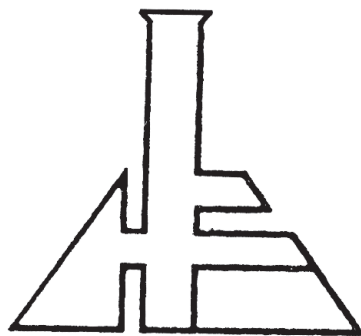


29th
ANNUAL REPORT
2011 - 2012



HINDUSTAN FLUOROCARBONS LIMITED

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BOARD OF DIRECTORS

Shri R N Madangeri Chairman/ Director	HOCL Nominee (From 01.02.2008)
Shri T S Gaikwad Managing Director	From 01.01.2008
Dr.B.D.Kulkarni Director	HOCL Nominee From 30.01.2009
Shri P S Singh Director	Govt. of India Nominee (From 18.10. 2010) (Up to 31.05.2011)
Shri Sanjay Bansal Director	Govt. of India Nominee (From 31.05.2011) (Up to 13.03.2012)
Shri Arun Agarwal Director	Govt. of India Nominee (From 13.03.2012)
Shri M K Mittal Director	HOCL Nominee (From 05.05.2010 Up to 29.07.2011)
Shri J N Suryawanshi Director	HOCL Nominee (From 04.11.2011)
Shri S V Kanaka Seshu Director	APIDC Nominee (From 18.10.2010)
Shri. Suresh Kumar R Director	HOCL Nominee (From 13.07.2012)
Mrs. Rajani. K	Company Secretary (From 19.05.2011)

AUDITORS

M/s S Daga & Co
Chartered Accountants,
403, Paigah Plaza
Basherbagh
Hyderabad - 500 063.

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

303, Babukhan Estate,
Basheerbagh,
Hyderabad – 500 001

WORKS

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

AUDIT COMMITTEE (A.C) OF THE BOARD

Shri S. V. KANAKA SESHU	Director, Chairman A.C
Shri M. K. MITTAL	Director, Member A.C (up to 29.07.2011)
Dr. B. D. KULKARNI	Director, Member A.C
Shri SANJAY BANSAL	Director, Member A.C (From 20.09.2011 to 13.03.2012)
Shri P S SINGH	Director, Member A.C (Up to 31.05.2011)
Shri ARUN AGARWAL	Director, Member A.C (From 13.04.2012)
Shri J N SURAYAWANSHI	Director, Member A.C (From 14.11.2011)
Shri SURESH KUMAR R	Director, Member A.C (From 13.07.2012)
Mrs. RAJANI. K, CS	Secretary to the Committee (From 20.06.2011)

SHARE TRANSFER COMMITTEE

Shri R. N. MADANGERI	Chairman, Chairman
Shri M. K. MITTAL	Director, Member (Up to 29.07.2011)
Shri T S GAIKWAD	MD, Member (From 12.08.2011)
Dr. B. D. KULKARNI	Director, Member A.C (From 12.08.2011)
Shri S. V. KANAKA SESHU	Director, Chairman A.C (From 12.08.2011)
Shri J N SURAYAWANSHI	Director, Member A.C (From 14.11.2011)
Shri SURESH KUMAR R	Director, Member A.C (From 13.07.2012)
Mrs. RAJANI. K, CS	Secretary to the Committee (From 20.06.2011)

MANAGEMENT COMMITTEE

Shri R. N. MADANGERI	Chairman, Member
Shri ARUN AGARWAL	Director, Member A.C (From 13.04.2012)
Shri T. S. GAIKWAD	MD, Member (From 13.04.2012)
Dr. B D KULKARNI	Director, Member
Mrs. RAJANI. K, CS	Secretary to the Committee (From 20.06.2011)

REMUNERATION COMMITTEE

Shri S. V. KANAKA SESHU	Director, Chairman
Dr. B. D. KULKARNI	Director, Member
Shri M. K. MITTAL	Director, Member (Up to 29.07.2011)
Mrs. RAJANI. K, CS	Secretary to the Committee (From 20.06.2011)

RECEIVABLE COMMITTEE

Shri R. N. MADANGERI	Chairman, Member
Shri M. K. MITTAL	Director, Member (Up to 29.07.2011)
Shri T. S. GAIKWAD	MD, Member
Shri J.N SURAYAWANSHI	Director, Member A.C (From 13.04.2012)
Shri S V KANAKASESHU	Director, Member (From 13.04.2012)
Mrs. RAJANI. K, CS	Secretary to the Committee (From 20.06.2011)

**NOTICE**

Notice is hereby given that the 29th Annual General Meeting of the Members of Hindustan Fluorocarbons Limited will be held on Friday, the 21st September, 2012 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, 2012 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 B D Kulkarni**, who retires at this Annual General Meeting of the Company and eligible for re-appointment.
3. To approve the remuneration of the Statutory Auditors of the Company, appointed by the Comptroller and Auditor General of India.

SPECIAL BUSINESS

4. To consider and if thought fit to pass the following resolution as ordinary resolution with or without modifications:
"RESOLVED THAT Shri. Suryawanshi J N, who was appointed as an Additional Director Pursuant to Article 77 of the Article of Association of the company read with section 260 of the Companies Act, 1956 w.e.f 4th November, 2011 to hold office up to the date of this Annual General Meeting and in respect of whom, the Company has received a notice in writing from a Member, pursuant to the provision of Section 257 of the Companies Act, 1956 be and is hereby appointed as a Director of the Company, liable to retire by rotation.
5. To consider and if thought fit to pass the following resolution as ordinary resolution with or without modifications:

"RESOLVED THAT Shri Arun Agarwal, who was appointed as an Additional Director Pursuant to Article 77 of the Article of Association of the company read with section 260 of the Companies Act, 1956 w.e.f 13th March, 2012 to hold office up to the date of this Annual General Meeting and in respect of whom, the Company has received a notice in writing from a Member, pursuant to the provision of Section 257 of the Companies Act, 1956 be and is hereby appointed as a Director of the Company, liable to retire by rotation.

6. To consider and if thought fit to pass the following resolution as ordinary resolution with or without modifications:

"RESOLVED THAT Shri Suresh Kumar R, who was appointed as an Additional Director Pursuant to Article 77 of the Article of Association of the company read with section 260 of the Companies Act, 1956 w.e.f 13th July, 2012 to hold office up to the date of this Annual General Meeting and in respect of whom, the Company has received a notice in writing from a Member, pursuant to the provision of Section 257 of the Companies Act, 1956 be and is hereby appointed as a Director of the Company, liable to retire by rotation.

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

Sd/-
(RAJANI.K)
COMPANY SECRETARY

PLACE: HYDERABAD

DATE : 13.07.2012

Regd.Office

303, 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. Members/Proxies should bring their attendance slip duly filled in at the meeting.
3. The Register of Members and Shares Transfer Books of the company will remain closed from Thursday the 13th September, 2012 to Friday the 21st September, 2012 (both days inclusive).
4. Members are requested to intimate immediately any change in their addresses registered with the company to the R&T Agents at their office address.
5. Members, who hold shares in the dematerialized form, are requested to bring their depository account number for identification.
6. 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.
7. 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&6 of the notice is enclosed.

8. The Ministry of Corporate Affairs has taken a "Green Initiative in Corporate Governance" by allowing paperless compliances by the Companies and issued a circular on 21st April, 2011.

Section 53 of the Companies Act, 1956 provides service of documents under "Certificate of Posting" as one of the accepted mode of service where as the Department of Posts has recently discontinued the postal facility under "Certificate of Posting" vide Letter Dated 23.02.2011, the Information Technology Act, 2000 also permits service of documents etc., in electronic mode.

Hence, the service of documents of a company can be made through Electronic mode. So, we request all the members to register their email id's by sending email along with names, DP id's & Folio Number to the following Mail ID:

hflshareholders@gmail.com

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

Sd/-
(RAJANI.K)
COMPANY SECRETARY

PLACE: HYDERABAD
DATE : 13.07.2012

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



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

Item No.4

Shri J N Suryawanshi Director (Mktg) of Hindustan Organic Chemicals Limited was appointed by Hindustan Organic Chemicals Limited in terms of Article 77 of the Articles of Association of the Company as its Nominee on the Board of Directors of the Company w.e.f. 04.11.2011. Shri J N Suryawanshi holds office till the date of ensuing Annual General Meeting by virtue of Section 260 of the Companies Act, 1956 read with Article 77 of the Articles of Association of the Company, and is eligible for appointment.

In terms of section 257 of the Companies Act, 1956, the Company has received a proposal from a member proposing candidature of Shri J N Suryawanshi for the office of Director of the Company.

None of the Directors of the company except Shri J N Suryawanshi in any way, concerned or interested in the resolution.

The Board of Directors commends the resolution for approval of the share holders.

Item No.5

Shri Arun Agarwal Director of Dept. of Chemicals & Petrochemicals, Ministry of Chemicals & Fertilizers was appointed by Dept. of Chemicals & Petrochemicals, Ministry of Chemicals & Fertilizers in terms of Article 77 of the Articles of Association of the Company as its Nominee on the Board of Directors of the Company w.e.f 13.03.2012 till the holding of the next Annual General Meeting of the Company 2012 or until further orders whichever is earlier. By virtue of the above and pursuant to Section 260 of the Companies Act, 1956 Shri. Arun Agarwal holds office till the date of ensuing Annual General Meeting of the Company and is eligible for appointment.

In terms of section 257 of the Companies Act, 1956, the Company has received a proposal

from a member proposing candidature of Shri. Arun Agarwal for the office of Director of the Company.

None of the Directors of the company except Shri. Arun Agarwal in any way, concerned or interested in the resolution.

The Board of Directors commends the resolution for approval of the share holders.

Item No.6

Shri Suresh Kumar R Director (Finance) of Hindustan Organic Chemicals Limited was appointed by Hindustan Organic Chemicals Limited in terms of Article 77 of the Articles of Association of the Company as its Nominee on the Board of Directors of the Company w.e.f 13.07.2012. Shri Suresh Kumar R holds office till the date of ensuing Annual General Meeting by virtue of Section 260 of the Companies Act, 1956 read with Article 77 of the Articles of Association of the Company, and is eligible for appointment.

In terms of section 257 of the Companies Act, 1956, the Company has received a proposal from a member proposing candidature of Shri Suresh Kumar R for the office of Director of the Company.

None of the Directors of the company except Shri Suresh Kumar R in any way, concerned or interested in the resolution.

The Board of Directors commends the resolution for approval of the share holders.

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

**Sd/-
(RAJANI.K)
COMPANY SECRETARY**

PLACE: HYDERABAD

DATE : 13.07.2012

**Regd.Office
303, Babukhan Estate,
Basheerbagh, Hyderabad – 500 001**



CHAIRMAN'S SPEECH



Dear Shareholders,

I extend my hearty welcome to you to this 29th Annual General Meeting of your Company. I am sure, you must have received The Directors' Report and Audited Annual Accounts of the Company for the year ended 31st March, 2012 and with your permission I take them as read.

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

1. OPERATIONS AND OVERALL PERFORMANCE

Your Company has made Net Profit of Rs. 252.25 lacs from operations as against the net profit of Rs. 223.47 lacs of the previous year. The quality of your Company's products is continued to be well accepted in the market and resulted in increase in sales turnover (by 50%) to Rs. 5032.53 lacs as against Rs.3352.42 lacs in the previous year. With this improved sales performance Working Capital position has been improved during financial year. During the year under report production of PTFE was 139.19 Metric Tones as against 124.58 Metric Tones in the

previous year. Company has achieved 100% capacity utilization of CFM Plant for this year and produced 1265 Metric Tones. This will enhance revenue earning from Clean Development Mechanism (CDM) for the next year.

CLEAN DEVELOPMENT MECHANISM (CDM) PROJECT:

Company has successfully implemented the CDM Project and received payment of first issuance. It is expected that during the financial year 2012-13 also, company will get payment of Second and Third issuance.

2. FUTURE OUTLOOK.

DIVERSIFICATION:

In accordance with long term strategy of diversifying into Fluoro speciality chemicals, the company has successfully commercialized TFE-ETHER. We are the only manufacturers for the product in India. This has helped the company to give competitive edge by entering in the niche Market. This has also resulted in 100% capacity utilization during FY 2011-12.



Vikram Sarabhai Space Centre (VSSC), Thiruvananthapuram has accepted our product and company is in the process of implementing for project to manufacture the resin.

With this initiative management is confident about the sustainable growth of the company.

3. 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.

Management is maintaining strictly all the required environmental norms and quality systems as per ISO 9001:2008

4 INDUSTRIAL RELATIONS

Employee relations continued to be cordial through out the year. Company continued to follow Govt. policy of reservation in recruitment of SC/ST/OBC. During the year there were no strikes or lock outs affecting the production/profitability.

