

# Corporate Information

**Shri A.N. Mafatlal** Chairman Emeritus

## Board of Directors

<b>Shri H.A. Mafatlal</b>	Chairman
<b>Shri T.M.M. Nambiar</b>	Director
<b>Shri P.N. Kapadia</b>	Director
<b>Shri S.S. Lalbhai</b>	Director
<b>Shri S.M. Kulkarni</b>	Director
<b>Shri R. Sankaran</b>	Director
<b>Shri V.P. Mafatlal</b>	Director
<b>Shri S.G. Mankad</b>	Director ( <i>w.e.f. 29.04.2011</i> )
<b>Shri A.K. Srivastava</b>	Finance Director
<b>Shri S.S. Khanolkar</b>	Managing Director ( <i>w.e.f. 01.01.2011</i> )
<b>Shri S.D. Kakade</b>	Managing Director ( <i>upto 31.12.2010</i> )

## Company Secretary

**Shri N.B. Mankad**

## Bankers

State Bank of Hyderabad  
AXIS Bank Ltd.  
HDFC Bank Ltd.  
Export Import Bank of India

## Auditors

**Messrs Deloitte Haskins & Sells**  
Chartered Accountants

## Solicitors

**Vigil Juris**

## Registered Office:

2nd floor Sunteck Centre 37/40 Subhash Road  
Vile Parle (East) Mumbai 400057  
Tel: 91 22 6650 9999  
Fax: 91 22 6650 9800  
E-mail: [info@nfil.in](mailto:info@nfil.in)  
Website: [www.nfil.in](http://www.nfil.in)

## Units

**Navin Fluorine**, Surat 395023 (Gujarat)

**Navin Fluorine**, Dewas 455022 (M.P.)

## Registrar & Share Transfer Agent

**Sharepro Services (India) Pvt. Ltd.**

Samhita Warehousing Complex 2nd floor  
Gala No.52 to 56 Bldg. No.13A-B  
Near Sakinaka Telephone Exchange Andheri-Kurla Road  
Sakinaka Mumbai 400072  
Tel: 91 22 6772 0300 / 0400  
Fax: 91 22 2859 1568 / 2850 8927  
E-mail: [sharepro@shareproservices.com](mailto:sharepro@shareproservices.com)

## Investor relations centre

912 Raheja Centre  
Free Press Journal Road  
Nariman Point  
Mumbai 400021  
Tel: 91 22 6613 4700  
Fax: 91 22 2282 5484  
E-mail: [sharepro@shareproservices.com](mailto:sharepro@shareproservices.com)

## 13th Annual General Meeting

On Wednesday, the 22<sup>nd</sup> June 2011

At 3.00 p.m. at Rama Watumull Auditorium, K.C. College, Dinshaw Wacha Road, Churchgate, Mumbai 400020

1. Shareholders intending to require information about accounts to be explained in the meeting are requested to inform the Company at least seven days in advance of the Annual General Meeting.
2. Shareholders are requested to bring their copy of Annual Report to the Meeting as the practice of handing out copies of the Annual Report at the Annual General Meeting has been discontinued in view of the high cost of paper and printing.
3. The Listing Fees for the year 2011-2012 have been paid by the Company to Mumbai, Ahmedabad and National Stock Exchanges where the shares of the Company are listed.

# Chairman's review

Navin Fluorine International Limited reinforced its competitive position in a challenging market place to report a satisfactory 2010-11.

The Company not only reported higher volumes, but also leveraged its complex chemistry skills and business insights to generate higher realisations.

The operational performance of the Company grew substantially resulting in higher contribution margins.

During the year, the worldwide issuance of CERs from industrial gases projects, which includes your Company's project, was inordinately delayed due to an extensive study conducted by the Clean Development Mechanism (CDM) Board. As a result, there was no issuance of CERs until the end of December 2010 and there was no CER income booked during the second and third quarter of the year under review.

## Challenges for 2010-11

The financial year under review was challenging for various reasons.

While we were able to recover most of the costs through higher prices, the challenge was for our user industries to absorb the cost increase.

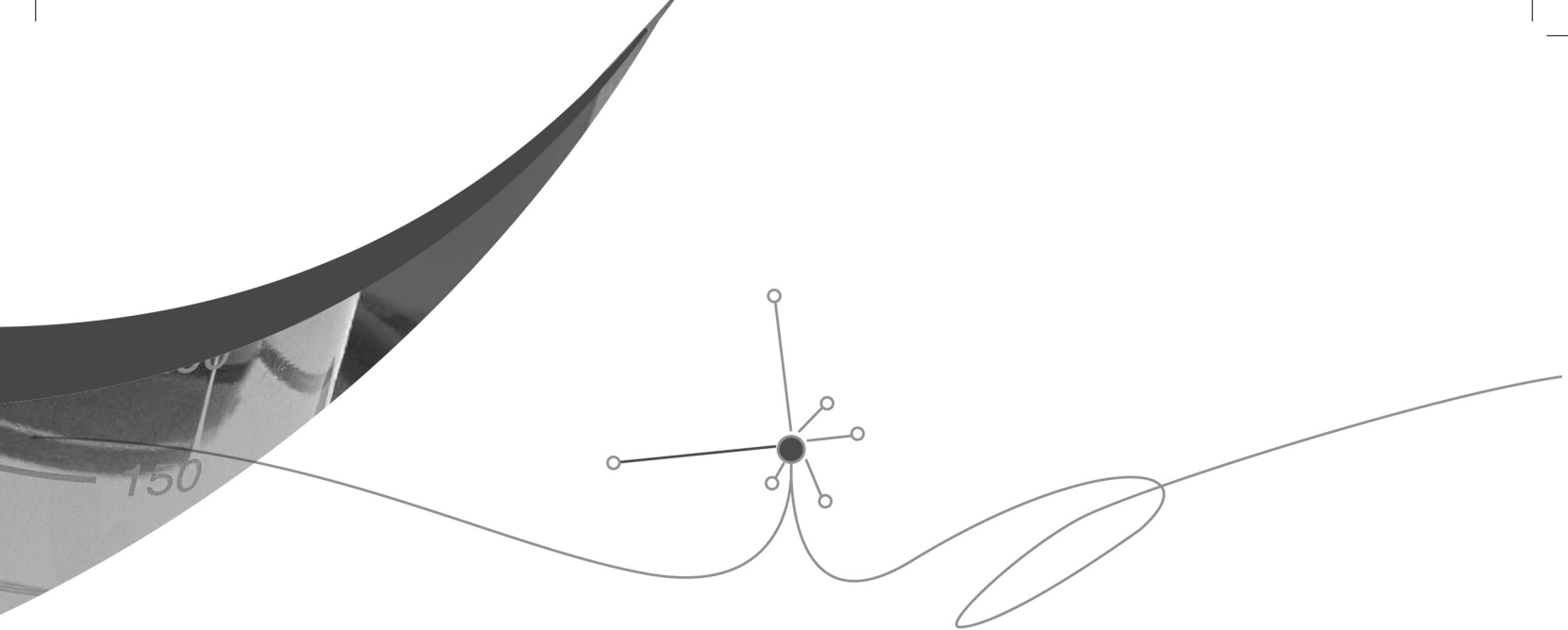
Fluctuating exchange rates posed a challenge which affected our financial performance. Besides, there was an instability in

the US pharma market, a country we were entering with CRAMS business.

## Achievements for 2010-11

Your Company's overall achievements for 2010-11, some of which helped us to counter these challenges are as under:

- We commissioned a multi-purpose plant to manufacture specialty fluorochemicals (operational 2011-12) that will enable us to service comprehensive customer requirements (grams to multi tonnes of quantity) on the one hand and enable us to produce a large number of products on the other.
- We established a new contract research facility at our Surat R&D centre to enable us to enter a rapidly growing business segment of CRAMS.
- We maintained an excellent relationship with our workmen's union, signing a three-year wage agreement starting 2010-11, which enhanced mutual trust and reinforced a performance-driven culture.
- The debt burden remained minimum despite significant investments in capacity expansion and completely writing down subsidiary losses.
- We announced a buyback of equity shares to the extent of Rs 135 mn. The buyback was conducted through the tender offer route at a price of Rs 400 per share with the objective to



acquire 338,792 shares. The buyback was exercised to the extent of 10% of the paid-up capital and free reserves of the Company as on March 31, 2010.

## Strengthening the core business

Over the last few years, we strengthened our manufacturing infrastructure through a combination of revamping existing plants and expanding capacities. This enabled us to address emerging customer requirements – anywhere, anytime – with speed and surety.

Your Company continued to focus on increasing its research capabilities and product development speed. In line with this priority, we are investing in increasing the strength of scientists as well as investing in additional equipment.

This investment will take our business ahead in the following ways: help us develop value-added molecules based on emerging customer requirements, accelerate product commercialisation, reinforce our presence in contract research and manufacture and address the robust growth coming from key user segment of life sciences.

With our pilot and multi-purpose plants in place, we now possess the methodology to scale output from the nominal to the large, quicker than most of our competitors. Consequently, our specialty fluorochemicals business is multi-step, multi-product and multi-purpose in character.

## Road ahead

For the last few years, our goal was to position ourselves as a sustainably growing Company. We have done so through a consistent investment in knowledge, enabling us to capitalise on industry opportunities. The time has come to demonstrate our capability in exploiting these opportunities. More importantly, Navin will enhance its CRAMS focus, which shall make us grow from a technology and products vendor to a

specialised research and services partner.

Besides, we progressively derisked our business model through a growing relevance to a number of downstream applications and industries.

- The bulk fluorides sector enjoys a positive outlook due to the growing demand coming out of the stainless steel and glass sectors.
- The increase in India's per capita income augurs well for the growing demand for automotives and refrigerants, strengthening our refrigerant prospects.
- The continuing growth of the pharmaceuticals industry will catalyse revenues from specialties, considering that a recent study indicated that of ten discoveries made in the pharma sector, four involve fluorochemicals.

To capitalise effectively on the emerging situation, we are looking at acquiring smaller specialty companies in Europe or the US. These acquisitions are expected to improve our technology and process capabilities.

A combination of these initiatives will drive our growth beyond 2012 in a sustainable way.

## A word of thanks

In conclusion, I would like to express my gratitude to our shareholders, employees, bankers, customers, suppliers, advisors and other partners. They played a motivating role in our performance in 2010-11 and we assure that we will endeavour to enhance value for our entire stakeholding family.

**H.A. Mafatlal**

*Chairman*

Dated 29<sup>th</sup> April, 2011

# Notice

NOTICE IS HEREBY GIVEN THAT the Thirteenth Annual General Meeting of the Members of the Company will be held on Wednesday, the 22<sup>nd</sup> JUNE 2011 at 3.00 p.m. at Rama Watumull Auditorium, K.C. College, Dinshaw Wacha Road, Churchgate, Mumbai 400020, to transact the following business:

1. To consider and adopt the Directors' Report, the Audited Financial Statements including Profit and Loss Account for the year ended 31<sup>st</sup> March 2011 and the Balance Sheet as at that date and the Auditors' Report thereon.
2. To confirm the payment of Interim Dividend on Equity Shares for the year 2010-2011 and to declare Final Dividend.
3. To appoint a Director in place of Shri T.M.M. Nambiar who retires by rotation, and being eligible, offers himself for reappointment.
4. To appoint a Director in place of Shri V.P. Mafatlal who retires by rotation, and being eligible, offers himself for reappointment
5. To appoint Auditors, to hold office from the conclusion of this Meeting until the conclusion of the next Annual General Meeting and to fix their remuneration.
6. To appoint Shri Sudhir Mankad, who was appointed by the Board of Directors of the Company as an Additional Director on 29<sup>th</sup> April 2011 and who holds office as such up to the date of this Annual General Meeting under Section 260 of the Companies Act, 1956 and in respect of whom the Company has, as required by Section 257 of the Companies Act, 1956 received notices in writing from some Members of the Company signifying their intention to propose him as a

candidate for the office of the Director of the Company, liable to retire by rotation.

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

**"RESOLVED THAT** pursuant to the provisions of Sections 198, 269, 310, 311 and Schedule XIII and other applicable provisions of the Companies Act, 1956, consent of the Company be and is hereby granted to the appointment of Shri Shekhar Khanolkar as the Managing Director of the Company for a period of 5 years with effect from 1<sup>st</sup> January 2011 on the terms and conditions as to remuneration as set out in the appointment letter dated 27<sup>th</sup> September 2010 issued to Shri Shekhar Khanolkar subject to the approval of the Members, and placed before this Meeting, with the liberty and powers to the Board of Directors to increase, alter and vary the salary, commission and perquisites and other terms in such manner as the Board in its absolute discretion deems fit and acceptable to Shri Shekhar Khanolkar within the limits specified in Schedule XIII of the Companies Act, 1956 or any amendments, modifications, re-enactments made thereof from time to time in this behalf."

**Regd. Office:**  
2nd Floor Sunteck Centre  
37/40 Subhash Road  
Vile Parle (East)  
Mumbai 400057  
Mumbai,  
Dated: 29<sup>th</sup> April 2011

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

## NOTES:

1. A MEMBER ENTITLED TO ATTEND AND VOTE IS ENTITLED TO APPOINT A PROXY OR PROXIES TO ATTEND AND VOTE INSTEAD OF HIMSELF ON A POLL AND THAT A PROXY NEED NOT BE A MEMBER.
2. The relevant Explanatory Statement pursuant to Section 173 of the Companies Act, 1956, in respect of Item Nos.6 & 7

mentioned in the above Notice is annexed hereto.

3. The Register of Members and the Share Transfer Books of the Company will remain closed from Thursday the 16<sup>th</sup> June 2011 to Wednesday the 22<sup>nd</sup> June 2011 (both days inclusive) for the purpose of payment of dividend, if any.
4. The dividend as recommended by the Board of Directors, if

declared at the Annual General Meeting, will be paid on 27<sup>th</sup> June 2011.

