39	41.73
Loss on deleted / discarded assets	0.00	0.31
VRS Payment written off during the year	37.26	0.00
Referbishment expenditure written off	57.03	0.00
Loss on Impairment of assets	34.25	34.25
Operating Profit before working capital changes	<u>214.16</u>	<u>4081.34</u>
Adjustments for		
(Increase)/Decrease in Loans & Advances	(36.15)	303.38
(Increase)/Decrease in Trade receivables	6.85	15.40
(Increase)/Decrease in Inventories	(857.73)	27.10
Increase/(Decrease) in working capital borrowings	94.57	(6.05)
Increase/(Decrease) in Trade payables & Provisions	<u>45.85</u>	<u>161.73</u>
Cash generated from operations	<u>(532.45)</u>	<u>4,582.92</u>
Direct taxes paid	<u>(2.49)</u>	<u>(1.80)</u>
Cash flow before extraordinary items	(534.94)	4581.11
Less: Prior Period expenses	4.78	(6.85)
Add: Depreciation	0.00	0.00
Net Cash flow from Operating activities	<u>(530.16)</u>	<u>4,574.26</u>

B. CASH FLOW FROM INVESTING ACTIVITIES :

Purchase of fixed assets	(56.38)	(31.89)
Amount incurred for VRS PAYMENT	(223.57)	0.00
Amount incurred for Refurbishment Expenditure	(285.15)	0.00
	<u>(565.10)</u>	<u>(31.89)</u>

**C. CASH FLOW FROM FINANCING ACTIVITIES:**

Increase in Secured Loans	4179.62	-1,890.43
Increase in Unsecured Loans	-3052.41	-2679.04
Net cash used in financing activities	1,127.21	-4569.46
Net increase in cash and cash equivalents	31.95	-27.10
Cash and cash equivalents at the beginning of period	1.89	28.99
Cash and cash equivalents at the ending of period	33.84	1.89

Previous year figures have been regrouped / reclassified wherever necessary to conform to current year's classification.

Place : HYDERABAD
DATE : 20-06-2009

T S GAIKWAD
Managing Director

E SURYA RAO
Dy.General Manager (Finance)

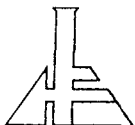
AUDITORS' REPORT

We have examined the attached cash flow statement of M/s Hindustan Fluorocarbons Limited for the year ended on 31st March 2009. The statement has been prepared by the company in accordance with the requirement of clause 32 of the listing agreement with Hyderabad stock exchange and is based on and in agreement with the corresponding Profit and Loss A/c and Balance Sheet of the company covered by our report Dt. 23-06-2009 to the members of the company.

For **V.RAO & GOPI**
Chartered Accountants

Place: Mumbai
Date : 23.6.2009

Sd/-
(P.Hanumantha Rao)
Partner
M.No.26990

**HINDUSTAN FLUOROCARBONS LIMITED**

Regd. Office: 1402, Babukhan Estate, Basheerbagh, Hyderabad - 500 001

ATTENDANCE SLIP26th Annual General Meeting on Friday the 25th September, 2009.

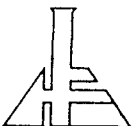
Name of the Shareholder(s) _____

Folio No. _____

I certify that I am Registered Member/Proxy for the Registered Member of the Company. I hereby record my presence at the **26th ANNUAL GENERAL MEETING** of the company at the Press Club, Deshodharaka Bhavan, 5-9-60/B, Fateh Maidan, Hyderabad – 500 001 at 3.00 pm on ~~Wednesday~~ **Friday** the 25th September, 2009.

(Member's Proxy Name)_____
Member's/Proxy's Signature

-----Tear Here -----

**HINDUSTAN FLUOROCARBONS LIMITED**

Regd. Office: 1402, Babukhan Estate, Basheerbagh, Hyderabad - 500 001

FORM OF PROXY26th Annual General Meeting, on Friday the 25th September, 2009.

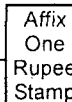
Name of Shareholder(s) _____ Folio No. _____

No. of Shares _____

I/We _____ of _____ being a Member(s) of the above vote for me/us behalf of the **26th ANNUAL GENERAL MEETING** of the company at the Press Club, Deshodharaka Bhavan, 5-9-60/B, Fateh Maidan, Hyderabad – 500 001 at 3.00 pm on Friday the 25th September, 2009.

Signed _____ day of _____ 2009

Signature _____

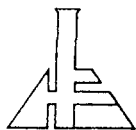


Note: This proxy form duly completed should be deposited at the Registered Office of the company mentioned above not less than 48 (Forty Eight) hours before the time of holding the meeting.

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Hyderabad - 500 001.