5. CORPORATE GOVERNANCE

Your Company lays emphasis in conducting its affairs with in the frame work of policies and guidelines set by the Government in a transparent manner. It is the endeavor of the Company to build trust between share

holders, Employees and Customers based on the basic principles of Corporate Governance. The detailed Report on the Corporate Governance as well as Management Discussion Analysis Report is enclosed as a part of the Director's Report. This Report analyses in brief the potentialities of the Company as well as the focus of the Company's business

6. ACKNOWLEDGEMENTS :

I place on record my appreciation and gratitude to all the employees and others who had extended their support and co-operation during the year to achieve the targeted goals of the Company. In particular I am grateful to various officials of the Govt. especially from the Govt. of India, the Ministry of Chemicals & Fertilizers, Finance Ministry, Ministry of Environment & Forestry, Promoter Company i.e. HOCL and Board Members. I would like to convey my sincere appreciation to our valued customers, suppliers, Statutory Bodies, Investors, Banks & FIs etc for the continued support. 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.

(R.N.MADANGERI)
Chairman



DIRECTORS' REPORT

Your Directors are glad to present the 29th Annual Report of the company together with Audited Annual Accounts for the year ended 31st March, 2012.

FINANCIAL RESULTS:[Section 217(1)(a)]

The financial performance of the Company for the year ended 31st March, 2012 is summarized below:

Particulars	(Rs. in lacs)	
	Financial Year 2011-12	Financial Year 2010-2011
Revenue from operations (including net sales)	6416.09	3594.16
Sales Turnover(Gross)	5032.53	3352.42
Gross Profit / (Loss) for the year	497.55	658.62
Less: Interest & Financing Charges	128.69	282.66
Cash Profit / (Loss)	368.86	375.96
Less: Depreciation	155.19	155.65
Profit / (Loss) for the year	213.67	220.31
Add: Prior Period Adjustments	(38.58)	(3.16)
Net Profit (Loss)	252.25	223.47

RESERVES: [Section 217(1)(b)]: Nil

DIVIDEND: [Section 217(1)(c)]

In view of the accumulated losses at the end of the Financial Year 2011-12 are carried forward, your Directors do not recommend any dividend on equity shares for the year ended 31.03.2012.

OPERATION AND OVERALL PRODUCTION AND MARKETING PERFORMANCE:

During the year, the sales turnover was Rs.4557.30 lacs as against Rs.3039.38 lacs in the previous year. During the year under report production of PTFE was 139.19 Metric Tones as against 124.58 Metric Tones in the previous year. During the year, 291.77 Metric Tones of CFM-22 was sold in the market and balance quantity was used as feed stock to manufacture various products including Fluoro Specialty Chemicals. Accordingly, during the year 265.17 Metric Tones of Tetra Fluoro Ethylene (TFE) was used to manufacture TFE-ETHER. Quality of all company's products continued to be well accepted by our customers. Company has achieved 100% capacity utilization for this year and produced 1265 Metric Tones . This will enhance revenue earning from Clean Development Mechanism (CDM) for the next year.

CLEAN DEVELOPMENT MECHANISM (CDM):

Company has successfully implemented the CDM Project and received payment of first issuance. It is expected that during the financial year 2012-13 also, company will get payment of Second and Third issuance.

CORPORATE SOCIAL RESPONSIBILITY:

Recognizing the obligation to the society both in the areas of environment protection and social development, company has taken initiatives towards implementing welfare schemes for uplifting the quality of living of the community surrounding the area around the factory. Company is providing water and first aid facilities in nearby villages and also giving aid to schools by way of paying salaries to two Vidya Volunteers, providing amenities such as tables, chairs, toilets, by making approach roads to the school etc.,

DIVERSIFICATION INTO FLUORO SPECIALITY CHEMICALS:

In accordance with long term strategy of diversifying into Fluoro speciality chemicals, the company has successfully commercialized TFE-ETHER. We are the only manufacturers for the product in India. This has helped the company to give competitive edge by entering in the niche



Market. This has also resulted in 100% capacity utilization during FY 2011-12.

Vikram Sarabhai Space Centre (VSSC), Thiruvananthapuram has accepted our product and company is in the process of implementing the project to manufacture the resin.

HEALTH AND ENVIRONMENT:

The management has taken the great responsibilities for continuous monitoring and protecting the health and environment as per statutory compliance. The environment is maintained clean as per standard emissions norms and with respect to noise pollution norms prescribed by Central Pollution Control Board and under guidelines of Ministry of Environment and Forests, Govt. of India.

The health record of employees working in Production Division is maintained in the Health Register in Form 7 and these employees are certified for the fitness to work in hazardous process by the certifying Surgeon for the year 2012 as per statutory requirement of Director of Industries Health and Safety, Govt. of Andhra Pradesh.

FIRE & SAFETY PERFORMANCE:

The Company pays special attention to ensure safety of the factory and workers employed therein.

The Company accords the same priority attention to safety aspects as it does to production and productivity, be it in a personal safety, process safety, environment safety or product stewardship and allocated adequate resources of men, machine, money, time and energy to maintain the standards thus performance during the year is very good.

The Company continued to maintain good safety record without any major accident of fire. The financial year 2011-12 was a zero accident year.

BOARD OF DIRECTORS

Shri. M K Mittal, Nominee Director (HOCL) ceased to be Director of the Company with effect from 29.07.2011.

Shri J N Suryawanshi, Nominee Director (HOCL) was appointed as Nominee Director with effect from 04.11.2011.

Shri. P S Singh, Nominee Director (Govt) ceased to be Director of the Company with effect from 31.05.2011 and in his place Shri. Sanjay Bansal appointed as Nominee Director with effect from 31.05.2011.

Shri Sanjay Bansal, Nominee Director (Govt) ceased to be Director of the Company with effect from 13.03.2012. and in his place Shri Arun Agarwal, appointed as Nominee Director with effect from 13.03.2012.

Shri. Suresh Kumar R, Nominee Director (HOCL) was appointed as Nominee Director with effect from 13.07.2012.

One Director viz. Dr. B D Kulkarni, Nominee Director (HOCL) are due for retirement by rotation at the ensuing 29th Annual General Meeting of the Company and eligible for re-appointment.

IMPLEMENTATION OF OFFICIAL LANGUAGE POLICY:

During the year under report, your Company continued to Promote Hindi as Official Language in day to day working in line with the Government policies for its intensive and extensive efforts for progressive use of the official language. Official Language Implementation Cell of the Company continued to function effectively.

ISO CERTIFICATION:

Company's quality management system is accredited has an ISO 9001:2008.

CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION, FOREIGN EXCHANGE EARNINGS AND OUTGO:

Information in accordance with the provisions required to be disclosed under Section 217(1)(e) of the Companies Act, 1956 read with the



Companies (Disclosures of Particulars in the Report of Board of Directors) Rules, 1988 Regarding Conservation of energy, Technology Absorption and Foreign Exchange Earning and outgo are given at Annexure I, Form A to this Report.

RESERCH & DEVOLOPMENT:

The Company is continuously conducting the Research and Development to deliver goods through innovative development; it is actively involved in collaborative Research Program with Vikram Sarabhai Space Centre(VSSC) are given at Annexure I, Form B to this Report.

INDUSTRIAL RELATIONS

Employee relations continued to be cordial throughout 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.

PARTICULARS OF EMPLOYEES:

None of the employees 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.

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 periodic checks. The instructions of the Central Vigilance Commission received from time to time have been implemented to strengthen the vigilance machinery in the company.

AUDITORS

In pursuance of Section 619(2) of the Companies Act, 1956, the Comptroller and Auditor General of India has appointed M/s. Daga &Co, Chartered Accountants, Hyderabad as Auditors of the

Company to Audit the accounts for the year ended 31st March, 2012.

The Replies of the Management /Board of Directors on the Auditors Qualifications in their Report are furnished in Annexure – III.

The Company has revised the annual accounts for the financial year 31st March, 2012 based on the observation made by the and Auditor General.

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 the year 2011-12 has been annexed to the Annual Report for the period 2011-12 and forms part of the Annual Report.

LEGAL COMPLAINCE

The Company has complied with all the legal provisions effectively. Although it has filed two petitions to Company Law Board during the financial year 2011-12 regarding condonation of delay in filing of satisfaction of charge documents of Industrial Finance Corporation of India and of Life Insurance Corporation of India, with the Registrar of Companies.

INSURANCE:

All properties and insurable interest of the company including building, plant and machinery and goods are adequately insured. As required under Public Liability Insurance Act, 1991, the company has taken necessary insurance cover.

TRADING AND DEMAT FACILITIES FOR SHARES:

The company shares are listed in Bombay Stock Exchange (BSE). Company got ISIN No.INE 806J01013 and demat facilities with Central Depository Services (India) Limited, (CDSL) and with National Securities Depository Limited (NSDL) for the equity shares of the company.

83.31% of the Share Capital of the Company has been Dematerialize the shares, the Company has been Dematerialized as on 31st March, 2012- total accounts Dematerialized is 1431 involving 16328050 shares (which constitutes 83.31% of the share capital) .

**MANAGEMENT DISCUSSION AND ANALYSIS REPORT:**

In accordance with the Listing Agreement, the Management discussion and analysis report is annexed hereto in Annexure – IV and forms part of the Directors' Report.

CORPORATE GOVERNANCE

The Company has complied with the various requirements of Corporate Governance. The details in this regard form part of this report in Annexure – V.

RESPONSIBILITY STATEMENT:

The Directors confirm:

- a. 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.
- b. That they have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the company for the period.
- c. 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.

- d. That they have prepared the annual accounts on a going concern basis.

ACKNOWLEDGEMENTS

I place on record my appreciation and gratitude to all the employees and others who had extended their support and co-operation during the year to achieve the targeted goals of the Company. In particular I am grateful to various officials of the Govt. especially from the Govt. of India, the Ministry of Chemicals & Fertilizers, Finance Ministry, Ministry of Environment & Forestry, Promoter Company i.e. HOCL and Board Members. I would like to convey my sincere appreciation to our valued customers, suppliers, Statutory Bodies, Investors, Banks & FIs etc for the continued support. 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.

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

**(R.N.MADANGERI)
CHAIRMAN**

PLACE: HYDERABAD

DATE : 13.07.2012



Annexure-I to Directors' Report

ENERGY CONSERVATION MEASURES TAKEN:

The following Energy conservation measures were taken in the financial year 2011-12:

SI.No.	PARTICULARS	Investment	Savings Per Annum
1	Improvement in power factor from 0.95 to 0.98	Rs.5 lakhs	Rs.9.3 lakhs
2	Modification of cooling water pumps and distribution	Rs.0.6 lakhs	Rs.6.9 lakhs
3	Production efficiencies have increased by 5% hence specific consumption of product has come down.	Rs.1 lakh	Rs.41.7 lakhs
4	Replacement of lighting lamps with energy efficient lamps	Rs.1 lakh	Rs.0.50 lakh

FUTURE PLANS:

Future plans for energy conservation for the financial year 2012-13 is as follows:

SI No	PARTICULARS	Expected Investment	Expected Savings Per Annum
1	Replacement of lighting lamps with energy efficient lamps	Rs.3 lakh	Rs.1.25 lakhs
2	Switching of one transformer	Nil	Rs.1.1 lakhs
3	Modifications in cooling water distribution.	Rs.2 lakh	Rs.4 lakhs
4	Condensate recovery	Rs. 4 Lakhs	Rs.6 lakhs

(FORM A)

FORM FOR DISCLOSURE OF PARTICULARS WITH RESPECT TO CONSERVATION OF ENERGY TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS AND OUTGO:

A.	POWER AND FUEL CONSUMPTION	CURRENT YEAR	PREVIOUS YEAR
1.	Electricity		
a)	Purchased units	8216040KWH	8191659 KWH
	TOTAL AMOUNT	Rs.33112605.54	Rs.31802967.00
	Rate/Unit	Rs.4.03	Rs.3.88
b)	Own Generation		
i)	Through Diesel Generator	28270 KWH	40380 KWH
	Units per Liter of Diesel Oil	2.13 KWH	2.62 KWH
	Cost per unit	Rs.18.58	Rs.11.55
ii)	Through Steam Turbine Generator Units	-	-
2.	FURNACE OIL		
	Quantity	564.08	549.00
	Total Amount	26337768.64	18007512.00
	Average rate per KL	Rs.46691.54	Rs.32800.57


B. CONSUMPTION PER UNIT OF PRODUCTION

PRODUCT: PTFE (MT)	139.196	124.583
Electricity per MT of PTFE	Rs.13098	Rs.14039
Furnace oil per MT of PTFE	4.05 KL	4.40 KL
HSD rate per KL	Rs.39503.00	Rs.30292.46
Technology Absorption	Nil	Nil
Foreign Exchange earnings and outgo	Nil	Nil

FORM B
1. SPECIFIC AREAS IN WHICH R&D WORK CARRIED OUT BY THE COMPANY

- i. Trials were conducted to bring down specific consumption of CFM-22 in monomer plant. As a result, company has achieved specific consumption norms less than technology supplier.
- ii. Vikram Sarabhai Space Centre (VSSC), Project, Thiruvananthapuram:
Development of resin was completed for VSSC. Sample was accepted by VSSC.