5. Shri T.M.M. Nambiar, a Non-Executive Independent Director, seeking reappointment at this meeting holds 30000 equity shares in the Company and Shri V.P. Mafatlal, a Non-Executive Promoter Director seeking reappointment at this meeting holds 110469 equity shares singly / jointly in the Company.
6. Members are requested to note that pursuant to the provisions of Section 205C of the Companies Act, 1956 the dividend remaining unclaimed / unpaid for a period of seven years from the date it becomes due for payment shall be credited to the Investor Education and Protection Fund (Fund) set up by the Central Government. Members who have so far not claimed the dividends are requested to make claim with the Company immediately as no claim shall lie against the Fund or the Company in respect of individual amounts once credited to the said Fund.
7. Copies of documents mentioned in the Explanatory Statement are open for inspection of the Members between 2.00 p.m. to 4.00 p.m. on any working day at the Registered Office of the Company.

#### **Annexure to Notice**

Explanatory Statement as required by Section 173(2) of the Companies Act, 1956.

In conformity with the provisions of Section 173(2) of the Companies Act, 1956, the following Explanatory Statement sets out all material facts in respect of Item Nos. 6 and 7.

#### **In respect of Item No.6**

Shri Sudhir Mankad aged 63 years is a retired IAS Officer. He has done his MA in History from St. Stephen's College, Delhi University and Diploma in Development Studies from Cambridge University. He was the Chief Secretary of the Government of Gujarat from 2005 to 2007 and has also held important positions in Government of India (Ministry of Finance, Ministry of Agriculture and Ministry of Human Resource Development) and Government of Gujarat. He is associated with various State / Private Sector Corporates in his capacity as Chairman / Director.

Shri Sudhir Mankad was appointed by the Board of Directors of the Company as an Additional Director with effect from 29<sup>th</sup> April

2011 under Article 127 of the Articles of Association of the Company and under Section 260 of the Companies Act, 1956. He will hold office as an Additional Director up to the date of the ensuing Annual General Meeting. As required under Section 257 of the Companies Act, 1956, notices have been received from some Members of the Company along with a deposit of Rs.500/- each, signifying their intention to propose Shri Sudhir Mankad as a candidate for the office of the Director of the Company, liable to retire by rotation.

The Board recommends his appointment as a Director in the interest of the Company, to utilize his expertise.

None of the Directors, except Shri Sudhir Mankad is concerned or interested in the Resolution.

#### **In respect of Item No.7**

Shri Shekhar Khanolkar is overall in-charge of the business of the Company. He is 43 years of age and is B.E. MMS having experience of more than 18 years in various Indian and Multinational Organizations of repute within India in the areas of production, marketing etc.

The Members of the Company at the 11th Annual General Meeting held on 15<sup>th</sup> June 2009 had approved the appointment of Shri Shekhar Khanolkar as a Whole Time Director designated as President – Fluorochemicals for a period of 5 years from 1st July 2008. Subsequently, the Board of Directors of the Company on 7<sup>th</sup> September 2010 elevated Shri Shekhar Khanolkar and appointed him as the Managing Director of the Company for a period of five years from 1<sup>st</sup> January 2011, subject to the consent of the Members of the Company. The Board of Directors at their meeting held on 24<sup>th</sup> September 2010 approved the terms of remuneration of Shri Shekhar Khanolkar which are as under.

#### **Terms of Remuneration**

- I (a) Basic Salary: Rs.4800000/- per annum.
- (b) Perquisites and Allowances, the aggregate monetary value of which shall not exceed Rs.889008/- per annum. These Perquisites and Allowances would be in addition to the items mentioned in clause 'c', 'd' and 'e' below:
- (c) Perquisites:
  - i) Fully furnished house or House Rent not exceeding Rs.2700000/- per annum in lieu thereof



- ii) Medi Claim Policy, Personal Accident Insurance, Leave Travel Concession and Club Fees as per the rules of the Company.

Perquisites shall be valued as per Income Tax Rules, wherever applicable and in the absence of any such Rules, perquisites shall be valued at actual cost.

(d) He will also be entitled to the following:

- i) Contribution to provident fund, superannuation fund or annuity fund to the extent these either singly or put together, are not taxable under the Income Tax Act, 1961.
- ii) Gratuity payable at the rate not exceeding half a month's salary for each completed year of service and
- iii) Encashment of leave at the end of the tenure.

(e) Apart from remuneration, Shri Shekhar Khanolkar is entitled to:

- i) Free use of the Company's car for the business of the Company with reimbursement of driver's salary.
- ii) Free telephone facility at residence.
- iii) Reimbursement of expenses actually and properly incurred by him for the business of the Company.

II Commission, up to 1% of the net profit of the Company, at the discretion of the Board, at the end of each financial year, computed in the manner laid down in Section 309(5) of the Companies Act, 1956 subject to the ceiling laid down in Sections 198 and 309 of the Companies Act, 1956 on the total remuneration.

III The Board of Directors at their Meeting held on 29<sup>th</sup> April 2011, and based on the recommendation of the Remuneration Committee, modified the terms of appointment to the effect that in case of absence or inadequacy of profits, in any financial year of the Company during 1<sup>st</sup> January 2011 to 31<sup>st</sup> December 2013, Shri Shekhar Khanolkar will be entitled to salary, perquisites and other allowances as the minimum remuneration subject to the limits prescribed under Schedule XIII of the Companies Act, 1956. The perquisites mentioned in paragraph I (d) above shall not be included in the computation of the ceiling on minimum remuneration.

The Board may alter or vary the above referred terms of appointment, salary and perquisites including minimum remuneration payable to him in such manner as the Board in its absolute discretion deems fit and acceptable to Shri Shekhar Khanolkar provided that such alterations are within the limits specified in Schedule XIII of the Companies Act, 1956 or any amendments, modifications or re-enactments made thereof from time to time.

Shri Shekhar Khanolkar shall not be entitled to receive sitting fees for attending the meetings of the Board of Directors or any Committee thereof.

A copy of Letter of Appointment issued to Shri Shekhar Khanolkar subject to the approval of the Members recording the terms of his appointment for a period of five years from 1<sup>st</sup> January 2011 and referred to in the said resolution, is available for inspection by the Members between 2.00 p.m. and 4.00 p.m. on any working day at the Registered Office of the Company.

Other particulars pertaining to the Company which are required to be disclosed as required under Section II of Part II of the said Schedule XIII are given in Annexure 'A' to this Explanatory Statement.

None of the Directors of the Company except Shri Shekhar Khanolkar is concerned or interested in the resolution.

The Notice convening the Annual General Meeting of the Members of the Company, along with the above Explanatory Statement may be treated as an abstract of the terms of the Agreement relating to the appointment of Shri Shekhar Khanolkar as the Managing Director of the Company, as required by Section 302 of the Companies Act, 1956.

The Board of Directors recommend passing of the Special Resolution at Item No.7 of the Notice.

**Regd. Office:**  
2nd Floor Sunteck Centre  
37/40 Subhash Road  
Vile Parle (East)  
Mumbai 400057

Mumbai,  
Dated: 29<sup>th</sup> April 2011

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

## Annexure 'A' to the EXPLANATORY STATEMENT

Statement as required under Section II of Part II of Schedule XIII of the Companies Act, 1956 giving details in respect of appointment of Shri Shekhar Khanolkar.

### I GENERAL INFORMATION:

#### 1. Nature of Industry

Chemical Industry

#### 2. Date or expected date of commencement of commercial production:

2002-2003 was the first year of operationalization of the Company. Pursuant to the Rehabilitation Scheme of Mafatlal Industries Limited (MIL) sanctioned by the Hon'ble BIFR vide its Order dated 30<sup>th</sup> October 2002, the Chemical Business of MIL vested as a going concern in the Company with effect from Appointed Date of 1<sup>st</sup> March 2002.

#### 3. In case of new companies, expected date of commencement of activities as per project approved by financial institutions appearing in the prospectus.

Not Applicable.

#### 4. Financial performance based on given indicators:

	Current Year Rupees in Lacs	Previous Year Rupees in Lacs
Turnover (Net)	42968.81	42932.51
Profit after Tax	7164.38	7436.15

#### 5. Export performance and net foreign exchange earnings:

	Current Year Rupees in Lacs	Previous Year Rupees in Lacs
A) FOB Value of Exports	20883.92	24521.50
B) Others	21.28	15.12
C) Net Foreign Exchange Earnings	10074.65	14930.20

#### 6. Foreign investments or collaborators, if any.

NIL

### II INFORMATION ABOUT THE APPOINTEE:

#### 1. Background details:

Shri Shekhar Khanolkar is 43 years of age and is a B.E. MMS having experience of more than 18 years in various Indian and Multinational Organizations of repute within India in the areas of production, marketing etc.

#### 2. Past remuneration:

Shri Shekhar Khanolkar had a Basic Salary of Rs.2400000/- per annum plus perquisites, allowances and other benefits to the tune of Rs.2302800/- per annum.

#### 3. Job profile and suitability:

Shri Shekhar Khanolkar is the Managing Director and overall in-charge of the business of the Company. Looking at the overall exposure and experience of Shri Shekhar Khanolkar in diversified areas and responsibilities to be shouldered by him, he is suitable for the position.

#### 4. Remuneration proposed:

As mentioned in Explanatory Statement in respect of Item No.7.

#### 5. Comparative remuneration profile with respect to industry, size of the Company, profile of the position and person (in case of expatriates the relevant details would be w.r.t. the country of his origin).

Considering the size of the Company, the industry benchmarks, experience of the appointee and the responsibilities to be shouldered by him, the proposed remuneration is commensurate with the remuneration paid to similar appointees in other companies.

#### 6. Pecuniary relationship directly or indirectly with the Company, or relationship with the managerial personnel, if any:

Besides his proposed remuneration, Shri Shekhar Khanolkar does not have any pecuniary relationship with the Company and its managerial personnel.

### III OTHER INFORMATION:

#### 1. Reasons of loss or inadequate profits

Not Applicable.

#### 2. Steps taken or proposed to be taken for improvements

Not Applicable

#### 3. Expected increase in productivity and profits in measurable terms

Not Applicable

**Particulars of the Directors seeking Appointment / Reappointment at the ensuing Annual General Meeting pursuant to Clause 49 of the Listing Agreement.**

Name	Shri T.M.M. Nambiar	Shri V.P. Mafatlal	Shri Sudhir Mankad	Shri Shekhar Khanolkar
Age	74 years	37 years	63 years	43 years
Date of Appointment / Reappointment	23/06/2008	23/06/2008	29/04/2011	01/01/2011
Expertise in functional areas	Having vast experience of over 48 years and was associated as President / Chairman / Member of the prestigious Institutions like Cement Manufacturers' Association, National Council for Cement & Building Materials and Development Council for Cement Industry, the Associated Chambers of Commerce & Industry of India, Bombay Chamber of Commerce etc. He was associated for more than 26 years with Associated Cement Company Ltd. including 6 years as Managing Director.	Textiles and Chemicals. Industrialist having business experience of more than 14 years in textiles and chemicals	He is a retired IAS Officer. He was the Chief Secretary of Government of Gujarat from 2005 to 2007 and has also held important positions in Government of India (Ministries of Finance, Agriculture and Human Resource Development) and Government of Gujarat.	He has over 18 years of experience in various Indian and multinational organizations of repute within India in the areas of production and marketing etc. He is overall in-charge of the business of the Company.
Brief resume	B.Com, ACA	B.Sc. (Economics) University of Pennsylvania, Wharton School, USA.	I.A.S., MA (History) Delhi University, Diploma in Development Studies, Cambridge University	B.E., MMS
Names of the Companies in which he holds Directorship / Committee Memberships.	<b>Director in:</b> ION Exchange (India) Ltd. Kamat Hotels (India) Ltd. Navin Fluorine International Ltd.  <b>Committee Membership:</b> <b>Audit Committee:</b> ION Exchange (India) Ltd. Kamat Hotels (India) Ltd. Navin Fluorine International Ltd.  <b>Investor Grievance Committee:</b> Navin Fluorine International Limited  <b>Managing Committee:</b> Hospital and Nursing Home Benefits Association (Breach Candy Hospital)	<b>Director in:</b> Mafatlal Services Ltd. Mafatlal Denim Ltd. Tropical Clothing Co. Pvt. Ltd. Cebon Apparel Pvt. Ltd. Eyeindia.com Pvt. Ltd. Techergo Solutions Ltd. Mafatlal Fabrics Pvt. Ltd. Sarvamangala Holdings Pvt. Ltd. Myrtle Chemtex Trading Pvt. Ltd. Mayflower Chemtex Trading Pvt. Ltd. Mafatlal Exim Pvt Ltd. NOCIL Ltd. Mafatlal Impex Pvt. Ltd. Shripad Associates Pvt. Ltd. Arvi Associates Pvt. Ltd. Altamount Products & Services Pvt. Ltd. Mafatlal Global Apparel Ltd. Sukarma Investments Pvt. Ltd. Vibhadeep Investments & Trading Ltd. Navin Fluorine International Ltd.  <b>Committee Membership:</b> <b>Share Transfer &amp; Investor Grievances Committee:</b> NOCIL Ltd.	<b>Director in:</b> Gujarat International Finance Tec-City Co. Ltd. (GIFTCL) GIFT Collective Investment Management Co. Ltd. (GIFTCIMCL) Bhavnagar Energy Co. Ltd. IL&FS Education and Technology Services Ltd. Deepak Nitrite Ltd. Gruh Finance Ltd. Shri Dinesh Mills Ltd.  <b>Committee Membership:</b> <b>Audit Committee:</b> Deepak Nitrite Ltd. <b>Shareholder Grievance Committee:</b> Gruh Finance Ltd.	<b>Director in:</b> Navin Fluorine International Ltd.  <b>Committee Membership:</b> NIL