2. BENEFIT DERIVED AS A RESULT OF THE ABOVE R&D

- i. Company has reduced of specific consumption of CFM while manufacturing TFE. Hence resulted additional quantity of TFE.
- ii. VSSC has principally accepted to finance the project of resin manufacture.

3. FUTURE PLANS

1. Development of Fluoro elastomer for TBRL, Chandigarh.
2. Modifications study to be conducted to reduce the specific consumption.
3. Separation of HFP from vent gas.

Annexure-II to Director's report
Consolidated report as on 31-03-2012 (SC/ST/OBC/WOMEN)

Group	Total Strength	SC	ST	OBC	WOMEN
A	74	06	01	17	02
B	-	-	-	-	-
C	46	08	05	13	01
D	26	06	13	07	-
TOTAL	146	20	19	37	03



Annexure-III to Director's report

Reply of the Management on the Auditor's Report to the Members for the Financial Year 2011-12:

Audit Observation	Management Reply
<p>Regarding Refurbishment Expenditure: (I) The Company had incurred Rs.284.14 lakhs and Rs. 17.83 lakhs as refurbishment expenditure on Plant & Machinery during the Financial Year 2008-09 & 2009-10 respectively. As per the guidelines laid down in scheme of BIFR, Modified Draft Rehabilitation Scheme (MDRS), it has been stipulated that this sum shall be written off in 5 equal annual installments. Accordingly, during the current financial year, a sum of the Rs.61.49 lakhs has been written off on pro –rata basis. This accounting treatment is a deviation from Accounting Standard (AS- 6) issued by The Institute of Chartered Accountants of India (ICAI) and incorporated as a mandatory accounting standard in Section 211(3C) of the Companies Act 1956;</p>	<p>As per BIFR's MDRS the company is following the accounting treatment of refurbishment expenditure deviating from AS-6 issued by ICAI.</p>
<p>Regarding VRS Expenditure: (II) An amount of Rs.223.57 lakhs was incurred towards VRS payments for 31 employees in accordance with BIFR's Modified Draft Rehabilitation Scheme (MDRS) in Jan 2009. As per scheme, this amount is to be amortized and charged to P & L Account over a period of 3 years on pro-rata basis. Accordingly, the balance of Rs.37.27 Lakhs has been amortized/ written off during the year to Statement of profit & loss. This is in accordance with BIFR's Modified Draft Rehabilitation Scheme (MDRS). However, the aforesaid accounting treatment is a deviation from the Accounting Standard (AS-15) issued by The Institute of Chartered Accountants of India (ICAI) and incorporated as a mandatory accounting standard in Section 211(3C) of the Companies Act;</p>	<p>As per BIFR-MDRS the company is following the accounting treatment of VRS expenditure deviating from AS-15 issued by ICAI</p>
<p>Wage Revision : (III) The arrears payable on account of pay fixation in the revised scale with effect from 01-01-1997 vide wage revision settlement as per DPE guidelines, have had not been provided for in the books of the company. The arrears payable at the close of the year was Rs.1160 lakhs (Pr. year Rs.1552 Lakhs). As per BIFR-MDRS, the company has implemented the wage revision for officers and non officers' with effect from December 2010 and the arrears payable for the period before that date has not been charged</p>	<p>As per BIFR-MDRS the company has implemented the wage revision for officers and non officers w.e.f. December 2010 and arrears to this effect could not be charged to profit and loss account since BIFR categorically mentioned that arrears should be released subject to availability of funds. Accordingly, the</p>



Audit Observation	Management Reply
<i>to profit and loss account on account of categorically stipulation made under the scheme that arrears are to be released subject to availability of funds. The company has accordingly not provided for. This liability has been disclosed under contingent liability in the financial statements;</i>	<i>liability was shown under contingent liability.</i>
<i>(IV) Trade Receivables, Trade payables, sundry balances of debit and credit of parties are subject to confirmation and review by the management,</i>	<i>We had sent letters for seeking confirmation of balances to trade payables and receivables on half yearly basis that is October and April.</i>

Annexure-IV to Director's report

MANAGEMENT DISCUSSION AND ANALYSIS REPORT

The Financial year of the company consists of 12 months ended as on 31st March, 2012.

INDUSTRY STRUCTURE & FUTURE OUTLOOK: Company is continuously focusing on Development of Fluoro Speciality Chemicals. As a part of development, one product was well accepted in market. Company is also developing another product for Vikram Sarabhai Space Centre (VSSC), Tiruvananthapuram, which was accepted by the customer. Company is in process to commercialize the same product.

Simultaneously efforts are also being taken to reduce specific consumption of the raw materials and necessary modification is being carried out in the plant. Plant capacity is very small as compared to the competitors, hence company is continuously focusing niche area of Fluoro Speciality Chemicals. Company is also discussing for development of other product for Defense Research and Development Organization (DRDO).

KEY OPPORTUNITIES:

Development of Fluoro Speciality Chemicals.

KEY THREATS INCLUDE:

Increase input prices i.e., AHF, Chloroform, Furnace Oil and PTFE. China has increased PTFE production, hence there is a pressure on our product.

SEGMENT WISE PERFORMANCE:

The company is primarily having one segment i.e., PTFE

Production (MT)	Year ended 31/03/2012	Year ended 31/03/2011
PTFE	139.19	124.58

**OUTLOOK & INITIATIVE FOR CURRENT YEAR**

Company is continuously making efforts to increase the market share of the Fluoro Speciality Chemicals as this product contributes more.

Company is planning to separate valuable material from waste as it will be marketable in the Market and it adds some margins to the company.

INTERNAL CONTROL SYSTEM AND ADEQUANCY

Internal controls are supported by Internal Audit and Management reviews. Company ensures existence of adequate internal control through documented policy and procedures to be followed by the executives at various levels.

As part of good Corporate Governance the Audit Committee constituted by the Board periodically reviews the internal controls, Audit programmes, Financial Results, Recommendations of the Auditors and Management replies to the Auditors qualifications, etc

REVIEW OF FINANCIAL PERFORMANCE

The financial statements have been prepared in accordance with the requirements of the Companies Act, 1956 and generally accepted accounting principles.

The financial performance highlights are as follows:

The sales turnover was Rs.4557.30 lacs against Rs.3039.37 lacs for the previous year showing an increase of 50% and operating profit for the year Rs.252.25 lacs as against 223.47 lacs for the previous year.

CAUTIONARY STATEMENT:

Statement in this Management Discussion Analysis describing the Company's objectives, Projections, estimates and expectations may be forward looking statements within the meaning of applicable laws and regulations.

(Annexure V to Director's report)**CORPORATE GOVERNANCE REPORT AS ON 31.03.2012****1. The Directors present the Company's Report on Corporate Governance:**

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.

2. BOARD OF DIRECTORS:

The Board of Directors oversees all major actions proposed to be taken by the Company. The Board also reviews and approves the strategic and business plans including monitoring corporate performance.


a) Composition of the Board:

In accordance with the provisions of the Articles of Association of the Company (as amended from time to time) the number of Directors of the Company shall neither be less than three and more than twelve. The Directors shall not require to hold any qualification shares.

As on 31st March, 2012, 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 31.03.2012 is Six. The Board comprises of one Executive Director, three Non Executive directors nominated by HOCL of which one Director is Chairman of the Board, One Non-Executive Director Nominated by APIDC, and One Non-Executive Director Nominated by Govt of India Department of Chemicals & Petrochemicals, Ministry of Chemicals & Fertilizers.

SINo	Directors/Shri	Category of Director (ED,NED, NEID)	Date of appointment	Date of Ceasure	No.of Other Director-ships	Member-Ship in other Board Committees	Chairman Ship in Board and Other Board Committees
1.	R N Madangeri	Chairman, HOCL Nominee, NED	01.02.2008 01.09.2010	-	2	5	5
3.	T S Gaikwad	MD,ED	01.01.2008	-	-	4	-
4.	Dr. B D Kulkarni	HOCL Nominee, NEID	31.01.2009		-	3	-
5.	P S Singh	Govt Nominee, NED	18.10.2010	31.05.2011	-	1	-
6.	Sanjay Bansal	Govt Nominee, NED	31.05.2011	13.03.2012	-	1	-
7.	M K Mittal	HOCL Nominee, NED	05.05.2010	29.07.2011	2	7	-
8.	S V Kanaka Seshu	APIDC Nominee, NED	18.10.2010		7	1	2
9	J N Suryawanshi	HOCL Nominee, NED	04.11.2011		1	4	-
10	Arun Agarwal	Govt. Nominee, NED	13.03.2012		-	2	-

ED: Executive Director, **NED:** Non-Executive Director, **NEID:** Non-Executive Independent Director

The non-executive independent Directors are independent of management and free from any business or other relationship that could materially influence their judgment. All the independent directors satisfy the criteria of independence as defined under listing agreement with Indian Stock Exchanges' Corporate Governance standards.

**CHANGES IN THE BOARD OF DIRECTORS:**

1. Shri. P S Singh Nominee Director (Govt) ceased to be Director of the Company with effect from 31.05.2011 and in his place Shri. Sanjay Bansal appointed as Nominee Director with effect from 31.05.2011.
2. Shri. M K Mittal, Nominee Director (HOCL) ceased to be Director of the Company with effect from 29.07.2011.
3. Shri J N Suryawanshi, Nominee Director (HOCL) was appointed as Nominee Director with effect from 04.11.2011.
4. Shri Sanjay Bansal, Nominee Director (Govt) ceased to be Director of the Company with effect from 13.03.2012. and in his place Shri Arun Agarwal, appointed as Nominee Director with effect from 13.03.2012.
5. Shri. Suresh Kumar R, Nominee Director (HOCL) was appointed as Nominee Director with effect from 13.07.2012.

One Director viz. B D Kulkarni, Nominee Director (HOCL) are due for retirement by rotation at the ensuing 29^h Annual General Meeting of the Company and eligible for re-appointment.

a) PROFILE OF DIRECTOR

Shri. J N Suryawanshi: (From 04.11.2011)

Qualification: B.S.C, Master in Management Studies (MMS)

Business/Occupation: Director (Mktg) of HOCL

Experience: He underwent two months business Management Course organised by JICA, Japan Government, TOKYO under colombo Plan in Oct - November, 1989 and he carries with him rich experience of over 30 years in Marketing

Shri. Arun Agarwal: (From 13.03.2012)

Official Govt. Nominee Director

Qualification: B.E. (Electronics and Communications), MBA

Business/Occupation: Director to the Govt. of India, Ministry of Chemicals & Fertilizers, Dept of Chemicals & Petrochemicals.

Experience: An officer of the Indian Engineering Service (Telecom) of 1991 batch, & joined the Department of Telecom in 1992 as 'Assistant Divisional Engineer'. Working in the Selection Grade of JAG from 1-1-2004 as Director, and having about 20 years of experience of telecom. Presently working as a Director in the Dept. of Chemical & Petrochemicals on deputation.

Shri. Suresh Kumar R: (From 13.07.2012)

Qualification: B.Com, FCA, DISA (ICA), CISA

Business/Occupation: Director (Finance) of HOCL

Experience:

May, 2009 to May, 2012 – GM(Finance), HOCL, Ambalamugal.

April, 2006 to May, 2009 – GM (Finance), Cochin International Airport Ltd.

February 2003 to April, 2006 – Roads & Bridges Development Corporation Financial Controller of Kerala Ltd, Kochi

November, 1999 to October, 2002 – Finance Manager – Kerala Shipping & Inland Navigation Corporation Ltd, Kochi.

**b) 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.

c) 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.

d) 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 21.05.2011, 20.06.2011, 12.08.2011, 20.09.2011, 14.11.2011, 27.01.2012.