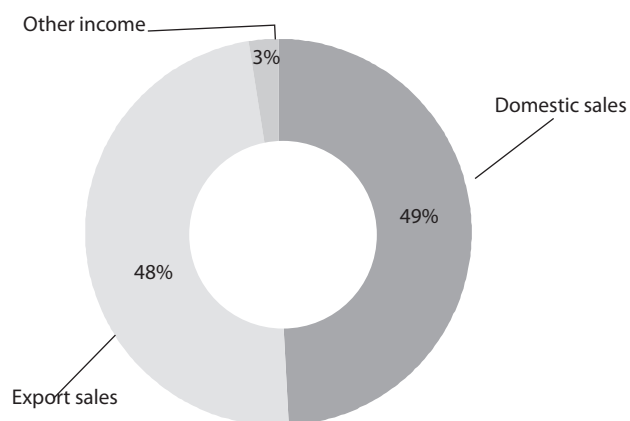


## Summarised Financial Data

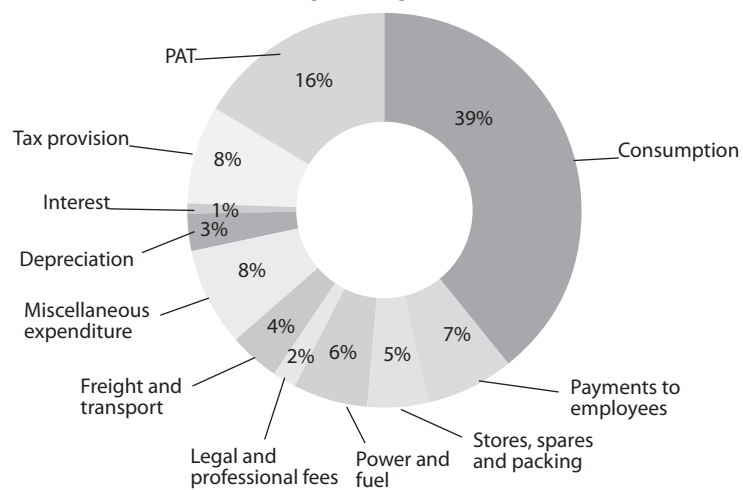
*Rupees in Lacs*

Particulars	Financial Year Ended on						
	2004 - 05	2005 - 06	2006 - 07	2007 - 08	2008 - 09	2009 - 10	2010 - 11
<b>PROFIT &amp; LOSS ACCOUNT</b>							
Total Income	24712	23828	27392	29544	42262	43723	44113
Profit before Depreciation, Interest, Exceptional Items and Tax	5579	3483	4580	4058	10178	13589	12269
Exceptional Items	(2181)	(121)	(260)	(506)	(757)	-	-
Interest	(711)	(818)	(783)	(890)	(863)	(249)	(312)
Depreciation and Impairment	(657)	(750)	(883)	(1148)	(1718)	(1107)	(1355)
Profit before Tax	2030	1794	2655	1514	7309	12233	10602
Profit after Tax	242	855	1260	788	4529	7436	7164
Dividend (Rs.per share)	2.00	3.00	4.00	4.00	10.00	14.00	15.00
Earning per share (EPS) Rs	3.59	9.54	12.47	7.81	44.84	73.63	71.11
<b>BALANCE SHEET</b>							
Net Fixed Assets	11801	14166	17252	18312	17396	17793	20748
Investments	2262	2262	1743	1625	1625	85	4776
Current Assets (Net)	7619	9963	9780	9942	10860	14455	10576
Total Application	21946	26391	28775	29879	29881	32333	36100
Borrowings	7009	8807	9247	9175	5264	1136	1006
Net Worth :	14937	17426	18567	19239	22902	29098	33180
Total Sources	21946	26391	28775	29879	29881	32333	36100
Book value per Equity Share (Rs) (Face value - Rs.10 per Share)	147.90	172.54	183.84	190.48	226.75	288.10	339.92
Debt/ Equity Ratio	0.47	0.51	0.50	0.48	0.23	0.04	0.03
Operating EBITDA ( % )	23%	15%	17%	14%	25%	31%	28%
Profit After Tax ( % )	1%	4%	5%	3%	11%	17%	16%
Return on Net Worth ( % )	2%	5%	7%	4%	21%	29%	23%
Return on Capital Employed	14%	11%	12%	8%	27%	40%	32%

### Rupee Earned (%)



### Rupee Spent (%)



# Directors' Report

To  
The Members,  
**Navin Fluorine International Limited**

Your Directors are pleased to present the 13th Annual Report together with the audited accounts for the year ended 31<sup>st</sup> March 2011.

## 1. Financial Results

(Rupees in lacs.)

	Current Year	Previous Year
Operating Income	42969	42933
Other income (including non-recurring income)	1144	790
<b>EBIDTA before exceptional items</b>	<b>12269</b>	<b>13589</b>
Less: Depreciation	1355	1107
Interest	312	249
Tax	3438	4797
<b>PAT before exceptional items</b>	<b>7164</b>	<b>7436</b>
Less: Exceptional items	-	-
<b>Profit after tax</b>	<b>7164</b>	<b>7436</b>
Add: Surplus brought forward from the previous year	8502	3545
<b>Amount available for appropriation</b>	<b>15666</b>	<b>10981</b>
<b>Appropriation</b>		
Transfer to debenture redemption reserve	-	81
Transfer to general reserve	716	744
Interim Dividend	656	656
Proposed Final Dividend	830	757
Corporate dividend tax	241	241
<b>Surplus carried to Balance Sheet</b>	<b>13223</b>	<b>8502</b>

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

## 2. Dividend

Your Company declared an interim dividend of Rs.6.50 per share in the month of October 2010 aggregating to Rs.656.49 lacs for 10099889 equity shares of nominal value of Rs.10/- each. The Board of Directors is pleased to recommend a final dividend for the year of Rs.8.50 per share on 9761097 equity shares of nominal value of Rs.10 each, aggregating to Rs.829.69 lacs taking the total dividend payout to Rs.15/- per share of a nominal value of Rs.10 each.

## 3. Year in retrospect

Turnover for the year remained flat at Rs. 42,969 lacs against Rs. 42,933 lacs of the previous year. Profit after tax of Rs. 7,164.38 lacs remained broadly at the same level as that of the previous year.

India in 2010-11 was clearly a high demand inflation economy with a healthy demand pull. In contrast to the earlier years, 2008-09 being a year of economic meltdown and 2009-10 being

a year of correction, this has been a year of consolidation for many Indian corporates.

Global commodity prices have once again been on the upswing. Crude Oil reached a high of \$ 110 a barrel in last March from \$ 75 a barrel in June '10. Similarly, all the major raw material prices steadily escalated during the current fiscal. There has been an increase of 30 % to 50 % in the prices of fluorspar, sulphur and chloroform, the most critical raw materials for the Company. However, through some medium term strategic buying, your Company could smother the impact of rising raw material costs while progressively increasing the selling prices of its products. During the year there have been steady price corrections for many of the finished products of the Company, bringing their margins back on track. Their sustainability, which is a function of the global demand-supply equilibrium, now needs to be carefully watched. Demand for refrigerant gases, bulk fluorides and specialty chemicals was robust in the second half of the current fiscal, both in the international and local markets.

The Indian Rupee during the year remained volatile against the US \$. It reached a low of Rs. 47.51 and a high of Rs. 44.03 during the year, fluctuating in a 10% band. The Indian Rupee remained weak from May to September '10 and thereafter kept on strengthening for the balance part of the year. This resulted in weakening of the export value realisation in the second half of the year. Unlike the US \$, the Euro steadily strengthened against the Indian Rupee in the second half of the fiscal, which helped the Company's Carbon price realisation. The Euro moved in a 15% band against the rupee from a low of Rs.56 in mid May to a high of Rs.64 in March '11.

During 2010 – 11, worldwide issuance of Certified Emissions Reductions (CERs) from industrial gases projects, which includes your Company's Project, were inordinately delayed due to an extensive study conducted by the Clean Development Mechanism (CDM) Board. As a result there was no issuance of CERs until the end of December '10 and there was no CER income booked during the second and third quarter of the current fiscal. Majority of the CERs issued since the third quarter has been utilised in fulfilling the old long term contracts.

The demand for carbon credits in the near term and until the end of 2012 is expected to remain steady. However, there are

growing uncertainties around the Kyoto Protocol, its continuity beyond 2012 and most importantly the eligibility of industrial gases, CERs for use within the European Union (80 % of the current market) beyond 2012 as a carbon off-set instrument.

A strategic plan to grow the Specialty Chemicals business was formulated and a medium term road-map was drawn-up. Accordingly your Company took several steps in the past two years namely; investments in R&D, Pilot Plant, a multi-purpose plant and entry into Contract Research and Manufacturing Services (CRAMS).

The state-of-the-art R&D centre commissioned in 2009-10 at Surat will help your Company to develop new value-added molecules based on specific customer requirements whereas the pilot plant is expected to speed up the process of commercialization of the new molecules. Following significant investments in R&D and Pilot Plant, your Company also commissioned the state-of-the-art Multi Product Plant during the current fiscal, which increased your Company's ability to meet changing customer needs and provide flexible product mix of enhanced process capabilities. During this year a state-of-the-art Contract Research (CRO) facility was built at Surat which will support your Company's entry into CRAMS. The contract manufacturing operations will predominantly emerge out of Dewas which will house the small batch cGMP (Current Good Manufacturing Practices) plant. Both the CRO and cGMP will become fully operational during the first quarter of 2011-2012.

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

Your Company continues to be rated as (a) 'CARE A+' (indicating adequate safety for timely servicing of debt obligations and low credit risk) for borrowings with a tenure of more than one year and fund-based facilities and (b) 'PR1+' (indicating strong capacity for timely payment of short-term debt obligations and lowest credit risk) for its non-fund based facilities.

During the year the residual debt of Rs. 801 lacs was paid. Debentures worth Rs. 140 lacs were also repaid during the year and the balance debentures of Rs.140 lacs shall be paid of in the

month of August 2011.

During the year your Company purchased 61599 Sq. Ft (built up area) of office space in Lower Parel, Mumbai at a total investment of Rs. 4756.74 lacs. The rental income from this property has handsomely contributed to the results of the Company.

#### **4. Subsidiary and associates**

Sulakshana Securities Limited (SSL), created through the Sanctioned Scheme of Rehabilitation (SS) of Mafatlal Industries Limited (MIL) for settlement of dues of the term lenders of MIL, continued to remain a wholly-owned subsidiary of your Company.

Pursuant to the exemption granted to the Company by the Central Government vide its letter No. 47/41/2011-CL-III dated 31<sup>st</sup> January 2011, the Company has not attached copies of the Balance Sheet and Profit and Loss Account, Directors' Report and Auditors' Report of the subsidiary company for the financial year ended 31<sup>st</sup> March 2011 and other documents required to be attached under Section 212(1) of the Companies Act, 1956, to the Balance Sheet of the Company. However, the other details, as required by the Central Government while granting the said exemption, are disclosed in this Report.

The annual accounts and related information of the subsidiary company are open for inspection by any member / investor at the Registered Office of the Company on working days between 2.00 p.m. and 4.00 p.m. and the Company will make available these documents / details upon request by any member of the Company who may be interested in obtaining the same. The annual accounts and related information of the subsidiary company are also available on the Company's website.

Your Company continues to hold 43% of the equity share capital of Mafatlal Denim Limited (MDL) which is its only associate company.

#### **5. Industrial relations**

There were cordial and harmonious industrial relations during the year and the management received full cooperation from the employees. During the year, a long-term wage settlement with the Workmen has been entered into.

During the year extensive training and developmental activities were undertaken, both in-house and out-bound, for the management as well as unionized employees. The workmen actively participated in several small group activities to identify and implement efficiency improvement programmes wherein they demonstrated self initiative and sense of ownership.

#### **6. Insurance**

The properties and insurable assets and interests of your Company, like building, plant and machinery and stocks, among others, are adequately insured.

#### **7. Particulars of employees**

Information as per Section 217 (2A) of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975 forms a part of this Report and will be sent on demand to the shareholders. Any shareholder interested in obtaining a copy of the said statement may write to the Company Secretary.

#### **8. Energy, technology and foreign exchange**

Additional information on conservation of energy, technology absorption, foreign exchange earnings and outgo as required, to be disclosed in terms of Section 217(1)(e) of the Companies Act, 1956, read with the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988, is annexed hereto and forms part of this Report.

#### **9. Employee Stock Option Scheme 2007**

Pursuant to the provision of Guidelines 12 of the Securities and Exchange Board of India (Employee Stock Option Scheme and Employee Stock Purchase Scheme), Guidelines 1999, as amended, the details of stock options as on 31<sup>st</sup> March 2011 under the "Employee Stock Option Scheme 2007" are set out in the Annexure to the Directors' Report.

#### **10. Reports on Corporate Governance and Management Discussion Analysis**

As required under the Listing Agreement with stock exchanges, reports on corporate governance as well as management discussion and analysis are attached and forms part of the Directors' Report.

## 11. Directorate

Shri Satish Kakade, Managing Director of the Company tendered his resignation with effect from 1<sup>st</sup> January 2011. The Board of Directors places on record its appreciation for the valuable services rendered by Shri Satish Kakade.

Shri Shekhar Khanolkar, who was President – Fluorochemicals and a Member of the Board, has been elevated as Managing Director with effect from 1<sup>st</sup> January 2011.

The Board of Directors has appointed Shri Sudhir Mankad as an Additional Director with effect from 29<sup>th</sup> April 2011. He will hold office up to the ensuing Annual General Meeting of the Company and being eligible, offers himself for reappointment. Notices under Section 257 of the Companies Act, 1956, have been received by the Company from members signifying their intention to propose the candidature of Shri Sudhir Mankad as a Director of the Company.

Shri T.M.M. Nambiar and Shri V.P. Mafatlal both retire by rotation at the ensuing Annual General Meeting and being eligible, offer themselves for reappointment.

## 12. Buy Back of Shares

The Board of Directors at their Meeting held on 24<sup>th</sup> September 2010, announced Buy Back of 338792 Equity Shares of the Company at a price of Rs.400/- per share. Accordingly, 338792 Equity Shares of the Company were bought back and extinguished. Consequently the paid up share capital of the Company stands reduced from 10099889 Equity Shares of Rs.10/- each to 9761097 Equity Shares of Rs.10/- each.