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

SINO	Directors	Board Meetings Held	Board Meetings Attended	Attendance at the Last AGM
1	Shri R N Madangeri, Chairman	06	06	YES
2	Dr. B D Kulkarni, Independent Director	06	04	NO
3	Shri T S Gaikwad, Managing Director	06	06	YES
4	Shri P S Singh, Govt Nominee Director (Up to 31.05.2011)	06	00	NA
5	Shri Sanjay Bansal, Govt Nominee Director (From 31.5.2011)	06	02	NO
6	Shri M K Mittal, HOCL Nominee Director (Up to 29.07.2011)	06	01	NA
7	Shri S V Kanaka Seshu, APIDC Nominee Director	06	04	YES
8	Shri J N Suryawanshi, HOCL Nominee Director (04.11.2011)	06	02	NA

NOTES:

1. Shri. P.S.Singh ceased to be Govt. Nominee Director W.e.f 31.05.2011.
2. Shri. Sanjay Bansal appointed as Govt. Nominee Director w.e.f 31.05 2011 and ceased to be a Govt Nominee Director w.e.f 13.03.2012.
3. Shri. M K Mittal ceased to be HOCL Nominee Director w.e.f 29.07.2011.
4. Shri. J N Surawanshi appointed as a HOCL Nominee Director w.e.f 04.11.2012.
5. Shri. Arun Agarwal appointed as Govt Nominee Director w.e.f 13.03.2012.



3. 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 (c) Remuneration Committee (d) Management Committee (e) Receivable Committee.

The details of the Audit Committee, Share Transfer/Shareholder's /Investor's Grievance Committee, Remuneration Committee, Management Committee, and Receivable Committee:

a. AUDIT COMMITTEE OF THE DIRECTORS:

(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 internal 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. MD and Chairman of HFL 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 acted as Secretary to the Committee up to 19.06.2011 and company secretary acted as secretary to the committee from 20.06.2011.

(ii) Composition:

The Committee as on 31st March, 2012 comprised of three non Executive Directors. The Committee met four times during the year 2011-12 i.e., 21.05.2011, 20.09.2011, 14.11.2011 and 27.01.2012.

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 13.04.2012 comprising of Shri.S.V.Kanaka Seshu, Nominee Director as Chairman of the Committee, Dr.B.D.Kulkarni, Independent Director as Member, Shri. Arun Agarwal, Nominee Director as Member and Shri.J N Suryawanshi, Nominee Director as member of the Committee.

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

Name of the Member	Status	No. of Meetings attended
1. Shri S V Kanaka Seshu	Chairman	03
2. Shri P S Singh	Member	00
3. Shri Sanjay Bansal	Member	01
4. Shri M K Mittal	Member	01
5. Dr. B D Kulkarni	Member	03
6. Shri. Suryawanshi	Member	01

b. SHARE TRANSFER AND SHAREHOLDERS/INVESTORS GRIEVANCE COMMITTEE:

As required under the Companies Act, 1956, the company already has a Share Transfer and Share Holders/Investor's Grievance Committee comprising of Shri.R.N Madangeri, Chairman,



Shri. T S Gaikwad, Managing Director as Member, Shri J N Suryawanshi, Nominee Director as Member, Shri S V Kanaka Seshu, Nominee Director as Member and Dr. B D Kulkarni, Independent 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 dematerialisation of shares Company shares can be dematerialized with CDSL and NSDL under ISIN No.INE 806J01013.

The Company Secretary of HOCL acted as Secretary to the Committee up to 19.06.2011 and company Secretary acted as Secretary to the Committee from 20.06.2011.

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

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 22 times and the details are as under: 11.04.2011, 22.04.2011, 05.05.2011, 25.05.2011, 01.06.2011, 21.06.2011, 06.07.2011, 20.07.2011, 12.08.2011, 07.09.2011, 20.09.2011, 04.10.2011, 24.10.2011, 04.11.2011, 14.11.2011, 30.11.2011, 21.12.2011, 04.01.2012, 18.01.2012, 04.02.2012, 27.02.2012 and 21.03.2012.

Summarized information on complaints received and resolved during 1st April, 2011 to 31st March, 2012:

Sl. No.	Nature of Complaint	Received	Redressed	Pending as on 31.03.2012
1.	Non-receipt of Dividend	NIL	NIL	NIL
2.	Non-receipt of shares lodged for transfer	NIL	NIL	NIL
3.	Others (N/R of Annual Report, etc).	NIL	NIL	NIL

Please note that the grievances, if any, have been redressed within 30 days of the receipt thereof.

c. REMUNERATION COMMITTEE:**Terms of Reference:**

The Terms of Reference of the Remuneration Committee among other things include issues relating to the fixing of Remuneration of the Employees, Wage related negotiations with the Employee Unions, and Fixation of Remuneration of the Employees as per Govt./ DPE Guidelines, Orders, etc. among other terms of references and to put up the same to the Board for its consideration.”

Composition:

The Committee as on 31st March, 2012 comprised of Two Non Executive Directors, the committee comprising of Shri S.V.Kanaka seshu as Chairman of the Committee, and Dr.B.D.Kulkarni, Independent Director as Member. The Company Secretary of HOCL acted as Secretary to the Committee up to 19.06.2011 and the Company Secretary of the Company acted as Secretary to the Committee from 20.06.2011.



d. MANAGEMENT COMMITTEE:

Terms of Reference:

The Management Committee formed to review the operations of the Company and to monitor the implementation of the Modified Draft Rehabilitation Scheme (MDRS) sanctioned by BIFR/AIFR, for implementation in the Company.

Composition:

The Committee as on 31st March, 2012 comprised of Four Directors, the committee was constituted at the Board Meeting held on 13th April, 2012 comprising of Shri R N Madangeri, Chairman, Shri.T.S.Gaikwad, Managing Director Shri Arun Agarwal, Govt Nominee Director and Dr. B D Kulkarni, Independent Director as Members. The Company Secretary of HOCL acted as Secretary to the Committee up to 19.06.2011 and the Company Secretary of the Company acted as Secretary to the Committee from 20.06.2011.

e. RECEIVABLE COMMITTEE:

Terms of Reference:

The terms of reference of the Board Committee on Receivables include to expedite and to recover the old dues wherever feasible and to pursue the legal cases on various recoveries among other terms of references and to put up the same to the Audit Committee for its consideration.

Composition:

The Committee as on 31st March, 2012 comprised of four Directors, the committee was constituted at the Board Meeting held on 13th April, 2012 comprising of Shri R N Madangeri, Chairman Shri.T.S.Gaikwad, Managing Director, Shri. J N Suryawanshi, Nominee Director and Shri S V Kanaka Seshu, Nominee Director as Members. The Company Secretary of HOCL acted as Secretary to the Committee up to 19.06.2011 and the Company Secretary of the Company acted as Secretary to the Committee from 20.06.2011.

1. DETAILS OF REMUNERATION PAID TO THE DIRECTORS FOR THE YEAR 2011-2012:

Name	Amount (Rs.lacs)			
	Salary including perks	Arrears	Retirement benefits	Total
1. T S Gaikwad	9.14	0	0	9.14

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 Executive 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 2011-12 are as follows:

SI No.	Name of the Director	Sitting fees (including out of pocket expenses) Amount(Rs.)
1	Dr B.D.Kulkarni	Rs.24000.00
2	Shri. S.V.Kanaka Shesu(APIDC)	Rs.7000.00

Non Executive Directors does not hold any shares in the Company.

4. ANNUAL GENERAL MEETINGS

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

Particulars	FY-2008-09	FY-2009-2010	FY-2010-2011
Date	25.09.2009	12.08.2010	12.08.2011
Time	3.00 P.M	3.00 P.M.	3.00 P.M.
Venue	Deshodharaka Bhavan Basherbagh, Hyderabad-500 001	Deshodharaka Bhavan Basherbagh, Hyderabad-500 001	Deshodharaka Bhavan Basherbagh, Hyderabad-500 001

No special resolutions were passed in previous three General Meetings.

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.

5. DISCLOSURES:

- i. There was no materially significant related party transaction with its Directors/or the management of Subsidiary or relatives that may have potential conflict with the interests of Company of large.
- ii. There was no case of Non-compliance by the Company of Statutory Provisions of the Companies Act, 1956 or SEBI regulation or provisions of listing Agreement or any other Statutory Authority. Further, these authorities have never passed any structure of imposed any penalties on the Company on any matter related to capital markets, during the last three years.
- iii. Board approved the whistle blower policy and implementation of whistle blower policy is in process. Nonetheless no personnel have been denied access to the Audit Committee.
- iv. Details of compliance with mandatory requirements and adoption of the non mandatory requirements of this clause are provided in this report.

MEANS OF COMMUNICATION:

The Board Meeting Notices before 7 days and General Meeting Notices before 21 clear days from the date of meeting held are published in the financial express (English) and Andhra Prabha (Telugu) Daily News Papers.

As required under Clause 41, Company issues a notice of at least 7 days in advance to the Stock Exchange of the Board Meetings in which the unaudited/ audited Financial Results are due for consideration. Further the said results are intimated immediately after they are taken on record/ approved

to the Stock Exchange. These Financial results are normally published in the Financial Express (English) and Andhra Prabha (Telugu) within 48 hours of the conclusion of the said meeting.

Management Discussion and Analysis report forms part of this Annual report

When ever a Director is appointed or reappointed Stock Exchanges are intimated through Fax/Speed Post/Courier Service.

6. GENERAL SHAREHOLDER INFORMATION:

Compliance Officer:

Shri E.Surya Rao, Dy.General Manager (Finance) was Compliance Officer up to 19th May, 2011 and Mrs.Rajani.K, who has been appointed (with effect from 19th May, 2011) Company Secretary of the Company is the Compliance Officer of the Company under Clause 47 of the Listing Agreement.

Registered Office	303, Babukhan Estate, Basheerbagh, Hyderabad – 500 001.
Change of Registered Office:	Note: Company has changed the Registered Office from 1402, Babukhan Estate, Basheerabagh, Hyderabad to 303, Babukhan Estate, Basheerbagh, Hyderabad with effect from 01.08.2012.
Annual General Meeting	Date & Time : 21 st September, 2012 at 3.00 p.m Venue : at Press Club, Deshodharaka Bhavan, Bashirbagh, Hyderabad-500 001
Tentative Financial Calendar	1 st unaudited Quarter Results on or before 14 th August of the year. 2 nd unaudited Quarter Results on or before 15 th November of the year. 3 rd unaudited Quarter Results on or before 15 th February of the following year. 4 th unaudited Quarter Results on or before 15 th May of the following year/or Annual Audited Results on or before 30 th May of the following year.
Date of book closure	(For the purpose of Annual General Meeting) 13.09.2012 to 21.09.2012 (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 Stock Code at BSE: 524013
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: 28591568 e-mail: sharepro@shareproservices.com.


MARKET PRICE DATA

Scrip Code: 524013

Scrip Id: HINFLUR

The high/low prices of Equity shares traded month wise as available at BSE site are stated hereunder.
(All Rupees)

Month	Open Price	High Price	Low Price	Close Price
Apr-11	14.70	16.16	13.11	14.08
May-11	14.71	16.31	11.71	15.47
Jun-11	14.70	15.00	10.60	12.10
Jul-11	11.75	14.12	11.00	14.12
Aug-11	14.82	16.20	12.23	14.24
Sep-11	14.92	16.88	11.25	12.48
Oct-11	11.86	13.34	10.48	12.99
Nov-11	13.60	13.60	9.98	10.99
Dec-11	10.45	11.74	9.32	11.74
Jan-12	12.32	15.79	12.32	13.31
Feb-12	12.88	15.66	11.93	12.02
Mar-12	12.00	14.60	10.87	12.29

DISTRIBUTION OF SHAREHOLDING

The Distribution of holdings as on 31st March, 2012 was as follows:

Description	Holders(s)		Holdings(s)	
	Folios	%	Shares	%
Less than 500	14325	92.2	2480950	12.66
501-1000	753	4.85	637100	3.25
1001-2000	243	1.56	376239	1.92
2001-3000	74	0.48	190950	0.97
3001-4000	29	0.19	103611	0.53
4001-5000	37	0.24	175100	0.89
5001-10000	29	0.19	211500	1.08
Above 10000	47	0.30	15423650	78.70
Total	15537	100	19599100	100.00

Share Holding Pattern as on 31st March, 2012 was as under:

Category	No. of shares held	Percentage of Shareholding
I. CONTROLLING/STRATEGIC HOLDINGS:		
1. Hindustan Organic Chemicals Limited	11060000	56.43
2. A.P.Industrial Development Corpn.Ltd.	870000	4.44
SUB TOTAL	11930000	60.87
II. FREE FLOAT:		
A. BASED IN INDIA		
1. Indian Individuals/HUFs	5565539	28.40
2. Indian Corp.Bodies/Trustees/Partnership	907961	4.63
3. Independent Directors & Relatives	0.00	0.00
4. Present employees	61100	0.31
5. Banks/Financial Institutions	659400	3.36
6. Insurance companies	325500	1.66
7. Mutual funds	1200	0.01
SUB-TOTAL	7520700	38.37
B BASED OVERSEAS:		
1. Non-resident Indians	148400	0.76
GRAND TOTAL	19599100	100.00

DEMATERIALISATION OF SHARES & LIQUIDITY:

The shares of the Company are compulsorily traded in Dematerialized mode. To facilitate the shareholders to dematerialize the shares, the Company has signed the agreement with both i.e National Securities depositories Limited (NSDL) and Central Depositories Services (India) Ltd., (CDSL) under ISIN No. INE806J01013.