## 13. Directors' responsibility statement

As required under the provisions of Section 217 (2AA) of the Companies Act, 1956, your Directors report that:

- i) In the preparation of the annual accounts, the applicable accounting standards were followed along with proper explanation relating to material departures.
- ii) The Directors selected such accounting policies and applied them consistently and made judgments and estimates that were reasonable and prudent. The purpose was to give a true and fair view of the state of affairs of your Company and the profit of the Company at the end of the financial year.
- iii) The Directors took proper and sufficient care for the maintenance of adequate accounting records in accordance

with the provisions of this Act for safeguarding your Company's assets and for preventing and detecting fraud and other irregularities.

- iv) The Directors prepared the annual accounts on a going concern basis.

## 14. Auditors

At the Annual General Meeting, members are requested to appoint Auditors for the current year and fix their remuneration. The specific notes forming part of the accounts referred to in the Auditors' Report are self explanatory and give complete information.

## 15. Cost Auditors

As per the requirements of the Central Government and pursuant to the provisions of Section 233 B of the Companies Act, 1956, the audit of the Cost Accounts relating to the product "Sulphuric Acid" is being carried out every year. The Company has appointed Shri I.V. Jagtiani, Cost Auditor, Mumbai to audit the cost accounts for the year 2010-2011 i.e. from 1<sup>st</sup> April 2010 to 31<sup>st</sup> March 2011 for which necessary approval of the Central Government has been received vide their letter no. 52/801/CAB/1989 dated 26<sup>th</sup> May 2010. The Cost Audit Report in respect of Financial Year 2010-2011 will be filed on or before the due date i.e. 27<sup>th</sup> September 2011.

## 16. Donation

During the year, your Company made donation of Rs.15 lacs for charitable and other purposes.

## 17. Appreciation

The Directors wish to place on record their appreciation of the devoted services of the workers, staff and officers who have largely contributed to the efficient management of your Company. The Directors also place on record their appreciation for the continued support from the shareholders, the lenders and other business associates.

Mumbai,  
Dated: 29<sup>th</sup> April 2011

For and on behalf of the Board  
**H. A. Mafatlal**  
Chairman



# Annexure to the Directors' Report

## 1. Conservation of Energy

### A) Energy conservation measures taken:

- With the growing market demand, production plant utilisation was increased by engineering up-gradation; this has resulted into better output at lower energy consumption. Substantial saving of power and natural gas has been achieved at major manufacturing units like HF, Mafron, BF3, Sulphuric acid etc.
- Many other initiatives towards energy savings were taken up and executed during the year like :
- Right sizing of motors.
- Replacement of old motors with energy efficient motors.
- De-scaling of heat exchangers.
- Replacement of cables to save line losses.
- Provision of capacitors to maintain high power factor
- Modification and automation of cooling towers.
- Recycle of cooling water instead of once through.

### B) Additional investments and proposal, if any being implemented for reduction in consumption of energy.

- To reduce the heavy cable losses and to improve load factor, the Power Management System will be implemented. Substantial saving is envisaged in power distribution as well as in natural gas consumption at power plant.
- Following other initiatives are planned to improve energy efficiency :
- Provision of Variable Frequency Drive at various pumps and drives.
- Changing of Delta mode to Star mode at under utilised motors.
- Water ring vacuum pumps will be replaced by oil ring or steam ejectors.
- Once through water will be replaced by recycling.
- Capacity augmentation in plants like HF will improve energy efficiency.

### C) Impact of the measures at (A) and (B) above, for the reduction of energy consumption and consequent impact on the cost of production of goods.

As indicated in (A) and (B) above

### D) Total energy consumption and energy consumption per unit of production

The particulars are furnished in the prescribed Form A annexed hereto.

## 2. Technology Absorption

Effort made in technology absorption are furnished in prescribed Form B annexed hereto.

## 3. Foreign Exchange Earnings and Outgo

### A) Activities relating to export initiatives taken to increase exports, developments of new export markets for products and services and export plans.

As you are aware a sizeable income of your Company comes in foreign exchange as a result of its large exports of refrigerant gases and specialties and sale of carbon credits. Your Company has a dedicated export team regularly visiting overseas markets and end-users in different geographies. This year we participated in CPHI exhibition in Paris, Chem Outsourcing exhibition in the US and Informex in the US with our own booths. Participation in these exhibitions help explore new business partners in newer geographies and improve your company's visibility among the major international customers in this industry.

Visits are also made to different carbon credit related fairs to enhance the knowledge on the latest developments in the carbon credit space, keep in contact with existing customers and add new customer contacts.

(Rupees in lacs)		
B) Total foreign exchange used and earned	Current Year	Previous Year
Total foreign exchange used	11569.77	10431.05
Total foreign exchange earned	20905.20	24536.62

## FORM A

### Form for Disclosure of Particulars with respect to Conservation of Energy

	Current Year	Previous Year
<b>(A) POWER &amp; FUEL CONSUMPTION</b>		
(1) Electricity		
(a) Purchased		
Units (in Kwh)	5815700	3120724
Total Cost (Rs.)	38687586	24337171
Rate/Unit (Rs.)	6.65	7.80
(b) Own Generation		
Through Captive Power Plant		
Units (in Kwh)	27082953	26633377
Unit per M3 of Natural Gas (Kwh)	3.59	3.66
Cost/Unit (Rs.)	4.82	3.82
(2) Others		
A. High Speed Diesel (HSD.)		
Quantity (K. Ltrs)	150	109
Total Cost (Rs.)	6267383	4095658
Rate/Unit (Per K. Ltr.)	41716	37421
B. Natural Gas		
Quantity (Cub. Mtrs.)	12605031	11991174
Total Cost (Rs.)	218018409	167672508
Rate (Rs./Cub Mtrs.)	17.30	13.98
C. Water		
Quantity (K. Ltrs.)	769384	705484
Total Cost (Rs.)	1181500	3685987
Rate (Rs./K. Ltrs)	1.54	5.22
<b>(B) CONSUMPTION PER UNIT OF PRODUCTION:</b>		
(1) Electricity (Kwh/Mt.)	1065	1065
(2) Natural Gas (Cub.Mtrs/Mt.)	408.11	430.86
(3) Others (K Ltrs/Mt.)	24.91	25.35
<b>Production</b>	<b>MT</b>	<b>MT</b>
Synthetic Cryolite, Aluminium Fluoride & Fluorocarbon Gases	10554	10247
Misc. Fluorides	20332	17584
Intermediates	–	391
Total	30886	27831

## FORM B

### A) Research and Development

#### 1. Specific areas in which R&D is carried out by your Company

The R&D efforts of the Company are directed towards the following:

- Process improvements in all existing products to achieve better consumption norms and to reduce the overall cost of manufacture of the Company's Products.
- Development of new Fluorination techniques to introduce Fluorine in a chemical substance including development of specific catalysts with a general objective of improving conversion of desired products and reducing the generation of waste.

#### 2. Benefits derived as a result of the above R&D

Following benefits were derived from the above R&D:

- More products were added to the growing portfolio of specialty fluoro-chemicals products of the Company and incorporation of value added products from basic raw materials.
- Increase in numbers of companies added to the list of the Company's customers and partners both in domestic and overseas segments.
- The Company's competitive positioning was strengthened and also reliability as a potential strategic vendor is on the rise, also evident from the growth in the overall business of the Company.

#### 3. Future plan of action

A state-of-the-art R&D and quality control and assurance centre has been instrumental in achieving the growth by continuing its support to the production, trouble shooting to cope with the increasing competitiveness in the market and also to accelerate new product development and effective process improvement of some value added products for customers, with the aim of making the Company most competitive in value-added specialty fluoro-chemicals business segment.

### 4. Expenditure on R&D

(Rupees in lacs)

	Current Year	Previous Year
a) Capital Expenditure	27.17	268.59
b) Recurring Expenditure	434.75	270.90
c) Total	461.92	539.49
d) Total R&D expenditure as a % of total turnover	1.03	1.22

### B) Technology absorption adaptation and innovation

#### 1. Efforts in brief were made towards technology absorption, adaptation and innovation:

The R&D team develops most of the processes for the new products through extensive literature survey, laboratory tests, Safety and Environmental studies, scale up and pilot plant studies along with commercial impact studies after which the products are manufactured on a semi-commercial and then on a commercial scale.

The R&D team constantly interacts with our customers through our marketing division to understand their requirements and develops, makes modifications in the product profile and quality to meet the exacting needs of the customer along with the expected price targets.

R&D is also involved with supporting customers in case of developing newer chemicals from their R&D (mg) level to all the way up to manufacturing (Ton) level for their fluoro-chemical needs by bringing in years of experience and know-how on fluorination, identification & handling of various fluorinating agents and technologies.

#### 2. Benefits derived as a result of above efforts

As stated above

#### 3. Information regarding technology imported during the last five years

- Technology imported – Thermal oxidation of HFC 23  
Year of import – Technology was imported during the year 2006-07
- Has technology been fully absorbed – Yes
- If not fully absorbed, not taken place, reasons therefore and future plans of action – Not Applicable.

**Information to be disclosed under the Securities and Exchange Board of India (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999**

a. Options in force at the beginning of the year	36300
b. Options granted	NIL
c. Options vested	9075
d. Options exercised	NIL
e. Options lapsed / surrendered	NIL
f. The total number of shares arising as a result of exercise of option	NIL
g. Total number of options in force at the end of the year	36300
h. Money realised by exercise of options	NIL
i. The pricing formula:	Market price on the days preceding the dates of grants
j. Variation of terms of options:	NIL
k. Employees wise details of options granted / in force at the end of the year	
i. Senior managerial personnel	given herein below*
ii. any other employee who receives a grant in any one year of option amounting to 5 % or more of option granted during that year	NIL
iii. Identified employees who were granted option, during any one year, equal to or exceeding 1 % of the issued capital (excluding outstanding warrants and conversions) of the Company at the time of grant	NIL
l. Diluted Earnings Per Share (EPS) pursuant to issue of shares on exercise of option calculated in accordance with [Accounting Standard (AS) 20 'Earnings Per Share']	NIL, since no option has been exercised
m. Impact of employee compensation cost calculated as difference between intrinsic value and fair market value in accordance with SEBI Guidelines on ESOP	Rs. 17.33 lacs
n. Weighted average exercise prices and weighted average fair values of options	
(1) Weighted average exercise price	Rs.381 per share
(2) Weighted average fair value (Black Scholes model)	Rs.191 per share
o. A description of the method and significant assumptions used during the year to estimate the fair values of options, including the following weighted average information	
(1) Risk free interest rate	8.09%
(2) Expected life	8.90 years
(3) Expected volatility	34.67%
(4) Expected dividend	5.58%
(5) The price of the underlying share in market at the time of option granted	Rs. 374 and Rs.407

**Employees wise details of options granted / in force at the end of the year**

1 Atul Srivastava	8700
2 Shekhar Khanolkar	8000
3 Partha Roy Chowdhury	4000
4 Sridhar Thapliyal	4000
5 Sunil Tandon	2200
6 Biren Kapadia	2100
7 Niraj Mankad	1900
8 Ketan Sablok	1400
9 Manoj Pandya	1600
10 L N Ravi	1500
11 Roshan Adhikari	900
Total number of Options in force at the end of the year	36300

# Corporate Governance Report

The essence of Corporate Governance lies in its transparency; its efficiency lies in its ability to protect the stakeholders' interest. This is precisely what your Company's governance process and practice ventured to achieve; a transparency and professionalism in action as well as the implementation of policies and procedure to ensure high ethical standards as well as responsible management.

To enunciate the spirit behind this governance process, your Company listed out its various compliances with the statutory requirements of the day, as well as the spirit of the practice.

## 1. Board of Directors

As on March 31<sup>st</sup>, 2011, your Company's Board of Directors consisted of nine Directors with varied experiences in different areas. Some of them are acknowledged as leading professionals in their respective fields. The composition of the Board is in conformity with the provisions of Clause 49 of the Listing Agreement(s). Shri H.A. Mafatlal, the Company Chairman, heads the Board. The Board consisted of one Executive Promoter Director, one Non-Executive Promoter Director, two Executive Directors and five Independent Non-Executive Directors.

Sr. No.	Names of Directors	Category (Executive / Non-Executive)	Number of Board Meetings attended	Whether last AGM held on 21 <sup>st</sup> June 2010 attended	Other directorships held (including in Private Companies at the year end)	\$ Number of Committee Membership /Chairmanship in other domestic companies as at the year end
1.	Shri H.A. Mafatlal	Promoter Executive	8	Yes	11*	3
2.	Shri T.M.M. Nambiar	Independent Non-Executive	7	Yes	2	2
3.	Shri P.N. Kapadia	Independent Non-Executive	8	Yes	7**	2
4.	Shri S.S. Lalbhai	Independent Non-Executive	8	Yes	5	2
5.	Shri S.M. Kulkarni	Independent Non-Executive	7	Yes	10***	8
6.	Shri R. Sankaran	Independent Non-Executive	7	Yes	6****	3
7.	Shri V.P. Mafatlal	Promoter Non-Executive	8	Yes	19*****	1
8.	Shri S.D. Kakade (up to 31.12.2010)	Executive	5	Yes	-	-
9.	Shri A.K. Srivastava	Executive	7	Yes	1	1
10.	Shri S.S. Khanolkar	Executive	7	Yes	-	-

\* In 3 private limited companies

\*\* In 4 private limited companies

\*\*\* In 2 private limited companies

\*\*\*\* In 2 private limited companies

\*\*\*\*\* In 13 private limited companies

\$ Under this column, membership / chairmanship of Audit Committees and Shareholders' / Investors' Grievance Committees is considered.

Shri V.P. Mafatlal is the nephew of Shri H.A. Mafatlal, Chairman of the Company.

All the relevant information such as production, sales, exports, financial results, capital expenditure proposals and statutory dues, among others, are as a matter of routine, placed before the Board for its approval / information.

A total of eight meetings of the Board of Directors were held on 28.04.2010, 21.06.2010, 21.07.2010, 24.09.2010, 19.10.2010, 15.12.2010, 25.01.2011 and 28.03.2011. The Company has thus observed the provisions of the Listing Agreement(s), allowing not more than four months gap between two such meetings.