83.31% of the Share Capital of the Company has been Dematerialize the shares, the Company has been Dematerialized as on 31st March, 2012- total accounts Dematerialized is 1431 involving 16328050 shares (which constitutes 83.31% of the share capital).

**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 2011-12 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 in violation 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 :
 - i) significant changes in internal control during the year;
 - ii) significant changes in accounting policies during the year and that the same have been disclosed in the notes to the financial statements; and
 - iii) 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.

Sd/-

(E SURYA RAO)

DY.GENERAL MANAGER (FIN.)

Place: Hyderabad

Date: 13.07.2012

**COMPLIANCE OFFICER'S RESPONSIBILITY STATEMENT:**

The Compliance Officer (Mrs. Rajani K,) confirms as on 31STMarch, 2012, that the Company has:

- Maintained all the Statutory Registers required to be maintained under the Companies Act, 1956 ("the Act") and rules made hereunder.
- 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 statutes in force.

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

One Director viz. Dr. B D Kulkarni, HOCL Nominee Director are due for retirement by rotation at the ensuing 29th Annual General Meeting of the Company.

Sd/-

(RAJANI.K)

**COMPANY SECRETARY &
COMPLIANCE OFFICER**

PLACE: HYDERABAD

DATE : 13.07.2012

**CERTIFICATE ON CORPORATE GOVERNANCE**

To,
The Members
Hindustan Fluorocarbons Limited
Hyderabad

We have examined the compliance of conditions of Corporate Governance by Hindustan Fluorocarbons Limited, Hyderabad, for the year ended 31st March, 2012, 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 complied the conditions of Corporate Governance as stipulated in the above mentioned Listing Agreement.

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

For Ahalada Rao.V & Associates
Company Secretaries

Place: Hyderabad
Date: 09.07.2012

Sd/-
Srivani Chada
Company Secretary in Practice
CP No. 8181

**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, 2012 the Statement of profit and Loss and the Cash Flow Statement for the year ended on that date, which are revised statements of the original Balance Sheet and Statement of Profit and Loss covered by the audit report of Hindustan Fluorocarbons Ltd., dated 25.05.2012. We have considered the earlier audit report dated 25.05.2012 on the original accounts and also revised report dated 13.07.2012 and have examined the changes made therein which are as under:

The reversal of excess provision of Gratuity amounting to Rs.65.89 lakhs has now been treated as Other non operating Income instead of Exceptional Item, however due to change, there is no impact on profit for the year from continuing operations.

Revised Audit Report:

In the light of C & AG's observations under Section 619(4) of the Companies Act, 1956, on the accounts of the company, the above Audit Report Dated 13.07.2012 is revised by modifying sub Paras 1(d) & 1(f)(V). This report is in substitution of our earlier report dated 13.07.2012.

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Financial Statements based on our audit.

We conducted our audit in accordance with Audit 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.

I As required by the Companies (Auditor's Report) Order, 2003, issued by the Central Government of India in terms of subsection (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.

II Further to our comments in the Annexure referred to in paragraph I 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, Statement of Profit and Loss 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, Statement of Profit and Loss and the Cash Flow Statement dealt with this report comply with the Accounting Standards referred to in subsection (3C) of Section 211 of the Companies Act, 1956, except AS – 6 , AS-15 & AS – 29.
- (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 Directors 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 Significant Accounting Policies and Notes thereon, subject to following qualifications;
- (I) *The Company had incurred Rs.284.14 lakhs and Rs. 17.83 lakhs as refurbishment expenditure on Plant & Machinery during the Financial Year 2008-09 & 2009-10 respectively. As per the guidelines laid down in scheme of BIFR, Modified Draft Rehabilitation Scheme (MDRS), it has been stipulated that this sum shall be written off in 5 equal annual installments. Accordingly, during the current financial year, a sum of the Rs.61.49 lakhs has been written off on pro – rata basis. This accounting treatment is a deviation from Accounting Standard (AS- 6) issued by The Institute of Chartered Accountants of India (ICAI) and incorporated as a mandatory accounting standard in Section 211(3C) of the Companies Act 1956;*
- (II) *An amount of Rs.223.57 lakhs was incurred towards VRS payments for 31 employees in accordance with BIFR's Modified Draft Rehabilitation Scheme (MDRS) in Jan 2009. As per scheme, this amount is to be amortized and charged to P & L Account over a period of 3 years on pro-rata basis. Accordingly, the balance of Rs.37.27 Lakhs has been amortized/ written off during the year to Statement of profit & loss. This is in accordance with BIFR's Modified Draft Rehabilitation Scheme (MDRS). However, the aforesaid accounting treatment is a deviation from the Accounting Standard (AS-15) issued by The Institute of Chartered Accountants of India (ICAI) and incorporated as a mandatory accounting standard in Section 211(3C) of the Companies Act;*
- (III) *The arrears payable on account of pay fixation in the revised scale with effect from 01-01-1997 vide wage revision settlement as per DPE guidelines, have had not been provided for in the books of the company. The arrears payable at the close of the year was Rs.1160 lakhs (Pr. year Rs.1552 Lakhs). As per BIFR-MDRS, the company has implemented the wage revision for officers and non officers' with effect from December 2010 and the arrears payable for the period before that date has not been charged to profit and loss account on account of categorically stipulation made under the scheme that arrears are to be released subject to availability of funds. The company has accordingly not provided for. This liability has been disclosed under contingent liability in the financial statements;*
- (IV) *Trade Receivables, Trade payables, sundry balances of debit and credit of parties are subject to confirmation and review by the management, 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:-*
- i) in the case of Balance Sheet of the state of affairs of the company as at 31st March,2012.
- ii) in the case of the Statement of Profit and Loss, of the result 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 **S Daga & Co.**,
Chartered Accountants.
(FRN 000669S)
- Sd/-
(Shantilal Daga)
Partner
M.No. 011617
- Place: Mumbai
Date: 27.08.2012

**Annexure to Auditors Report**

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

1(a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.

1(b) All the fixed assets have been physically verified by management during the year and there is regular program 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 major material discrepancies were noticed on such verification.

1(c) During the year, the Company has not disposed off substantial part of its fixed assets.

2(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. Stock 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.

2(b) In our opinion, the procedure of physical verification of stocks followed by the management is reasonable and adequate in relation to the size of the Company and the nature of its business.

2(c) The Company is maintaining proper records of inventory and no material discrepancies

have been noticed on physical verification of stocks compared to the books/records.

3(a) The company has not granted any loans secured or unsecured to/from Companies, Firms or other parties covered in the registers maintained u/s 301 of the Companies Act, 1956.

3(b) The company has taken secured loan from its holding company, Hindustan Organics Company Limited, covered in the register maintained under section 301 of the Companies Act 1956 and the maximum amount involved during the year was Rs.4021.06 lakhs (Pr. Year Rs.4019.15 lakhs) and the year - end balance is Rs. 3929.33 lakhs (Pr. Year Rs. 4019.15 lakhs)

3(c) In our opinion, the rate of interest and other terms and conditions on which loans have been taken on the holding company, are not prima facie prejudicial to the interest of the company.

3(d) The Company is irregular in repaying the principal amount as stipulated and also irregular in payment of interest. The overdue of principal and interest at the close of the year is Rs. 1514.62 lakhs (Pr. Year Rs. 916.62 lakhs)

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. Further, on the basis of our examination of the books and records of the company and



- according to the information and explanations given to us, we have neither come across nor have been informed of any continuing failure to correct major weaknesses in the aforesaid internal control procedures;
- 5(a) According to the information and explanations given to us, we are of the opinion that the transactions that need to be entered in the register maintained u/s 301 of the Companies Act, 1956 have been so entered.
- 5(b) In our opinion and according to the information and explanations given to us, the transactions made in pursuance of contracts and arrangements entered in the register maintained under section 301 of the Companies Act 1956 in respect of transactions during the year, have been made at prices which are reasonable having regard to the prevailing market price at the relevant time.
6. The Company has not accepted any deposits from the public within the meaning of section 58A, 58AA of the companies Act 1956 or any other relevant provisions of the act and the rules made there under.
7. The internal audit of the company has been entrusted to an independent firm of Chartered Accountants to carry out the functions as Internal Auditors. In our opinion the company has internal audit system commensurate with the size and nature of business.
8. We have broadly reviewed the books of accounts 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) The company is generally regular in depositing with appropriate authorities undisputed statutory dues including Provident fund, Employee's state Insurance, Income- tax, CST/VAT, Wealth- tax, Service- tax, Customs duty, Excise duty, cess and other material statutory dues applicable to it. The arrears of CST/VAT, Provident fund etc. outstanding at the close of previous year have been deposited during the year.
- 9(b) According to the information and explanations given to us, no undisputed amounts payable in respect of income – tax, wealth tax, service tax, sales tax, customs duty, excise duty and cess were in arrears, as at 31st March 2012 for a period of more than six months from the date they became payable;
10. The accumulated losses of the company as at the end of the year are more than fifty percent of its net worth. Further, the company has not incurred cash losses during the financial year covered by our audit and in the opinion of the previous auditor; the company has incurred cash losses in the



- immediately preceding financial year. The company is under the Scheme of BIFR and hence considered as a Sick Company as per Sick Industries Companies (Special Provisions) Act 1985.
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, 2012.
 12. The Company has not granted any loans and advances on the basis 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 (Auditor's 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. In our opinion, the term loans have been applied for the purpose of which they were raised.
 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 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 **S Daga & Co.**,
Chartered Accountants.
(FRN 000669S)

Sd/-
(Shantilal Daga)
M.No. 011617

Place: Mumbai
Date: 27.08.2012


Balance Sheet as at 31st March 2012

	Notes	As at 31 March 2012	(Rs. in lacs) As at 31 March 2011
EQUITY AND LIABILITIES			
SHAREHOLDERS' FUND			
Share capital	2	1,961.46	1,961.46
Reserves and surplus	3	(4,424.56)	(4,676.81)
NON - CURRENT LIABILITIES			
Long-term borrowings	4	1870.60	2413.90
Other Long term liabilities	5	451.47	874.73
Long-term provisions	6	245.45	398.40
CURRENT LIABILITIES			
Short-term borrowings	7	28.26	885.80
Trade payables	8	380.58	539.38
Other current liabilities	9	2693.75	1985.92
Short-term provisions	10	113.64	32.28
TOTAL		<u>3320.65</u>	<u>4415.07</u>
ASSETS			
NON-CURRENT ASSETS			
Fixed Assets			
Tangible assets	11A	1643.34	1610.15
Intangible assets	11B	61.49	122.98
Capital work-in-progress		119.87	0.00
Long term loans and advances	12	68.79	51.83
Other non current assets	13	0.00	0.00
CURRENT ASSETS			
Inventories	14	614.76	2081.06
Trade receivables	15	628.46	284.17
Cash and bank balances	16	34.77	6.05
Short-term loans and advances	17	149.16	221.57
Other current assets	18	0.00	37.26
TOTAL		<u>3320.65</u>	<u>4415.07</u>

Significant accounting policies and notes on Financial Statements

1

As per our report of even date

For and on behalf of the Board of Director of HFC Ltd.,

 For **S. Daga & Co.,**

 Chartered Accountants
(FRN 000669S)

Sd/-

(SHANTILAL DAGA)

PARTNER

M No. 011617

Sd/-

(R N. MADANGERI)

CHAIRMAN

Sd/-

(T S. GAIKWAD)

MANAGING DIRECTOR

Sd/-

(E. SURYA RAO)

Dy. GENERAL MANAGER(FINANCE)

Sd/-

(RAJANI .K)

COMPANY SECRETARY

Place: Mumbai

Date: 13.07.2012



Statement of Profit and loss for the year ended 31.03.2012

(Rs. in lacs)

	Notes	As at 31 March 2012	As at 31 March 2011
Revenue from operations	19	6282.93	3505.71
Other income	20	133.16	88.45
Total Revenue		6416.09	3594.16
Expenditure:			
Cost of raw materials consumed	21	1947.35	1473.18
Changes in inventories of finished goods			
Work-in-progress and Stock-in-Trade	22	1520.19	(180.01)
Employee benefits expense	23	1191.61	808.56
Finance costs	24	128.69	278.74
Depreciation and amortization expense	11E	155.19	155.65
Other expenses	25	1259.39	837.73
Total expenses		6202.42	3373.85
Deduct Prior period items (net)		(38.58)	(3.16)
Profit before exceptional items and tax		252.25	223.48
Exceptional items	26	0.00	0.00
Profit before tax		252.25	223.48
Tax Expense		0.00	0.00
Profit/(Loss) for the year from continuing operations		252.25	223.48
Earnings per equity share:			
Basic	27	1.29	1.14
Diluted		1.29	1.14

**Significant accounting policies and notes
on Financial Statements**

1

As per our report of even date

For and on behalf of the Board of Director of HFC Ltd.,

For **S. Daga & Co.**,
Chartered Accountants
(FRN 000669S)

Sd/-
(SHANTILAL DAGA)
PARTNER
M No. 011617

Sd/-
(R N. MADANGERI)
CHAIRMAN

Sd/-
(T S. GAIKWAD)
MANAGING DIRECTOR

Place: Mumbai
Date: 13.07.2012

Sd/-
(E. SURYA RAO)
Dy. GENERAL MANAGER(FINANCE)

Sd/-
(RAJANI .K)
COMPANY SECRETARY



CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH 2012

	2011-12		2010 - 11	
CASH FLOW FROM OPERATING ACTIVITIES:				
Net Profit before taxation and Extraordinary items	213.67		220.31	
Adjustments for :				
Depreciation	93.70		94.16	
Finance Cost	0.00			
Loss on deleted / discarded assets	0.00		0.00	
VRS Payment written off during the year	37.26		74.52	
Referbishment expenditure written off	61.49		61.49	
Loss on Impairment of assets	0.00		0.00	
Operating Profit before working capital changes		406.12	450.48	
Adjustments for				
(Increase)/Decrease in Inventories	1466.29		(236.43)	
(Increase)/Decrease in Trade receivables	(344.29)		(87.95)	
(Increase)/Decrease in Other Current Assets	0.00		0.00	
(Increase)/Decrease in Loans & Advances	53.16		(24.87)	
Increase/(Decrease) in working capital borrowings	(378.25)		(14.12)	
Increase/(Decrease) in Current Liabilites & Provisions	(397.00)	399.91	1,083.96	
Cash generated from operations		806.03	1,171.07	
Direct taxes paid	0.00	0.00	0.00	
Cash flow before extraordinary items		806.03	1171.07	
Prior Period (Income) / expenses	38.58		3.16	
Exceptional Items	0.00		0.00	
Add:Depreciation	0.00		0.00	
Net Cash flow from Operating activities		38.58		1,174.23
CASH FLOW FROM INVESTING ACTIVITIES :				
Purchase of fixed assets	(246.77)		(1,292.14)	
Amount incurred for VRS PAYMENT	0.00		0.00	
Amount incurred for Refurbishment Expenditure	0.00		0.00	
VRS & Refurbishment Expenditure		(246.77)		(1,292.14)
CASH FLOW FROM FINANCING ACTIVITIES:				
Increase in Secured Loans	(424.18)		(29.16)	
Increase in Unsecured Loans	(144.93)		144.93	
Net cash used in financing activities		(569.11)		115.77
Net increase in cash and cash equivalents		28.73		(2.14)
Cash and cash equivalents at the beginning of period		6.04		8.17
Cash and cash equivalents at the ending of period		34.77		6.04

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

As per our report of even date for and on behalf of the Board of Director of HFC Ltd.,

For **S. Daga & Co.**,
Chartered Accountants
(FRN 000669S)

Sd/-
(SHANTILAL DAGA)
PARTNER
M No. 011617

Sd/-
(R N. MADANGERI)
CHAIRMAN

Sd/-
(T S. GAIKWAD)
MANAGING DIRECTOR

Place: Mumbai
Date: 13.07.2012

Sd/-
(E. SURYA RAO)
Dy. GENERAL MANAGER(FINANCE)

Sd/-
(RAJANI .K)
COMPANY SECRETARY



Notes to financial statements for the year ended 31st March 2012

NOTE NO. 1

BASIS OF PREPARATION OF FINANCIAL STATEMENTS:

The financial statements have been prepared under the historical cost convention on accrual basis to comply in all material aspects and in accordance with generally accepted accounting principles in India and the relevant provisions of the Companies Act, 1956. The accounting policies have been consistently applied by the Company unless otherwise stated.

SIGNIFICANT ACCOUNTING POLICIES:

1(A). USE OF ESTIMATES:

The preparation of financial statements requires estimates and assumptions to be made that affect the reporting amount of assets and liabilities on the date of the financial statements and the reported amount of revenues and expenses during the reporting period. Difference between actual results and estimates are recognised in the period in which the results are known/materialised.

1(B). RECOGNITION OF REVENUE AND EXPENDITURE:

- (i) Revenues/Incomes and Costs/Expenditures are generally accounted on accrual, as they are earned or incurred.
- (ii) Sales are recognized when significant risks and rewards of ownership have been transferred to the buyer. In case of development projects / Research income, revenue is recognized on achieving the set milestones or targets.
- (iii) Export incentives under various schemes are recognized as Income on certainty of realization
- (iv) Sale of realizable scrap is accounted on receipt basis.
- (v) Insurance claims are accounted on accrual basis on admission of claims.

(vi) Interest income is recognised on a time proportion basis taking into account the amount outstanding and the applicable rate of interest.

(vii) Revenue (income) is recognised when no significant uncertainties as to its determinations or realisations exists. Turnover includes carbon credits (Carbon Emission Reductions) which are recognised as delivery thereof or sale of right therein as the case may be, in terms of contracts with respective buyers.

1(C). FIXED ASSETS:

- (i) Fixed assets (including capital work-in-progress) are accounted at cost less accumulated depreciation net of modvat credit.
- (ii) Constructed and fabricated capital assets are capitalized as and when the plant is put into commercial production.
- (iii) Expenditure during construction period including interest on loans borrowed is included in the Capital cost.
- (iv) Significant items of separate identity capable of enhancing life and capacity of the machinery are capitalized at cost inclusive of installation cost.

1(D). DEPRECIATION

- (i) 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.
- (ii) Depreciation on assets costing less than Rs.5000/- is provided at 100%.

1(E). VOLUNTARY RETIREMENT SCHEME (VRS)

- (i) The Company has introduced Voluntary Retirement Scheme in accordance with BIFR Modified Draft Rehabilitation Scheme. The Company followed the policy guidelines issued by BIFR by amortizing the VRS payment over a period of 3 years.



1(F). REFURBISHMENT EXPENDITURE

The company has followed the policy of amortizing refurbishment expenditure met on Plant and Machinery over a period of five years from the year of expenditure in accordance with the BIFR Modified Draft Rehabilitation Scheme.

1(G). INVENTORIES:

- (i) The closing stock of raw materials, packing material stores and spares are valued at cost by adopting weighted average method or net realizable value whichever is less. Stock-in-process (intermediate products) and finished goods are valued at cost or net realizable value whichever is lower.

Cost of Stock-in-process includes costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

- (ii) Excise duty payable on finished goods manufactured but not removed is included in the Valuation of such stocks.
- (iii) By-products are valued at NIL value.
- (iv) Closing stock of CERs are treated as finished goods and are valued at market price as reported in International Stock exchange market, New York at the yearend date (after deducting marginal expenses) upto 31.03.2011.

1(H). EMPLOYEE BENEFITS:

a. Short term employee benefits:

Undiscounted value of short term employee benefits such as salaries, wages, short term compensated absences, bonus, exgratia and performance incentives are recognised as expense in the period in which the employees render the related service.

b. Post Employment Benefits

Defined Contribution plans:

Contribution to defined contribution plans being Employee Provident Fund, Employee State Insurance, Employee Insurance Scheme etc. are recognised in the Statement of profit and loss

during the period in which the employees render the related services.

Defined Benefit Plans:

Liabilities in respect of defined benefit plans being Gratuity and Leave encashment are determined based on an actuarial valuation using the projected unit credit method. Actuarial gains or losses are recognised immediately in the Statement of Profit and Loss account.

1(I). PROVISION FOR DOUBTFUL DEBTS:

Provision for doubtful debts/loans/advances:

Provision for the doubtful debts is made in the books in respect of debtors outstanding for more than 3 years except Govt. Debts. In respect of cases under Civil suits/tribunals for recovery of dues which are yet to be decided, provisions are made to the extent considered necessary by the Management.

1(J). FOREIGN CURRENCY TRANSACTIONS:

- (i) Foreign currency transactions are accounted for at the exchange rates prevailing on the date of transaction.
- (ii) Fixed assets are translated at the exchange rates on the date of transaction. The exchange difference in each financial year, up to the period of settlement is taken to Statement of profit and loss.
- (iii) The monetary items in foreign currencies are translated at the closing exchange rate on the date of balance sheet and difference in translation and realized gains/losses thereon adjusted in the Statement of profit and loss.

1(K). BORROWING COST:

Borrowing costs relating to acquisition of fixed assets which takes substantial period of the time to get ready for its intended use are included to the extent they relate to the period till such assets are ready to be put to use, All other borrowing costs are charged to revenue. Borrowing costs consist of interest and other costs that the company incurs in connection with borrowing of funds.


1(L). TAXES ON INCOME:

- (i) The Current charge for income taxes is calculated in accordance with the relevant tax regulations applicable to the Company on the estimated total income for the year.
- (ii) Deferred tax assets and liabilities are recognised on timing differences between taxable income and accounting income, originating in one period and expected to reverse in subsequent periods.

Deferred tax asset is recognised and carried forward only to the extent that there is a virtual certainty that the asset will be realised in future.

- (iii) Deferred tax assets and liabilities are measured using the tax rates and tax laws that have been enacted or substantively enacted as on the Balance Sheet date.

1(M). SEGMENT REPORTING:

The company's operation mainly comprises manufacturing of PTFE (Suspension & Emulsion). These activities constitutes the primary segment i.e. manufacturing in chemicals.

1(N). EARNING PER SHARE:

Basic Earnings Per Share is calculated by dividing the net profit or loss for the period attributable to equity share holders by the weighted average

number of equity shares outstanding during the period.

For the purpose of calculating the diluted earnings per share, the net profit or loss for the period attributable to equity share holders and the weighted average number of shares outstanding during the period are adjusted for the effects of all dilutive potential equity shares.

1(O). IMPAIRMENT OF ASSETS:

The carrying amounts of assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such an indication exists, then the carrying value is reduced to the higher of the net selling price or the value in use. The value in use is the present value of estimated future net income expected from use of the asset.

1(P). PROVISIONS / CONTINGENT LIABILITIES:

Provisions are recognised, when the Company has a present legal or constructive obligation, as a result of past events, for which it is probable that an out flow of economic benefits will be required to settle the obligation and a reliable estimate can be made for the amount of the obligation. The disclosure is made for all present or possible obligations that may but probably will not require outflow as contingent liability in the financial statements.

NOTE 2 : SHARE CAPITAL

	(Rs. In lacs)	
	As at 31 March 2012	As at 31 March 2011
Authorised		
21000000 (Pr. Year 21000000) Equity Shares of Rs.10 /- each	2,100.00	2,100.00
Issued		
19630000 (Pr. Year 19630000) Equity Shares of Rs.10/- each	1,963.00	1,963.00
Subscribed & Paid up		
19599100 (Pr. Year 19599100) Equity Shares of Rs.10/- each fully paid	1,959.91	1,959.91
30900 (Pr. Year 30900) Equity Shares forfeited (amount originally paid)	1.55	1.55
Total	<u>1,961.46</u>	<u>1,961.46</u>


NOTE 2 (A)
Reconciliation of number of shares outstanding at beginning and at end of the reporting period

	Equity Shares 31-03-2012		Equity Shares 31-03-2011	
	Number	Amount	Number	Amount
Shares outstanding at the beginning of the year	19599100	19599100	19599100	19599100
Shares Issued during the year	0	0	0	0
Shares bought back during the year	0	0	0	0
Shares outstanding at the end of the year	19599100	19599100	19599100	19599100

NOTE 2 (B)
Disclosure of shares held by its holding company

11060000 (Pr.Year 11060000) Equity Shares fully paid up of Rs.1106 lakhs (Pr.Year Rs.1106 lakhs) are held by M/s Hindustan Organics Chemicals Limited, the holding company.