Personal shareholding of Non-Executive Directors is as follows:

Name of the Directors	Number of equity shares as at the year end
Shri T.M.M. Nambiar	30000
Shri P.N. Kapadia	1385
Shri S.S. Lalbhai	500
Shri S.M. Kulkarni	NIL
Shri R. Sankaran	NIL
Shri V.P. Mafatlal	110469

## 2. Audit Committee

As required under Section 292 A of the Companies Act, 1956, read with the provisions of Clause 49 of the Listing Agreement(s) with the Stock Exchange(s), the Board constituted

an Audit Committee. Shri T.M.M. Nambiar is the Chairman of the Committee with Shri P.N. Kapadia, Shri S.S. Lalbhai and Shri S.M. Kulkarni as members. The terms of reference of the Audit Committee are as outlined in the Companies Act, 1956 and the Listing Agreement(s).

During 2010-11, a total of four meeting of the Audit Committee were held on 28.04.2010, 21.07.2010, 19.10.2010 and 25.01.2011. The attendance of the members of the Audit Committee was as follows:

Sr. No.	Dates of Audit Committee Meetings	Attendance of Directors			
		Shri T.M.M. Nambiar	Shri P.N. Kapadia	Shri S.S. Lalbhai	Shri S.M. Kulkarni
1.	28.04.2010	Yes	Yes	Yes	Yes
2.	21.07.2010	Yes	Yes	Yes	Yes
3.	19.10.2010	Yes	Yes	Yes	Yes
4.	25.01.2011	Yes	Yes	Yes	Yes

Yes – Attended

Executive Chairman, Managing Director, Finance Director, Vice President Finance and Accounts, Statutory and Internal Auditors, usually attend the meetings of the committee. The Company Secretary Shri N.B. Mankad acts as the Secretary of the Audit Committee.

### 3. Shareholders' / Investors' Grievance Committee

Shri P.N. Kapadia is the Chairman of the Shareholders' / Investors' Grievance Committee. Shri T.M.M. Nambiar and Shri A.K. Srivastava are the other members of the Committee. The Committee looks into redressing the investors' grievances / complaints viz. non-receipt of transferred shares and non-receipt of dividends, among others. During 2010-11, two meetings of the Shareholders' / Investors' Grievance Committee were held on 18.02.2011 and 28.03.2011. The attendance of the members of the Audit Committee was as follows:

Sr. No.	Dates of Shareholders' / Investors' Grievance Committee Meetings	Attendance of Directors		
		Shri P.N. Kapadia	Shri T.M.M. Nambiar	Shri A.K. Srivastava
1.	18.02.2011	Yes	No	Yes
2.	28.03.2011	Yes	No	Yes

Yes – Attended, No – Not Attended

The other relevant details are as under:

a) Number of complaints received from shareholders from 01.04.2010 to 31.03.2011:	9
b) Number of complaints resolved during the year:	10*
c) Number of complaints pending at the end of the year:	NIL
d) Number of pending transfers as on 31.03.2011 due to certain defects:	NIL

\* 1 Pending Complaint received during 2009-2010 has been resolved.

Shri N.B. Mankad, Company Secretary is the Compliance Officer.

### 4. Remuneration Committee

Shri S.S. Lalbhai is the Chairman of the Remuneration Committee and Shri T.M.M. Nambiar and Shri S.M. Kulkarni are the other members.

During the year, two Remuneration Committee Meetings were held on 28.04.2010 and 24.09.2010. The Committee is authorized to decide on the remuneration for the Executive Directors including annual increments, pension rights and compensation payments, if any and granting of stock options to Senior Management Personnel. The details of attendance of the members of the Remuneration Committee are as follows:



Sr. No.	Dates of Remuneration Committee Meetings	Attendance of Directors		
		Shri S.S. Lalbhai	Shri T.M.M. Nambiar	Shri S.M. Kulkarni
1.	28.04.2010	Yes	Yes	Yes
2.	24.09.2010	Yes	Yes	No

Yes – Attended, No – Not Attended

## 5. Remuneration of Directors

Remuneration paid to the Executive and Non-Executive Directors:

(Rupees in lacs.)

Sr. No.	Director	Salary and Perquisites	Commission*	Sitting Fees
1.	Shri H.A. Mafatlal	35.84	166.90	–
2.	Shri A.K. Srivastava	87.71	30.00	–
3.	Shri S.S. Khanolkar	82.80	7.50	–
4.	Shri S.D. Kakade (up to 31.12.2010)	68.27	20.00	–
5.	Shri T.M.M. Nambiar	–	5.00	1.30
6.	Shri P.N. Kapadia	–	5.00	1.40
7.	Shri S.S. Lalbhai	–	5.00	1.40
8.	Shri S.M. Kulkarni	–	5.00	1.20
9.	Shri R. Sankaran	–	5.00	0.70
10.	Shri V.P. Mafatlal	–	5.00	0.80

\* Payable in financial year 2011-2012

**Note:** Other service contracts, notice period and severance fees, among others – None

In terms of the Company's "Employee Stock Option Scheme-2007" approved by the shareholders at the 9<sup>th</sup> Annual General Meeting held on 20<sup>th</sup> July 2007, Shri A.K. Srivastava and Shri Shekhar Khanolkar have been granted 8700 and 8000 Stock Options respectively. The relevant details required to be disclosed under the Securities and Exchange Board of India (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999, are given in Annexure to Directors' Report.

The Non-Executive Directors are paid remuneration in accordance with the prevalent practice in the industry and commensurate with their experience. Besides the above remuneration, there is no other material pecuniary relationship or transaction by the Company with Non-Executive Directors.

## 6. Disclosure

(a) Disclosure on material transactions i.e. transactions of the Company of material nature, with its promoters, the Directors or

the management and their subsidiaries or relatives, among others, that may have potential conflict with the interest of the Company at large.

None of the transactions with any of the related parties were in conflict with the interest of the Company.

(b) Details of non-compliance by the Company, penalties, strictures imposed by Stock Exchanges / SEBI or any statutory authority, on any matter related to capital markets, during the last three years.

None

(c) Though there is no formal Whistle Blower Policy, the Company takes cognizance of complaints made and suggestions given by the employees and others. Even anonymous complaints are looked into and whenever necessary, suitable corrective steps are taken. No employee of the Company has been denied access to the Audit Committee of

the Board of Directors.

(d) The Company has laid down procedures to inform the Board Members about the risk assessment and risk mitigation mechanism, which is periodically reviewed and reported to the Board of Directors by senior executives.

(e) Disclosure of accounting treatment different from accounting standards.

None

## 7. Code of Conduct for Board Members and Senior Management

The Board of Directors, at its Meeting held on 27<sup>th</sup> October 2005, laid down the Code of Conduct for all the Board Members and

members of the senior management. The code is also placed on the Company's website viz. [www.nfil.in](http://www.nfil.in) A certificate from the Managing Director, affirming compliance of the said Code by all the Board Members and members of the senior management, to whom the Code is applicable, is annexed separately to this Report.

## 8. CEO / CFO Certification

The Managing Director and the Chief Financial Officer of the Company give annual certification on financial reporting and internal controls to the Board in terms of Clause 49. The Managing Director and the Chief Financial Officer also give quarterly certification on financial results to the Board in terms of Clause 41.

## 9. General Body Meeting

Location and time where the last three Annual General Meetings (AGM) were held:

AGM	Year	Venue	Date	Time	No. of Special Resolutions passed
12th	2009-2010	Rama Watumull Auditorium, K.C. College, Dinshaw Wacha Road Churchgate, Mumbai 400020	21/06/2010	3.00 P.M.	2
11th	2008-2009	S.N.D.T. Womens' University, Patkar Hall, 1 Nathibai Damodar Thackersey Road, Churchgate, Mumbai 400020	15/06/2009	3.00 P.M.	2
10th	2007-2008	S.N.D.T. Womens' University, Patkar Hall, 1 Nathibai Damodar Thackersey Road, Churchgate, Mumbai 400020	23/06/2008	3.00 P.M.	3

Whether special resolutions –

(a) Were put through postal ballot last year	:	NO
Details of voting pattern	:	N.A.
Person who conducted the postal ballot exercise	:	N.A.
(b) Are proposed to be conducted through postal ballot this year	:	NO
Procedure for postal ballot	:	N.A.

## 10. Means of communication

The Financial Results of the company are reported as mentioned below –

Half yearly report sent to shareholders	:	No
Quarterly Results proposed to be published in which newspaper	:	In English – Economic Times and In Marathi – Maharashtra Times
Any website	:	<a href="http://www.nfil.in">www.nfil.in</a>
Whether it displays official news release and the presentation made to institutional investors or to the analysts	:	Yes
Whether management discussion and analysis report is a part of the annual report	:	Yes

## 11. General shareholders information

### A. 13th Annual General Meeting

Date	: 22 <sup>nd</sup> June 2011
Time	: 3.00 p.m.
Venue	: Rama Watumull Auditorium, K.C. College Dinshaw Wacha Road, Churchgate, Mumbai 400020

### B. Financial Calendar : 01/04/2011 to 31/03/2012 (tentative)

First quarterly results	: End of July 2011
Second quarterly results	: End of October 2011
Third quarterly results	: End of January 2012
Audited yearly results	: End of May 2012

### C. Date of Book Closure (both days inclusive) : 16<sup>th</sup> June 2011 to 22<sup>nd</sup> June 2011

### D. Dividend payment date : 27<sup>th</sup> June 2011

E. Listing	: Bombay Stock Exchange Ltd. [BSE]
	Ahmedabad Stock Exchange Ltd. [ASE]
	National Stock Exchange of India Ltd.[NSE]

F. Stock Code	: BSE 532504
	ASE 45433
	NSE NAVINFLUOR EQ

### G. ISIN Number : INE 048 G 01018

### H. Monthly High and Low

Bombay Stock Exchange					
Month	Highest	Lowest	BSE Sensex Highest	BSE Sensex Lowest	Number of shares traded
April 2010	363.30	301.75	18047.86	17276.80	601816
May 2010	330.00	263.60	17536.86	15960.15	227268
June 2010	314.70	281.15	17919.62	16318.39	194738
July 2010	309.90	278.00	18237.56	17395.58	275169
August 2010	312.70	271.60	18475.27	17819.99	514749
September 2010	338.00	269.00	20267.98	18027.12	2444536
October 2010	311.40	277.30	20854.55	19768.96	708001
November 2010	340.00	259.05	21108.64	18954.82	922996
December 2010	299.90	253.00	20552.03	19074.57	502500
January 2011	342.00	265.10	20664.80	18038.48	1628594
February 2011	283.00	234.00	18690.97	17295.62	193851
March 2011	274.40	233.10	19575.16	17792.17	527475
National Stock Exchange					
Month	Highest	Lowest	NSE Sensex Highest	NSE Sensex Lowest	Number of shares traded
April 2010	362.70	302.90	5399.65	5160.90	409709
May 2010	333.00	282.00	5278.70	4786.45	199314
June 2010	315.00	280.00	5366.75	4961.05	180947
July 2010	310.00	278.00	5477.50	5225.60	222770
August 2010	313.40	272.80	5549.80	5348.90	541546
September 2010	340.00	268.55	6073.50	5403.05	3814780
October 2010	312.00	277.25	6284.10	5937.10	933526
November 2010	334.00	258.00	6338.50	5690.35	1397721
December 2010	301.00	223.00	6147.30	5721.15	668040
January 2011	342.40	260.25	6181.05	5416.65	1978250
February 2011	282.00	235.00	5599.25	5177.70	203236
March 2011	269.80	223.50	5872.00	5348.20	423116

#### **I. Registrar and Share Transfer Agents**

##### **Sharepro Services (India) Pvt. Ltd.**

Samhita Warehousing Complex 2nd floor Gala No. 52 to 56  
Building No.13A-B Near Sakinaka Telephone Exchange  
Andheri – Kurla Road Sakinaka Andheri (East) Mumbai 400072  
Tel: 91 22 6772 0300 / 6772 0400  
Fax: 91 22 2859 1568 / 2850 8927  
E-mail: sharepro@shareproservices.com

##### **Investor Relations Centre**

912 Raheja Centre Free Press Journal Road  
Nariman Point  
Mumbai 400021  
Tel: 91 22 6613 4700  
Fax: 91 22 2282 5484  
E-mail: sharepro@shareproservices.com

#### **J. Share Transfer System**

All the share related work is being undertaken by our R&T Agent, Sharepro Services (India) Pvt. Ltd., Mumbai. A Share Transfer Committee of three Directors approves the share transfer, transmission, split and consolidation, among others, of shares. The share transfers are registered and returned within 30 days from the date of receipt if relevant documents are complete in all respects. The shareholders' / investors' grievances are also taken up by our R&T Agent.

#### **K. Distribution of shareholding as on 31.03.2011**

<b>Slab</b>	<b>Total number of shareholders</b>	<b>%</b>	<b>Number of Shares</b>	<b>% of total share capital</b>
Less than 500	105855	98.60	2129768	21.82
501-1000	804	0.75	615712	6.31
1001-2000	332	0.31	492760	5.05
2001-3000	119	0.11	301050	3.08
3001-4000	77	0.07	270452	2.77
4001-5000	37	0.04	168153	1.73
5001-10000	67	0.06	484594	4.96
10001-above	63	0.06	5298608	54.28
<b>Total</b>	<b>107354</b>	<b>100</b>	<b>9761097</b>	<b>100</b>

**L. Shareholding pattern as on 31.03.2011**

Sr.No.	Category	Number of shares held	% of holding
1.	Promoters' holding	3758790	38.51
2.	Mutual Funds and UTI	57238	0.59
3.	Bank, financial institutions, insurance companies, central / state government institutions	148741	1.52
4.	FII's (Foreign Institutional Investors)	38735	0.40
5.	Private Corporate Bodies	888518	9.10
6.	Indian Public	4745885	48.62
7.	NRIs / OCBs	123190	1.26
8.	Any other (please specify)	0	0
	Total	9761097	100

**M. Dematerialisation details**

As on 31<sup>st</sup> March 2011, 32800 shareholders were holding 8558908 equity shares in demat form which constitutes 87.68 % of the total share capital of the Company.