NOTE 2 (C)
Details of equity shareholders holding more than 5% of equity shares along with No. of equity shares held at the beginning and at the end of the reporting period as given below

Sr.No.	Name of Shareholder	As at 31 March 2012		As at 31 March 2011	
		No. of Shares held	% of Holding	No. of Shares held	% of Holding
1	M/s Hindustan Organics Chemicals Ltd	11060000	56.43%	11060000	56.43%

NOTE 2 (D)

The company has only one class of shares referred to as equity shares having a par value of Rs 10.

Each holder of the equity share, as reflected in the records of the company as of the date of the shareholder meeting, is entitled to one vote in respect of each share held for all matters submitted to vote in the shareholder meeting.

The company declares and pays dividends in Indian rupees. The dividend proposed by the Board of Directors is subject to the approval of the shareholders in the Annual General Meeting.

NOTE 3 : RESERVES AND SURPLUS

(Rs. In lakhs)

	As at 31 March 2012	As at 31 March 2011
Surplus/(Deficit) in the statement of profit and loss		
Opening balance	(4,676.81)	(4,900.28)
Add: Profit transferred from Statement of Profit and Loss	252.25	223.48
Net Deficit in the Statement of Profit & Loss	<u>(4,424.56)</u>	<u>(4,676.81)</u>
Total	<u>(4,424.56)</u>	<u>(4,676.81)</u>

NOTE 4 : LONG TERM BORROWINGS

(Rs. In lakhs)

	As at 31 March 2012	As at 31 March 2011
Secured		
Term loans		
from Hindustan Organics Chemicals Ltd	1870.60	2413.90
Total	<u>1870.60</u>	<u>2413.90</u>



4(A). The Term loan is secured by part of the land to the extent 82.13 acres of the factory at Rudram Village

4(B). The Term loan of Rs. 2744.06 lakhs is Zero coupon loan as per terms of the BIFR agreement and is repayable in seven equal instalment as per the loan agreement commencing from F Y 2010-11. The instalment due for F Y 2010-11 & 2011-12 amounting to Rs. 784.01 lakhs is not paid by the company and same is shown in Note - 9 under the head ' Other Current liabilities' being current maturities of long term debt.

4(C). The Term loan of Rs. 754.42 lakhs is Interest bearing @ 10.25% to 14.50% repayable in 5 annual instalment commencing from F Y 2010-11 as per the loan agreement. The company is in continuing default in payment of instalment due and interest during the F Y 2010-11 & 2011-12. The instalment due of Rs. 301.77 lakhs is shown in Note -9 of the financial statements under the head "Other Current liabilities" being current maturities of long term debt and interest due amounting to Rs. 428.83 lakhs under Interest accrued and due.

NOTE 5 : OTHER LONG TERM LIABILITES

	(Rs. In lakhs)	
	As at	As at
	31 March 2012	31 March 2011
Creditors for Capital Goods	451.47	874.73
Total	<u>451.47</u>	<u>874.73</u>

5(A). Creditors for capital goods includes an amount of Rs.850.74 lacs payable to M/S SRF Ltd towards supply and erection of Plant and Machinery relating to CDM Project. The total outstanding amount as per contract for plant and machinery supply and mechanical completion is Rs.1250.00 lacs. As per the terms of BOT contract dated 14-8-2007, the payment is to be made in the form of CERs. The contract equated Rs.1250.00 lacs to 6,59,500 CERs in 5 instalments of 131900 each. However, the total installments of CERs are reduced to 4.13 and the company has so far transferred 210652 CERs as 1.32 installments for a value of Rs.399.26 lacs. The balance Rs.850.74 lacs is payable in balance 2.81 installments as per revised contract terms equaling to 448848 CERs.

NOTE 6: LONG TERM PROVISIONS

	As at	As at
	31 March 2012	31 March 2011
(a) Provision for employee benefits (Refer Note 23)		
Gratuity	203.49	265.84
Leave Encashment	41.97	132.57
Total	<u>245.45</u>	<u>398.40</u>

NOTE 7: SHORT TERM BORROWINGS

	(Rs. In lakhs)	
	As at	As at
	31 March 2012	31 March 2011
Secured		
From bank STATE BANK OF HYDERABAD		
CASH CREDIT	28.26	406.52
CLEAN CREDIT	0.00	101.03
SHORT TERM CORP. LOAN	0.00	131.74
TERM LOAN	0.00	246.52
Total	<u>28.26</u>	<u>885.80</u>



7(A). Secured by hypothecation of the company's entire stock of raw materials, finished goods, stock in process, consumables, stores & spares and book debts, plant and machinery and part of the land to the extent of Ac 64 out of the total land of Ac 146.13 cents at Rudraram Village and guaranteed by the holding company, viz. Hindustan Organic Chemicals Ltd. The cash credit is repayable on demand and carries interest 15.5% p.a.

NOTE 8: TRADE PAYABLES

	(Rs. In lakhs)	
	As at	As at
	31 March 2012	31 March 2011
Dues to Micro and SSI units	2.64	2.23
Others	<u>377.93</u>	<u>537.15</u>
Total	<u>380.58</u>	<u>539.38</u>

8(A). Disclosure in accordance with Section 22 of Micro, Small and Medium Enterprises Development Act, 2006

	As at	As at
Particulars	31 March 2012	31 March 2011
Principal amount remaining unpaid and interest due thereon	Nil	Nil
Interest paid in term of Section 16	Nil	Nil
Interest due and payable for the period of delay in payment	Nil	Nil
Interest accrued and remaining unpaid	Nil	Nil
Interest due and payable even in succeeding years	Nil	Nil

8(B). The information as required to be disclosed under the Micro, Small and Medium Enterprises Development Act, 2006 has been determined to the extent such parties have been identified on the basis of information available with the company.

NOTE 9: OTHER CURRENT LIABILITIES

	As at	As at
	31 March 2012	31 March 2011
Current maturities of long-term debt (Refer Note 4)	1629.88	1231.52
Interest Accrued and Due (Refer Note 4)	428.84	373.73
Creditors for capital goods	399.26	0.00
Others Payables	<u>235.76</u>	<u>380.67</u>
Total	<u>2,693.75</u>	<u>1,985.92</u>

NOTE 10: SHORT TERM PROVISIONS

	(Rs. In lakhs)	
	As at	As at
	31 March 2012	31 March 2011
(a) Provision for employee benefits (Refer Note 23)		
Gratuity	9.28	12.82
LTA & Other Provisions	2.23	4.05
Leave Encashment	<u>102.14</u>	<u>15.41</u>
Total	<u>113.64</u>	<u>32.28</u>



Note No. 11 A TANGIBLE ASSETS:

	Gross Block		Accumulated Depreciation		Net Block	
	As at 31 March 2011	Additions/ (Disposals) 31 March 2012	As at 31 March 2011	Depreciation/ Amortisation for the year 31 March 2012	As at 31 March 2012	As at 31 March 2011
Land	68.42	0.00	0.00	0.00	68.42	68.42
Buildings	159.07	0.00	97.966	3.77	57.33	61.10
Plant and Machinery	6346.57	122.43	4883.17	86.97	1498.85	1463.40
Furniture & Fixtures	66.10	1.23	62.93	0.23	4.17	3.17
Office Equipments	32.50	3.23	18.42	2.73	14.58	14.07
TOTAL	6672.64	126.90	5062.49	93.71	1643.34	1610.15
Previous Year						
Figures	5380.505	1292.14	4968.33	94.16	161.02	412.18
11(B) Intangible Assets :						
Refurbishment expense	301.97		178.99	61.49	61.49	122.98
Previous Year	301.97	0.00	117.50	61.49	61.49	184.47

11(C). Intangible assets includes refurbishment expenses which are amortised over a period of 5 years.

11(D). The refurbishment expenditure incurred during F Y 2008-09 & 2009-10 are amortised/written off over a period of 5 equal annual instalment, as per guidelines laid down in scheme of BIFR, Modified Draft Rehabilitation Scheme (MDRS).

11(E). Depreciation & Amortisation Expenses :

	2011-12	2010-11
Depreciation	93.71	94.16
Amortisation	61.49	61.49
Total	155.19	155.65


NOTE 12 LONG TERM LOANS AND ADVANCES

(Rs. In lakhs)

	As at	As at
	31 March 2012	31 March 2011
Deposits		
Unsecured, considered good	68.79	51.83
Total	<u>68.79</u>	<u>51.83</u>

NOTE - 13 OTHER NON CURRENT ASSETS

	As at	As at
	31 March 2012	31 March 2011
a. Long term trade receivables		
Unsecured		
- Considered doubtful	309.64	309.64
Less: Provision for doubtful debts	(309.64)	(309.64)
Total	<u>0.00</u>	<u>0.00</u>

NOTE 14 : INVENTORIES

	As at	As at
	31 March 2012	31 March 2011
Raw Materials and components {includes in transit of Rs.4559302/- (Pr. Year Rs.1529510) }	89.42	104.37
Stock-in-progress*	130.78	65.85
Finished goods	180.67	57.18
Stores and spares	213.89	156.58
Closing CERs Stock	0.00	1697.07
Grand Total	<u>614.76</u>	<u>2,081.06</u>

14(A)* The closing stock-in-process includes the following products:

(In lakhs)

	As at	As at
	31 March 2012	31 March 2011
CFM – 22 Product	85.44	20.32
TFE	3.50	3.92
POLY-SUSPENSION	19.69	33.94
POLY-EMULSION	22.15	7.68
Total	<u>130.78</u>	<u>65.86</u>

14(B). Excise duty on closing finishing goods in respect of goods manufactured by the company amounting to Rs.16.87 lacs (previous year 5.34 lacs) is included in the valuation of such stocks.

14(C). Finished goods, which have not moved for more than 3 years are valued at Rs.1.00/kg and the consequential difference in value of Rs.2.24 lacs (Previous year Rs.0.00 lacs) has been charged off during the year.


NOTE 15: TRADE RECEIVABLES

(Rs. In lakhs)

	As at 31 March 2012	As at 31 March 2011
<i>Unsecured, considered good</i>		
Debts overdue for a period exceeding six months	190.81	84.00
Other debts	437.65	200.17
Total	<u>628.46</u>	<u>284.17</u>

15(A). Balance standing to the debit/credit of parties is subject to confirmation by them and reviews by the Company.

NOTE : 16 CASH AND BANK BALANCES:

	As at 31 March 2012	As at 31 March 2011
Balances with Banks	30.35	0.30
Margin money Deposit	4.40	5.72
Cash on hand	0.02	0.02
Total	<u>34.77</u>	<u>6.05</u>

16(A). Margin money deposit are subject to first charge to secure the company's cash credit loan.

NOTE 17: SHORT TERM LOANS AND ADVANCES

	As at 31 March 2012	As at 31 March 2011
Balances with central excise	45.66	0.02
Others	66.33	172.59
- Advance to Suppliers		
Considered good	37.18	48.96
Considered doubtful	0.91	0.91
Less: Provision for Considered doubtful advance	(0.91)	(0.91)
Total	<u>149.16</u>	<u>221.57</u>

NOTE 18: OTHER CURRENT ASSETS

	As at 31 March 2012	As at 31 March 2011
Opening Balance	37.26	74.52
Deduct: Written off during the year	37.26	37.26
TOTAL	<u>0.00</u>	<u>37.26</u>


NOTE 19: REVENUE FROM OPERATIONS

(Rs. in Lacs)

	2011-12	2010 - 11
Revenue From Operations		
(i) Sale of products		
Polytetrafluoroethylene	1668.02	907.99
Application Development Customer Support	5.68	17.68
CFM - 22	949.28	1004.07
Tetrafluoroethylene	2354.38	1330.97
Hydrogenchloride	55.17	91.71
Less: Excise Duty	<u>475.23</u>	<u>313.04</u>
Net Sales	<u>4557.31</u>	<u>3039.38</u>
(ii) Other operating revenues:		
Job Work conversion	26.63	0.00
Sale of Scrap	0.00	3.33
Sale of DHF	1.92	0.00
CER's Income	1697.07	463.00
TOTAL TURNOVER	<u>6282.93</u>	<u>3505.71</u>

NOTE 20: OTHER INCOME

	2011-12	2010 - 11
Interest from Others	3.72	3.40
Gain on Foreign Exchange Fluctuation	49.69	0.00
Other non - operating income	79.75	85.05
Total	<u>133.16</u>	<u>88.45</u>

20(A). The company has determined the Defined Benefit Plans being Gratuity and leave encashment during the year on actuarial valuation, as certified by actuary. This has resulted in excess provision of Rs. 65.89 lacs made in earlier years, which has been written back included in other non-operating income.