**N. Outstanding GDR / ADR**

NA

**O. Plants / Factories:**

1. Navin Fluorine, Bhestan, Surat – 395023
2. Navin Fluorine, Dewas, M.P. 455002

**P. Address for correspondence**

**Navin Fluorine International Ltd.**

**a) Registered Office:**

2nd floor Sunteck Centre 37/40 Subhash Road  
Vile Parle (East) Mumbai 400057  
Tel: 91 22 6650 9999  
Fax: 91 22 6650 9800  
Website: www.nfil.in

**b) Corporate Office:**

Mafatlal House 3rd floor  
Backbay Reclamation Mumbai 400020  
Tel: 91 22 4008 3636  
Fax: 91 22 6635 7633

The company complied with all the mandatory requirements of Clause 49 and has also complied with one of the non-mandatory requirement viz. setting up of the Remuneration Committee.

## Annexure to Corporate Governance Report of Navin Fluorine International Limited

### Declaration regarding Affirmation of Code of Conduct

In terms of the requirement of Clause 49 of the Listing Agreement, this is to confirm that all members of the Board and the senior management personnel have affirmed compliance with Code of Conduct for the year ended 31<sup>st</sup> March 2011.

Place: Mumbai

Date: 29<sup>th</sup> April 2011

**Shekhar S. Khanolkar**

*Managing Director*

### Auditor's certificate

To, the members of

**Navin Fluorine International Limited**

We have examined the compliance of conditions of corporate governance by Navin Fluorine International Limited for the year ended on 31<sup>st</sup> March 2011, as stipulated in clause 49 of the Listing Agreements of the said Company with Stock Exchanges.

The compliance of conditions of corporate governance is the responsibility of the management. Our examination has been limited to a review of the procedures and implementation thereof, adopted by the Company for ensuring the compliance of the conditions of Corporate Governance as stipulated in the clause. 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 based on the representations made by the Directors and the Management, we certify that the Company has complied with the conditions of Corporate Governance as stipulated in clause 49 of the abovementioned Listing Agreements.

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 **Deloitte Haskins & Sells,**

*Chartered Accountants*

Registration No: 117364W

**R. Salivati**

*Partner*

Membership No.34004

Place: Mumbai

Dated: 29<sup>th</sup> April 2011





# Management discussion and analysis

## Economic overview

The global recovery is proceeding at different speeds in various regions. The world economy is projected to grow at about 4.50% in 2010 and 4.25% in 2011 (Source: IMF).

India's GDP grew at a healthy 8.6% in 2010-11 against 8% in 2009-10, surpassing estimates of an 8.5% GDP growth at the start of fiscal 2010-11. This growth was largely owing to the significant growth in the agriculture sector at 5.4% (0.4% in 2009-10); the services and industrial sectors maintained their previous year's momentum.

## Industry overview

The global fluorochemical industry is worth USD 12.7 billion and global demand for fluorochemicals is expected to rise 2.7 percent annually by volume through 2013. The Asia Pacific region will remain the largest market while Africa and the Mid-eastern region will grow the fastest.

The fluorochemical industry has sizeable entry barriers, including economies of scale needed for the profitable production of high volume products, steep research and development costs and evolving environmental regulations. Consequently, much of the global supply is concentrated among a handful of major integrated companies.

## Growth drivers

**Automobile:** The Indian auto industry sold 2.5 million cars in 2010-11. Growth of the Indian middle-class along with growth of the economy over the past few years attracted global auto majors to the Indian market. Moreover, according to a study

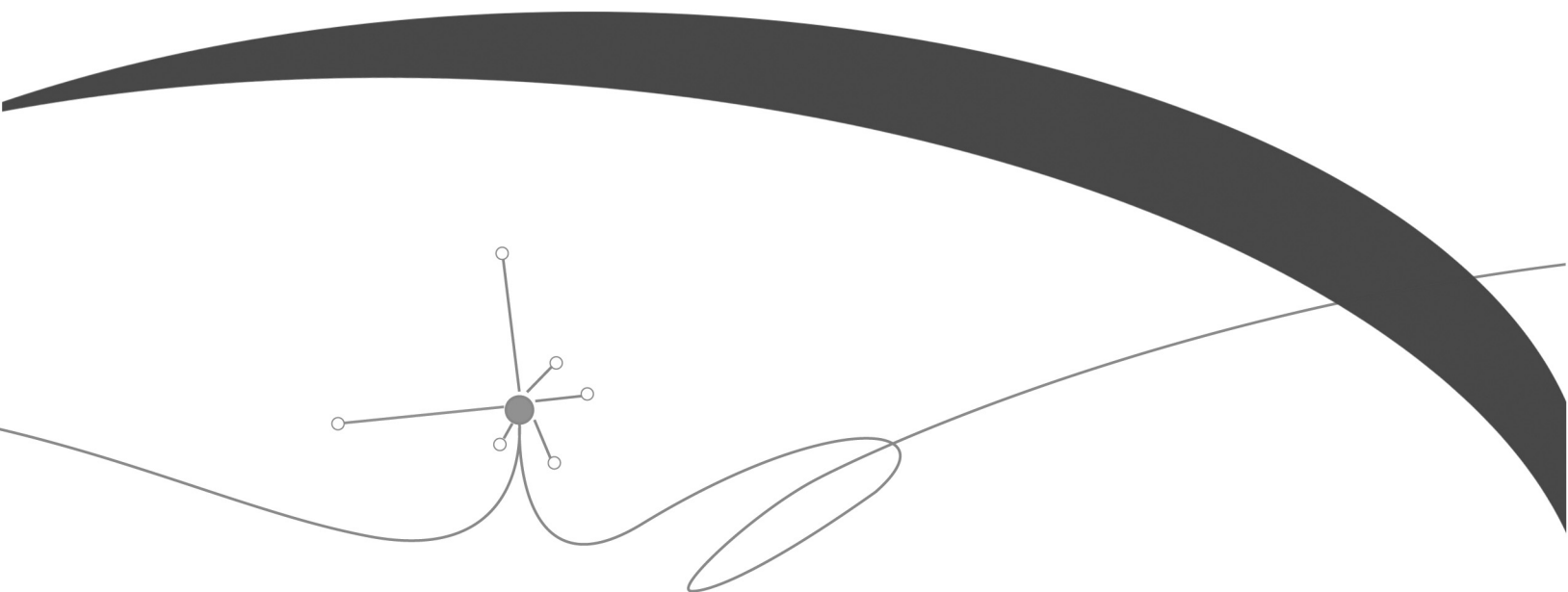
released by global consultancy firm Deloitte, at least one Indian Company will be among the top six car manufacturers that will dominate the global auto industry by 2020. These developments will foster unprecedented growth in sales of fluorocarbons used in automobile air-conditioners (*Source: Enam Research*).

**Pharmaceutical:** India's domestic pharmaceutical market is valued at around USD 12 billion in 2010 and has shown a strong growth of 21.3% for the 12 months ending September 2010, as per consulting firm Pricewaterhouse Coopers (PwC). The drugs and pharmaceuticals sector attracted FDI worth US\$1.8 billion between April 2000 and September 2010, according to data published by Department of Industrial Policy and Promotion (DIPP). The Indian pharmaceutical industry is expected to report a CAGR of 15% to reach USD 28 billion (Rs 1,26,000 crores) in FY 15, catalysing demand for specialty chemicals.

**Steel:** The Indian steel industry ranks fifth in the world and India is ranked 10th among global stainless steel producers. India's share in global crude steel production increased from 3% in 1998 to 4.7% in 2010. India's steel consumption grew 8.3% in 2000-2010, outpacing 6% production growth. Going ahead, India's steel production is expected to grow attractively.

## Refrigerators

The Indian refrigerator market has a penetration of 18% and is expected to grow by 16% over the next ten years. Rising nuclear families, increase in the working women population and deeper rural penetration will fuel the demand for refrigerators. Major



industry players have lined up capacity expansions to tap increasing demand. This will strengthen the demand for refrigerants, going forward.

#### **Air-conditioners**

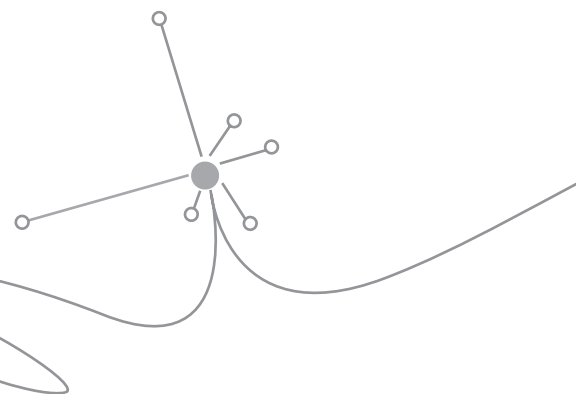
The Indian room air conditioner market can grow from 2.5 million pieces to 18 million pieces in 2020, achieving a 25% market penetration. With soaring temperatures (caused by global warming), wider choice, easy finance availability and higher disposable incomes, the domestic air-conditioners industry is expected to grow at CAGR of 22% over the next ten years. Manufacturers are coming out with new models to enhance the product portfolio and reap economies of large-scale production with a parallel gain in higher consumer confidence index, driving the demand for refrigerants (Source: Enam Research).

#### **Agrochemicals**

The Indian agricultural space reflects a huge potential for growth, reflected in a single statistic – while over half the country's population is engaged in farming, agriculture's contribution to the country's GDP has remained low. Agriculture accounted for 14.2 per cent of the country's gross domestic product (GDP) in 2010-11 (Source: CSO estimates).

The global  
fluorochemical  
industry is worth  
USD 12.7 billion  
and global demand  
for fluorochemicals  
is expected to rise  
2.7 percent  
annually by volume  
through 2013.

# Business segment review



## I. Divisional analysis

	Refrigerant gases	Specialty chemicals	Bulk Fluorides
Sales contribution	55%	27%	18%
Applications	Air conditioning (residential and cars) and household refrigerators	Pharmaceutical, agrochemical and petrochemical industries	Metal industry, mainly the aluminium and steel industries
Geographical presence	Southeast Asia, Middle East, South Africa, Europe	Europe, USA, Asia	The Gulf and USA
Sales by geographies	Domestic 32% Exports 68%	Domestic 65% Exports 35%	Domestic 98% Exports 2%

### Product

## 1. Refrigerants

**Rs. 23,871 Lac**

Sales

**(13%)**

Growth over the previous year

Navin Fluorine pioneered the manufacture of refrigerant gases in India in 1967, marketed under the 'Mafron' brand, which is now a generic name for refrigerant gases in India. Mafron is the preferred choice for Original Equipment Manufacturers (OEMs), service technicians and equipment owners leading to safe, reliable and efficient refrigeration and air conditioning solutions. The Company's refrigerant product is exported to South Asia, Southeast Asia, the Middle East and Turkey. The Company also trades in R134a within India.

### Highlights

Operations improved substantially resulting in higher contribution margins. Nearly 85% of the Company's refrigerant business was directed at international buyers even as the domestic refrigerant market grew over 25% owing to the robust

OEM demand coming out of the country's consumer appliances industry. The Company could capitalise on growing demand and consequent increase in realisations due to the following reasons: increased demand from Poly Tetra Fluoroethylene (PTFE) and a shutdown of some international capacity due to environment concerns. Overall operating margins, including that of export of refrigerant gases, improved substantially over the last year.

### CER income

Following the installation of a Clean Development Mechanism (CDM) in 2008-09, in collaboration with Ineos Fluor (global fluorochemicals major), the Company successfully discontinued the release of harmful by-product HCFC-23 into the atmosphere. The project was registered by the CDM Executive Board of

United Nations Framework Convention on Climate Change (UNFCCC) for generating 2.8 million CERs per annum and generating substantial revenues. During the year, the worldwide issuance of CERs from industrial gases projects, which includes your Company's project, was inordinately delayed due to an extensive study conducted by the Clean Development Mechanism (CDM) Board. As a result, there was no issuance of CERs until the end of December 2010 and there was no CER income booked during the second and third quarter of the year.

## Road ahead

India's refrigerant demand is expected to grow 20% in 2011-12, partly influenced by a softening of global realisations as a Chinese plant restarted operations. Your Company is experiencing continued growth with improved margins. In the long run, even as volumes decline, the Company's profitability could be protected on account of rising realisations due to a long-term demand-supply disparity. The future of CERs beyond 2012 remains uncertain.

### HCFC market limited to developing nations - Montreal Protocol

While developed countries switched to non-polluting blends of Hydro Chlorofluorocarbons (HCFCs), the Montreal Protocol permitted the use of HCFC-22 until 2030. On January 1, 2013, the production of HCFC-22 will go back to the base level (the average production of calendar years 2009 and 2010). In 2015, a further reduction of 15% on the base level is forecast with complete phase-out by 2030.

## Product

### 2. Bulk fluorides

Rs. 7,704 Lac

Sales

29%

Growth over the previous year

Bulk fluorides primarily comprise Hydrofluoric Acid (HF), Potassium Fluoride (KF), cryolite and ammonium bifluoride. Bulk fluorides cater mainly to the steel and aluminium sectors with downstream applications in the glass, pharma and agrochemical industries.

This division reported a growth of 29% owing to a rising demand coming from the stainless steel and glass industries. There was a large focus on the domestic market, affording superior realisations.

### Highlights, 2010-11

- There was an overall improvement in the production

efficiency norms of many products.

- Segment margins improved following efficient purchases of raw material and production; besides, most of the cost increases were passed on to customers.
- Established Potassium Fluoride capabilities with improvement in quality as per global standards with increase in capacities.
- There was a debottlenecking of HF capacities

### Road ahead

The Company aims to capture much of a growing market with a proposed introduction of more products and wider market penetration within India and abroad.

#### Product

### 3. Specialty fluorochemicals

Rs. 11,748 Lac

Sales

29%

Growth over the previous year

This specialty segment comprises fluorine-based molecules with niche applications in pharmaceutical and crop protection segments. The Company specifically chose to be present in growing therapeutic segments where fluoro intermediates can be increasingly used. Fluorine-based chemistry is gaining importance in agro and pharma molecules owing to the stability and activity that it provides. Besides, the Company is capitalising on a global preference for the use of less harmful substances. The growth in this segment was hindered due to capacity constraints.

#### Highlights, 2010-11

Our specialty business is dependent on niche products. NFIL's competitive advantage is derived from our in-house capability of extending chemistry skills into successful technologies through R&D capabilities. The speed of product development is critical in business growth. Our full-fledged 20,000 sq.ft Navin Research & Innovation Centre (NRIC) with state-of-the-art research facilities, along with pilot plant is helping us develop new products faster to market.

We are strengthening our delivery capabilities through following initiatives:

- The first multi-purpose plant (MPP-1) was commissioned in Surat.

- A Current Good Manufacturing Practices (cGMP) pilot plant is under construction at Dewas to address requirements of international pharmaceutical customers.
- Increased focus on high value pharmaceutical intermediates based on fluorine chemistry.

The focus of this business is on the growing international demand for fluorospecialites and being cost competitive against international competition.

#### Outlook

Investments made in the previous years in research and manufacturing will substantially help in developing value-added products and providing products to our customers as and when needed. The focus on value-added products will help the business to enhance the margins. Our growing relationships with international customers will help us sustain growth for years to come.

#### Applications

Specialty chemicals are used in the manufacture of agrochemical and pharmaceutical intermediates.

## II. Supply chain management

Our products are hazardous in nature. The raw material price movements are volatile and certain key materials are crude oil-dependent and hence there is a premium on the capability to source raw materials with speed, safety and sustainability.

During the year, the supply chain strategy was based on supplies security and optimisation of procurement cost. To

mitigate various challenges, we undertook the following initiatives which resulted in an effective and successful system which benefited the Company.

**Raw material sourcing:** The Company generally procured fluorspar from China where prices hardened but during the year under review, it commenced sourcing fluorspar from two

alternative locations with better bargaining power and timely availability.

**Price tracking and forecasting system:** With raw material prices being crude oil-dependent, the Company established a price tracking and forecasting system for a lead into what the Company's relevant response should be.

**Raw material volatility:** Strategic purchases based on prevailing raw material price movements, capturing opportunities

presented by price volatility.

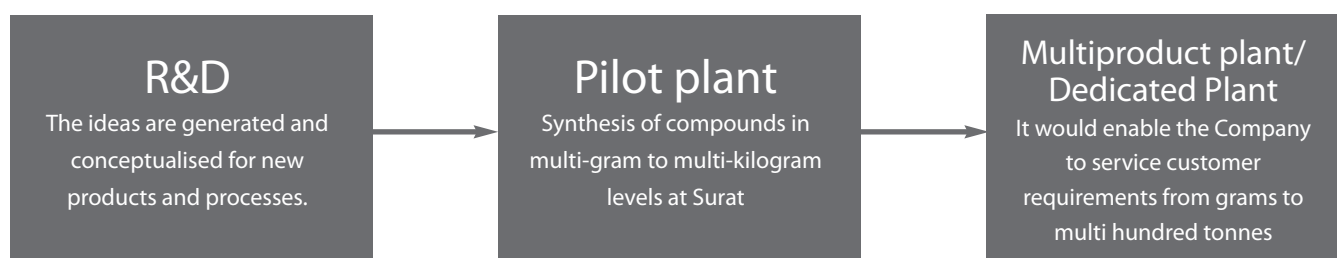
**Information accuracy:** Introduced integrated supply chain initiative (based on SAP) for online inventory data, rationalising non-moving inventory and timely product sale for overall cost reduction.

### Road ahead

The Company intends to optimise procurement costs through the identification of alternative fluorspar sourcing points.

## III. Manufacturing

In a business with a growing appetite for demanding purity standards, there is a premium on high manufacturing efficiency, lifecycle product management (research to commercialisation) and progressive production scale-up.



During the year, the operational focus was on capacity utilisation and efficiency norm improvement.

Efficiency was enhanced and resources were utilised productively through a Company-wide initiative called 'Sankalp'. This helped reinforce the work culture. Initiatives were identified to take this exercise ahead in 2011-12.

During the year, KF facility was revamped and product quality was improved as per global standards. We emphasised on

infrastructure upgradation and undertook several environment, health and safety related initiatives.

### Road ahead

Going ahead, the Company will strive to increase capacity utilisation of its plants. The Company is also looking at projects for creating value-added products out of the by-products, reducing waste disposal. Initiatives will be taken for converting the waste into usable form – a step towards green environment.

## IV. Human resource management

Our presence in the niche specialty and fine chemical segments makes it imperative to invest in people, processes and practices. The Company's centralised recruitment is done through campuses, consultants and web portals.

All Company recruits undergo 21 days of induction training. A number of seminars and training sessions are conducted through out the year for employees. Many of the employees were also sent to reputed institutions like IIM, ISB and Indian Society of Behavioural Science, among others.

The Company undertook Sankalp, an initiative which involved employee teams across functions and locations in projects. Employees were rewarded and recognised for their contribution towards projects.

A three-year wage agreement (starting 2010-11) was signed with the workmen's union which enhanced mutual trust and reinforced a performance driven culture.

The total number of employees as on 31st March, 2011 was 540.



## V. Safety, Health and Environment (SHE)

We deal with hazardous chemicals and processes which makes it imperative to follow stringent safety, health and environment norms. As a responsible corporate citizen, the Company constantly strives to minimise risks across its plants and offices.

We have an experienced team to manage the safety, health and environment issues. Third party audits are conducted to measure our SHE performances. Commitment towards safety, health and environment is integral to the Company's existence. Over the years, we have been investing heavily in enhancing the infrastructure in line with safety, health and environment needs.

### Focus on safety

- The Company availed the services of a reputed international firm, Chilworth, to carry out a comprehensive safety audit of the Company's plants. The Company commissioned third party safety audits during the year by the Central Labour Institutes to reconfirm our safety measures.
- The Company conducts extensive safety training regularly, including behavioural, technical and emergency response training.
- The Company conducts awareness creation programmes where participation by all permanent and contract workers in mock drills and other activities are mandatory.
- The Company introduced a modified safety work permit system to make Standard Operating Procedures (SOPs) more

comprehensive.

- The Company extended focus beyond employees to the nearby community, transporters and customers, training them in the safe use and handling of products.

### Focus on health

- The Company has a full fledged six-bed health centre at the Surat facility along with a qualified full time doctor supported by nurses.
- The Company invites reputed external faculty to visit employees periodically and offer health-related advice; we also conduct health tests semi-annually.
- The Company tied up with a hospital 5 km from the Surat plant to provide immediate and effective care, in case of any emergencies.
- The Company provides comprehensive health insurance cover for all employees across various organisational levels.

### Focus on environment

- The Company maintains a huge plantation cover to reduce air pollution caused by factory emissions and prevent soil erosion.
- The Company optimised the effluent treatment plant (ETP) to reduce lime waste disposal.
- The Company constantly reviews its processes to reduce solid waste.

## VI. Analysis of the financial performance.

The salient features of the financial performance are:

- PBT was lower by 13% from Rs. 12,233 lacs in the previous year to Rs. 10,602 lacs in the current year.
- PAT was also lower by 4% from Rs.7,436 lacs in the previous year to Rs.7,164 lacs in the current year.
- EPS was lower at Rs.71.11 in the current year compared with Rs.73.63 in the previous year.
- Operating EBIDTA fell from 31% in the previous year to 28% in the current year.

- ROCE decreased to 32% in the current year from 40% in the previous year.
- Gross block increased from Rs.24,007 lacs as on 31st March, 2010 to Rs.25,525 lacs as on 31st March, 2011.
- Working capital declined 27% from Rs.14,455 lacs as on 31st March, 2010 to Rs.10,576 lacs as on 31st March, 2011.
- Current ratio stood at 1.69 as on 31st March, 2011 compared with 2.06 as on 31st March, 2010.
- Debt equity improved from 0.04 to 0.03

## VII. Risk management

Risk is an integral factor in virtually all businesses in varying degrees and forms. At NFIL, risk management ensures that risks are adequately measured, estimated and controlled. Irrespective of the type of risk or the activity that creates it, the Company's fundamental approach to risk management remains the same:

- Forward-looking approach to identify and measure risks
- In-depth knowledge of the business and competitors
- Flexibility in the understanding and management of risk

NFIL has designed a structured risk management programme to protect the organisation through timely action. The objectives of the Company's risk management framework comprise the following:

- To identify, assess, prioritise and manage existing as well as emerging risks in a planned and cohesive manner
- To increase the effectiveness of the internal and external reporting structure
- To develop a risk culture that encourages employees to identify risks and associated opportunities, responding to them with appropriate timely actions

The Company prioritised the risks and attached each risk with a designated owner, who closely monitored the likelihood of recurrence and the probable impact on the business with ongoing control measures in a periodical manner.

## VIII. Internal control systems

All the major business processes of the Company are currently run on the latest ERP system. The Company has an adequate Internal Audit System commensurate with its size and nature of operations. An independent firm of chartered accountants carries out the internal audit at one of its manufacturing sites. A team from the in-house internal audit resources of the group

covers the other locations.

The internal auditors periodically interact with the Audit Committee of the Board of Directors to discuss the terms of reference and frequency of the audit, significant audit observations and their disposals and remedies if any.

## Auditors' report

To, the members of

**Navin Fluorine International Limited**

1. We have audited the attached Balance sheet of Navin Fluorine International Limited as at 31st March, 2011, the Profit and Loss account and also the Cash-flow Statement for the year ended on that date, annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with the auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditor's Report) Order, 2003 (CARO), issued by the Central Government in terms of section 227 (4A) of the Companies Act, 1956, we give in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.
4. Further to our comments in the Annexure referred to in paragraph 3 above, we report as follows:
  - i. we have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit;
  - ii. 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;
  - iii. the Balance sheet, Profit and Loss account and Cash-flow statement dealt with by this report are in agreement with the books of account;
  - iv. in our opinion, the Balance sheet, Profit and Loss account and Cash-flow statement dealt with by this report are in compliance with the Accounting Standards referred to in Section 211 (3C) of the Companies Act, 1956;
  - v. in our opinion, and to the best of our information, and according to the explanations given to us, the said accounts, 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:
    - a) in the case of the Balance sheet, of the state of affairs of the Company as at 31st March, 2011;
    - b) in the case of the Profit and Loss account, of the profit for the year ended on that date and
    - c) in the case of the Cash-flow statement, of the cash-flows for the year ended on that date.
  - vi. On the basis of written representations received from the directors, as on 31st March, 2011 and taken on record by the Board of Directors, none of the directors is disqualified as on 31st March, 2011 from being appointed as a director in terms of Section 274 (1) (g) of the Companies Act, 1956.

**For Deloitte Haskins & Sells,**  
Chartered Accountants  
(Registration No. 117364W)

**R. Salivati**  
Partner

Mumbai, dated, 29th April, 2011

(Membership No. 34004)

## Auditors' report (contd...)

# Annexure to the Auditors' report

### Re: Navin Fluorine International Limited

(referred to in paragraph 3 of our report of even date)

1. Having regard to the nature of the Company's business / activities / results, clauses (vi), (x), (xii), (xiii), (xiv), (xv), (xviii) and (xx) of paragraph 4 of CARO are not applicable to the Company for the year.
2. In respect of its fixed assets :
  - a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.
  - b) The fixed assets were physically verified during the year by the management in accordance with a regular programme of verification, which, in our opinion, provides for physical verification of all the fixed assets at reasonable intervals. According to the information and explanations given to us, no material discrepancies were noticed on such verification.
  - c) The fixed assets disposed off during the year, in our opinion, do not constitute a substantial part of fixed assets of the Company and such disposal has, in our opinion, not affected the going concern status of the Company.
3. In respect of its Inventory :
  - a) As explained to us, the inventories were physically verified during the year by the management at reasonable intervals.
  - b) In our opinion and according to the information and explanations given to us, the procedures of physical verification of inventories followed by the management were reasonable and adequate in relation to the size of the Company and the nature of its business.
  - c) In our opinion and according to the information and explanations given to us, the Company has maintained proper records of inventories and no material discrepancies were noticed on physical verification.
4. The Company has neither granted nor taken any loans, secured or unsecured to / from companies, firms or other parties listed in the Register maintained under section 301 of the Companies Act, 1956.
5. In our opinion and according to the information and explanations given to us, having regard to the explanations that some of the items purchased are of special nature and suitable alternative sources are not readily available for obtaining comparable quotations, there is an adequate internal control system commensurate with the size of the Company and the nature of its business with regard to purchases of inventory and fixed assets and the sale of goods and services. During the course of our audit, we have not observed any major weakness in such internal control system.
6. In respect of contracts or arrangements entered in the Register maintained in pursuance of Section 301 of the Companies Act, 1956, to the best of our knowledge and belief and according to the information and explanations given to us:
  - a) The particulars of contracts or arrangements referred to Section 301 that needed to be entered in the Register maintained under the said Section have been so entered.
  - b) Where each of such transaction is in excess of Rs.5 lacs in respect of any party, the transactions have been made at prices which are *prima facie* reasonable having regard to the prevailing market prices at the relevant time.
7. In our opinion, the internal audit functions carried out during the year by firm of Chartered Accountants appointed by the Management have been commensurate with the size of the Company and the nature of its business.
8. We have broadly reviewed the books of account maintained by the Company pursuant to the Rules made by the Central Government for the maintenance of cost records under section 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 *except that the prescribed cost statements are in the process of being compiled for the year*. We have, however, not made a detailed examination of the records with a view to determining whether they are accurate or complete. To the best of our knowledge and according to the information and explanations given to us, the Central Government has not prescribed the maintenance of cost records for any other product of the Company.
9. According to the information and explanations given to us in respect of Statutory dues ;
  - a) The Company has generally been regular in depositing undisputed statutory dues including Provident Fund, Investor Education and Protection Fund, Employees State Insurance, Income-tax, Sales-tax, Wealth Tax, Service Tax, Custom Duty, Excise Duty, Cess and other material statutory dues applicable to it with the appropriate authorities.
  - b) There were no undisputed amounts payable in respect of Income-tax, Wealth Tax, Custom Duty, Excise Duty, Cess and other material statutory dues in arrears as at 31st March, 2011 for a period of more than six months from the date they became payable.
  - c) Details of dues in respect of income-tax, excise duty, customs duty, wealth-tax, sales-tax, service tax and cess which have not been deposited as on 31st March, 2011 on account of disputes are given below :