NOTE 21: COST OF RAW MATERIAL AND PACKING MATERIAL CONSUMED:

	2011-12	2010 - 11
Inventory at the beginning of the year	91.16	35.78
Add : Purchases	1902.68	1528.56
Less : Inventories at the close of the year	46.49	91.16
Cost of Raw material and packing material consumed	<u>1947.35</u>	<u>1473.18</u>

21(A). Details of raw material and packing material consumed :

(100% Indigenious)

	2011-12	2010 - 11
AHF	805.43	540.04
CHLOROFORM	904.44	743.14
RM - 258	115.3	87.19
OTHERS	110.57	90.19
PACKING MATERIAL	<u>11.61</u>	<u>12.61</u>
TOTAL	<u>1947.35</u>	<u>1473.17</u>


21(B). Details of Inventory :

	2011-12	2010 - 11
AHF	19.77	4.68
CHLOROFORM	3.01	29.39
RM - 258	0.00	34.60
OTHERS	21.33	20.51
PACKING MATERIAL	2.38	1.98
TOTAL	<u>46.49</u>	<u>91.16</u>

NOTE 22: CHANGES IN INVENTORIES OF FINISHED GOODS & WORK-IN-PROGRESS

	(Rs. in Lacs)			
	2011-12		2010 - 11	
Closing stock:				
Stock-in-process	130.78		65.85	
CERs Stock	0.00		1697.07	
Finished products	180.67	311.45	57.18	1820.11
Less: Opening Stock				
Stock-in-process	65.85		1581.61	
CERs Stock	1697.07			
Finished products	57.18	1820.11	58.62	1640.23
		<u>(1508.66)</u>		<u>179.88</u>
Add: Increase/(Decrease) in Excise duty on Finished products		(11.53)		0.13
Total		<u>1520.19</u>		<u>(180.01)</u>

NOTE 23: EMPLOYEE BENEFITS EXPENSES

	(Rs. in Lacs)	
	2011-12	2010 - 11
Salaries wages and Bonus	896.45	431.34
Contribution to Provident and other funds	126.20	261.38
Staff welfare expence	73.24	41.31
Vrs Expenditure written off	95.71	74.52
Total	<u>1,191.61</u>	<u>808.56</u>

23(A). Both employer and employees make monthly contributions of 10% instead of 12% as per BIFR scheme to a separately managed exempted EPF Trust.

23(B). As per Accounting Standard 15 "Employee benefits", the disclosures as defined in the Accounting Standard are given below:


DEFINED CONTRIBUTION PLANS

Contribution to Defined Contributions Plans, recognised as expense for the year is as under:

	2011-12	2010 - 11
Employers Contribution to Provident Fund	114.63	24.53
Employers Contribution to ESI	1.70	0.99
Other Contributions	9.87	10.52

The Company's Provident Fund is exempted under section 17 of Employees' Provident Fund and Miscellaneous Provisions Act, 1952. Conditions for grant of exemption stipulate that the employer shall make good deficiency, if any, in the interest rate declared by the trust vis-à-vis statutory rate.

Defined Benefit Plan

The employees' gratuity fund scheme managed by a trust (Life Insurance Corporation of India) is a defined benefit plan. The present value of obligation is determined based on actuarial valuation using the Projected unit credit Method, which recognises each period of service as giving rise to additional unit of employee benefit entitlement and measures each unit separately to build up the final obligation. The obligation for leave encashment is recognised in the same manner as gratuity.

i) Reconciliation of opening and closing balances of Defined Benefit Obligation

	Gratuity (Funded)	Leave Encashment (Unfunded)
	2011-12	2011-12
Defined Benefit obligation at beginning of year	278.65	147.98
Current service cost	10.94	1.16
Interest cost	22.29	11.84
Actuarial(gain)/loss	77.19	(16.87)
Benefits paid	(78.33)	0.00
Defined Benefit obligation at year end	310.75	144.10

ii) Reconciliation of opening and closing balances of fair value of Plan assets

	Gratuity (Funded)
	2011-12
Fair value of plan asset at beginning of year	149.63
Expected return on plan assets	10.40
Actuarial gain/(loss)	0.00
Employer contribution	16.29
Benefits paid	(78.33)
Fair value of plan asset at year end	97.98
Actual return on plan assets	10.40


iii) Reconciliation of fair value of assets and obligations

	Gratuity (Funded)	Leave Encashment (Unfunded)
	2011-12	2011-12
Fair value of plan assets	(97.98)	0.00
Present value of obligation	310.75	144.10
Amount recognised in Balance Sheet	212.76	144.10

iv) Expenses recognised during the year

	Gratuity (Funded)	Leave Encashment (Unfunded)
	2011-12	2011-12
Current service cost	10.94	1.16
Interest cost	22.29	11.84
Expected return on plan assets	(10.40)	0.00
Actuarial gain/(loss)	77.19	(16.87)
Net Cost	100.03	(3.88)

v) Actuarial assumptions

	Gratuity (Funded)	Leave Encashment (Unfunded)
	2011-12 (ultimate)	2011-12 (ultimate)
	1994-96	1994-96
Mortality Table (LIC)		
Discount Rate (per annum)	8%	8%
Expected rate of return on plan assets	9.25%	-
Attrition Rate	3%	3%
Salary Rise	4%	4%

23(C). Previous year's figures are not reported, as the actuary valuation was not carried out in earlier years and respective details are unavailable.

23(D). The arrears on account of pay fixation in the revised scale with effect from 01-01-1997 vide wage revision settlement as per DPE guidelines, have not been provided for in books at the close of the year amounting to Rs.1160 lakhs (Pr. year Rs.1552 Lakhs). As per BIFR-MDRS, the company has implemented the wage revision for officers and non officers w.e.f. December 2010 and arrears to this effect could not be charged to profit and loss account since BIFR categorically has stipulated that arrears should be released subject to availability of funds. Accordingly, the liability has been shown under contingent liability.

23 (E) An amount of Rs.95.71 lacs had been incurred towards VRS payments for employees (Rs. 58.45 for 6 employees for the current year and Rs. 37.26 lacs towards balance amount of an amortized) in previous year Rs. 74.52 lacs in accordance with BIFR's Modified Draft Rehabilitation Scheme(MDRS) in August 2011. This total amount is taken to P & L Account. 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 only and cannot be amortized. However the company is following the BIFR Scheme.

NOTE 24: FINANCE COSTS

	2011-12	2010 - 11
		(Rs. in Lacs)
Interest on Term Loan	6.14	70.93
Interest on Working Capital	10.57	51.81
Interest on secured loan-HOC	109.53	135.99
Interest to Others	2.45	20.01
Total	<u>128.69</u>	<u>278.74</u>

NOTE 25: OTHER EXPENSES

	2011-12	2010 - 11
		(Rs. in Lacs)
Consumption of store and Spares	92.42	68.97
Power & Fuel	599.76	502.77
Water Charges	132.48	53.66
Rent	5.05	4.79
Rates & Taxes	5.70	5.20
Repairs and Maintenance		
To Building	6.01	0.00
To Machinery	47.25	2.20
To Other Assets	8.69	8.39
Insurance	11.34	7.95
Payments to auditors:		
Statutory audit fees	0.85	0.6
Limited Review	0.30	1.15
Professional charges	216.57	80.20
Misc. Expenditure	132.96	102.76
Total	<u>1259.39</u>	<u>837.73</u>

NOTE 26 : EXCEPTIONAL ITEMS

	2011-12	2010 - 11
Excess provision written back	0.00	0.00
Total	<u>0.00</u>	<u>0.00</u>

NOTE - 27 : EARNINGS PER SHARE

	As at 31 March 2012	As at 31 March 2011
Net Profit attributable to equity shareholders		
Profit after tax(Rs.)	252.25	223.48
Weighted average number of shares (Nos.)	195.991	195.991
Basic and Diluted Earnings per share(Rs.)	1.29	1.14
Face value per share(Rs.)	10	10


NOTE - 28 CONTINGENT LIABILITIES AND COMMITMENTS:

	(Rs. In lakhs)	
	As at	As at
	31 March 2012	31 March 2011
(i) Contingent Liabilities		
(a) Claims against the company not acknowledged as debt	0.00	12.01
(b) Guarantees / FLC /ILC/ Obtained as on 31-03-12	0.00	10.00
(d) ESI	13.46	13.46
(e)Wage Revision arrears for employees	1159.85	1800.00
	1173.31	1835.47
(ii) Commitments		
(a) Estimated amount of contracts remaining to be executed on capital account and not provided for	65.00	0.00
	<u>65.00</u>	<u>0.00</u>
	<u>1238.31</u>	<u>1835.47</u>

Note - 29 - TAXES ON INCOME:

29(A). Provision for current tax on profits for the year has not been made under Minimum Alternate Tax under section 115JB of Income Tax Act 1961 since the minimum of carried forward of losses or unabsorbed depreciation as per books of accounts are set off during the year against the current year book profit.

29 (B). The company has not provided deferred tax asset due to huge accumulated losses incurred since there is no virtual certainty to realise in future.

Note - 30 - DETAILS OF MANUFACTURED GOODS :

Particulars	Sales Value	Closing Inventory	Opening Inventory
CFM - 22	949.28	85.43	20.32
Tetrafluoroethylene	2354.38	3.51	9.91
Polytetrafluoroethylene	1668.02	41.84	41.63

Note- 31

	(Rs. in Lacs)	
	2011-12	2010 - 11
CIF value of imports of Raw materials	Rs. 24.20	Rs. 0.00

Note - 32

Expenditure in foreign currency :		
Travelling expenditure	Rs. 1.77	Rs. 0.00

Note - 33

Earning in foreign currency	Rs. 1,746.76	Rs. 0.00
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Note - 34

RELATED PARTIES DISCLOSURE:

The company is a subsidiary of HOCL (HINDUSTAN ORGANIC CHEMICALS LIMITED)

Interest payable to HOCL	Rs. 107.62			
Less : Interest reversal of earlier years	Rs. 46.18	Rs. 61.44	Rs. 135.99	
Secured Loan from HOCL		Rs.3,929.33	Rs.4,019.15	

KEY MANAGEMENT PERSONNEL:

SHRI T S GAIKWAD, Managing Director

Remuneration paid to director	Rs. 9.14	Rs. 11.11		
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Note - 35

LITIGATIONS AT VARIOUS AUTHORITIES:

AUTHORITIES	NATURE OF LITIGATIONS	QUANTUM	REMARKS
Hon'ble High Court of A.P	Recovery from Debtors	Rs.132.00 lacs	The company had a favorable judgment from the single bench. The deponent had approached full bench of High Court.

Note - 36

The company has prepared these financial statements as per the format prescribed by Revised Schedule VI of the Companies Act, 1956 ("the schedule") issued by Ministry of Corporate Affairs. Previous period's figure have been recast/restated to confirm to the classification required by the revised Schedule-VI

Note - 37

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

As per our report of even date

For and on behalf of the Board of Director of HFC Ltd.,

For **S. Daga & Co.,**

Chartered Accountants

(FRN 000669S)

Sd/-

(SHANTILAL DAGA)

PARTNER

M No. 011617

Sd/-

(R N. MADANGERI)

CHAIRMAN

Sd/-

(T S. GAIKWAD)

MANAGING DIRECTOR

Sd/-

(E. SURYA RAO)

Dy. GENERAL MANAGER(FINANCE)

Sd/-

(RAJANI .K)

COMPANY SECRETARY

Place: Mumbai

Date: 13.07.2012

**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, 2012.**

The preparation of financial statements of Hindustan Fluorocarbons Limited, Hyderabad for the year ended on 31 March 2012 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 27 August 2012.

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 2012. This supplementary audit has been carried out independently without access to the working papers of the statutory auditors 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.

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

**Place : Hyderabad.
Date : 28 August, 2012**

**Sd/-
Y.N. Thakare
Principal Director of Commercial Audit
& Ex-Officio Member, Audit Board,
Hyderabad.**



HINDUSTAN FLUOROCARBONS LIMITED

Regd. Office: 303, Babukhan Estate, Basheerbagh, Hyderabad - 500 001

ATTENDANCE SLIP

29th Annual General Meeting on Friday the 21st September, 2012.

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 **29th 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 21st September, 2012.

(Member's Proxy Name)

Member's/Proxy's Signature

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



HINDUSTAN FLUOROCARBONS LIMITED

Regd. Office: 303, Babukhan Estate, Basheerbagh, Hyderabad - 500 001

FORM OF PROXY

29th Annual General Meeting, on Friday the 21st September, 2012.

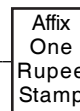
Name of Shareholder(s) _____ Folio No. _____

No. of Shares _____

I/We _____ of _____ being a Member(s) of the above vote for me/us behalf of the **29th 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 21st September, 2012.

Signed _____ day of _____ 2012

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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