Statute	Nature of Dues	Forum where Dispute is pending	Period to which the amount relates	Amount involved (Rs. in lacs)
Income Tax Act, 1961	Income Tax	ITAT, Mumbai	2005-06	0.37
Income Tax Act, 1961	Income Tax	CIT, Appeals, VII, Mumbai	2005-06	98.74
Income Tax Act, 1961	Income Tax	CIT, Appeals, VII, Mumbai	2006 - 07	226.33
Income Tax Act, 1961	Income Tax	CIT, Appeals, VII, Mumbai	2007 - 08	78.47
Income Tax Act, 1961	Income Tax	CIT, Appeals, VII, Mumbai	2008 - 09	15.96
Central Excise Act	Excise Duty	High Court	1993-94 to 2005-06	90.33
Central Excise Act	Excise Duty	Commissioner of Central Excise	2005 - 06 & 2006 - 07	0.17
Central Excise Act	Excise Duty	Assistant Commissioner of Central Excise	1994 - 95 & 1997 - 98	0.98
Central Excise Act	Excise Duty	Commissioner of Central Excise	2007-08	36.25
Central Excise Act	Excise Duty	Commissioner of Central Excise	2008-09	30.68
M.P. Sales Tax Act	Sales Tax	Deputy Commissioner	2006 - 07	47.97
The West Bengal Value Added Tax Act	Value Added Tax	Deputy Commissioner Appeals	2000 - 01 to 2004 - 05	13.96
M.P. Commercial Tax Act 1994	Commercial Tax	Assistant Commissioner of Commercial Taxes	1992 - 93, 1994 - 95 to 1996 - 97	8.30
U.P. VAT Act	Value Added Tax	Sales Tax Appellate Tribunal	2001 - 02	1.68
The West Bengal Value Added Tax Act	Value Added Tax	Appellate Board	1999 - 00	2.06
M.P. Sales Tax Act	C.S.T. & Entry Tax	Appellate Board	1996 - 97 & 2005 - 06	18.52
M.P. Sales Tax Act	C.S.T. & Commercial Tax	Department of Industries M.P. Government	1997 - 98	12.42
M.P. Commercial Tax Act	Commercial Tax	Madhya Pradesh High Court	1990 - 91 to 1995 - 96	28.51
U.P. VAT Act	Value Added Tax	Allahabad High Court	1998 - 99 to 2001 - 02	72.02
The West Bengal Value Added Tax Act	Value Added Tax	Senior Joint Commissioner	2005 - 06	2.69
The West Bengal Value Added Tax Act	Value Added Tax	Appellate Revisional Board	1994 - 95	1.08

10. In our opinion and according to the information and explanations given to us, the Company has not defaulted in the repayment of dues to banks, financial institutions and debenture holders.

11. In our opinion and according to the information and explanations given to us, the term loans have been applied for the purposes for which they were obtained other than temporary deployment pending application.

12. In our opinion and according to the information and explanations given to us, and on an overall examination of the Balance sheet of the Company, we report that funds raised on short-term basis have not been used during the year for long-term investment.

13. According to the information and explanations given to us and the records examined by us, securities/ charges have been created in respect of the debentures issued.

14. To the best of our knowledge and belief and according to the information and explanations given to us, no fraud by the Company and no fraud on the Company was noticed or reported during the year.

For **Deloitte Haskins & Sells,**  
Chartered Accountants  
(Registration No. 117364W)

**R. Salivati**  
Partner

Mumbai, dated, 29th April, 2011

(Membership No. 34004)

## Balance sheet as at 31st March, 2011

(Rupees in lacs)

	Schedule	As at 31st March, 2011	As at 31st March, 2010
<b>SOURCES OF FUNDS</b>			
<b>Shareholders' funds</b>			
Share capital	1	975.68	1,009.55
Reserves and surplus	2	32,204.68	28,088.43
		33,180.36	29,097.98
<b>Loan funds</b>			
Secured loans	3	1,005.94	1,135.64
Deferred tax liabilities (net)		1,913.97	2,099.83
	<b>Total</b>	<b>36,100.27</b>	<b>32,333.45</b>
<b>APPLICATION OF FUNDS</b>			
<b>Fixed assets</b>			
Gross block	4	25,525.28	24,006.91
less, depreciation		8,257.76	8,358.61
less, impairment		–	469.73
Net block		17,267.52	15,178.57
Capital work-in-progress		3,480.37	2,614.88
		20,747.89	17,793.45
<b>Investments</b>	5	4,776.06	84.56
<b>Current assets, loans and advances</b>			
Inventories	6	5,510.20	4,717.81
Sundry debtors	7	5,686.12	3,896.25
Cash and bank balances	8	1,790.88	8,046.57
Loans and advances	9	12,762.49	11,392.60
		25,749.69	28,053.23
<b>less, Current liabilities and provisions</b>			
Current liabilities	10	13,286.50	12,419.06
Provisions	11	1,886.87	1,178.73
		15,173.37	13,597.79
<b>Net current assets</b>		10,576.32	14,455.44
	<b>Total</b>	<b>36,100.27</b>	<b>32,333.45</b>
Significant accounting policies	16		
Notes on accounts	17		

In terms of our Report attached

For **Deloitte Haskins & Sells**  
Chartered Accountants  
Registration No. 117364W

**R. Salivati**  
Partner  
Membership No. 34004

**H. A. Mafatlal**  
Chairman

**S. S. Khanolkar**  
Managing Director

**N. B. Mankad**  
Company Secretary

**T. M. M. Nambiar**  
**S. S. Lalbhai**  
**A. K. Srivastava**  
**P. N. Kapadia**  
**R. Sankaran**  
**S. G. Mankad**  
**S. M. Kulkarni**

Directors

Mumbai, dated, 29<sup>th</sup> April, 2011

## Profit and loss account for the year ended 31st March, 2011

(Rupees in lacs)

Schedule	Year ended 31st March, 2011	Year ended 31st March, 2010
<b>INCOME</b>		
Turnover (gross)	44,955.28	44,148.36
less, excise duty	2,017.02	1,230.97
Turnover (net)	42,938.26	42,917.39
Other operating income	30.55	15.12
	42,968.81	42,932.51
Other income 12	1,143.97	790.31
Increase/(Decrease) in stocks of finished goods and process stocks 13	193.26	(521.81)
<b>Total</b>	<b>44,306.04</b>	<b>43,201.01</b>
<b>EXPENDITURE</b>		
Purchase of trading goods	321.82	261.78
Manufacturing and Other expenses 14	31,668.24	29,328.11
Excise duty	47.15	22.05
Depreciation	1,289.21	1,106.81
Depreciation on investments in immovable properties	65.24	0.03
Interest 15	312.22	249.37
<b>Total</b>	<b>33,703.88</b>	<b>30,968.15</b>
<b>Profit before tax</b>	<b>10,602.16</b>	<b>12,232.86</b>
Provision for tax		
Current tax (including wealth-tax, Rs. 3.64 lacs, previous year, Rs. 1.64 lacs)	(3,623.64)	(4,411.64)
Deferred tax	185.86	(385.07)
	(3,437.78)	(4,796.71)
<b>Profit after tax</b>	<b>7,164.38</b>	<b>7,436.15</b>
Surplus brought forward from previous year	8,502.10	3,544.74
<b>Amount available for appropriations</b>	<b>15,666.48</b>	<b>10,980.89</b>
<b>APPROPRIATIONS</b>		
Transferred to general reserve	716.50	744.00
Transferred to debenture redemption reserve	–	80.50
Interim dividend	656.49	656.49
Proposed dividend	829.69	757.49
Corporate dividend tax	240.71	240.31
	2,443.39	2,478.79
<b>Surplus carried to Balance sheet</b>	<b>13,223.09</b>	<b>8,502.10</b>
Earnings per share (refer note 16 of schedule 17):		
basic - Rs.	71.11	73.63
diluted - Rs.	71.11	73.63
Significant accounting policies 16		
Notes on accounts 17		

In terms of our Report attached

For Deloitte Haskins & Sells

Chartered Accountants

Registration No. 117364W

**R. Salivati**  
Partner  
Membership No. 34004

**H. A. Mafatlal**  
Chairman

**S. S. Khanolkar**  
Managing Director

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**A. K. Srivastava**  
**P. N. Kapadia**  
**R. Sankaran**  
**S. G. Mankad**  
**S. M. Kulkarni**

Directors

Mumbai, dated, 29<sup>th</sup> April, 2011

## Cash flow statement for the year ended 31st March, 2011

*(Rupees in lacs)*

	Year ended 31st March, 2011	Year ended 31st March, 2010
<b>A. CASH FLOW FROM OPERATING ACTIVITIES</b>		
<b>Profit before tax</b>	<b>10,602.16</b>	<b>12,232.86</b>
<b>adjustments for,</b>		
Depreciation	1,354.45	1,106.84
Loss on sale/ write off of fixed assets (net)	799.59	45.54
Provision for doubtful debts / advances written back	(15.20)	(5.53)
Provision for diminution in value of long-term investments (non-trade)	–	1,552.73
Interest expense	312.22	249.37
Interest income	(619.40)	(459.25)
Foreign exchange (gain)/ loss on year end revaluation	(20.74)	(85.43)
Share of loss in the partnership firm where the Company is a partner	0.09	0.09
Dividend on long-term investments (non-trade)	(31.30)	(43.34)
Bad debts written off	19.62	–
Excess provision of earlier years written back	(0.72)	–
Provision for doubtful debts / advances	3.28	20.36
<b>Operating profit before working capital changes</b>	<b>12,404.05</b>	<b>14,614.24</b>
(Increase) / Decrease in trade receivables	(1,834.41)	2,112.25
(Increase) / decrease in inventories	(792.39)	1,369.91
(Increase) / decrease in loans and advances	(295.49)	(206.88)
Increase / (Decrease) in trade and other payables	1,028.93	368.14
	<b>(1,893.36)</b>	<b>3,643.42</b>
<b>Cash generated from Operations</b>	<b>10,510.69</b>	<b>18,257.66</b>
Direct taxes and fringe benefit tax paid	(3,135.61)	(4,812.90)
<b>Net cash generated from operating activities</b>	<b>7,375.08</b>	<b>13,444.76</b>
<b>B. CASH FLOW FROM INVESTING ACTIVITIES</b>		
Purchase of fixed assets	(5,057.33)	(1,933.37)
Capital contribution in partnership firm where Company is a partner (current)	(0.09)	(0.08)
Share of loss in the partnership firm where the Company is a partner	(0.09)	(0.09)
Amounts paid for acquiring MIL debts from a bank on assignment basis	(854.92)	(311.04)
Advances to Sulakshana Securities Ltd.	(5.00)	(16.00)
Purchase of long term investments (non-trade)	(4,756.74)	(12.74)
Sale of fixed assets	14.09	383.38
Dividend income	31.30	43.34
Interest income	585.00	124.44
<b>Net cash (used in) investing activities</b>	<b>(10,043.78)</b>	<b>(1,722.16)</b>



## Cash flow statement (Contd.) for the year ended 31st March, 2011

(Rupees in lacs)

	Year ended 31st March, 2011	Year ended 31st March, 2010
<b>C. CASH FLOW FROM FINANCING ACTIVITIES</b>		
Calls in arrears received during the year (including share premium)	0.06	0.04
Buyback of equity shares	(1,355.17)	–
Repayment of debenture	(140.00)	(143.00)
Repayments of other borrowings	(800.93)	(1,676.04)
Proceeds/ (repayments) of other borrowings (net)	811.23	(2,309.60)
Compensation received pursuant to Montreal Protocol for phasing out production of Ozone Depleting Substances - Capital reserve no. 2	–	414.58
Dividend paid (including Corporate dividend tax)	(1,639.56)	(1,335.58)
Interest expense	(314.67)	(259.09)
<b>Net cash (used in) financing activities</b>	<b>(3,439.04)</b>	<b>(5,308.69)</b>
<b>Net (decrease) in cash and cash equivalents</b>	<b>(6,107.74)</b>	<b>6,413.91</b>
Cash and cash equivalents at the beginning of the year	7,849.27	1,435.36
Cash and cash equivalents at the end of the year	1,741.53	7,849.27
<b>Note,</b>		
<b>Reconciliation of cash and cash equivalents</b>		
As per Balance sheet - schedule 8	1,790.88	8,046.57
<i>less,</i> interest accrued on bank deposits	49.71	197.65
Foreign exchange (gains) and losses	0.36	0.35
<b>As per cash flow statement</b>	<b>1,741.53</b>	<b>7,849.27</b>

In terms of our Report attached

For **Deloitte Haskins & Sells**

Chartered Accountants

Registration No. 117364W

**R. Salivati**  
Partner  
Membership No. 34004

**H. A. Mafatlal**  
Chairman

**S. S. Khanolkar**  
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**A. K. Srivastava**  
**P. N. Kapadia**  
**R. Sankaran**  
**S. G. Mankad**  
**S. M. Kulkarni**

} Directors

Mumbai, dated, 29<sup>th</sup> April, 2011

## Schedules forming part of the accounts

(Rupees in lacs)

	As at 31st March, 2011	As at 31st March, 2010
<b>Schedule 1 SHARE CAPITAL</b>		
<b>Authorised</b>		
3,50,00,000 equity shares of Rs.10/- each	3,500.00	3,500.00
<b>Issued and subscribed</b> (refer note 22 of schedule 17)		
97,61,097 (previous year 1,00,99,889) equity shares of Rs. 10/- each, fully paid-up *	976.11	1,009.99
<b>less:</b> Calls in arrears	0.43	0.44
<b>Total</b>	<b>975.68</b>	<b>1,009.55</b>

\* Includes 49,99,999 equity shares of Rs. 10/- each allotted as fully paid up to the shareholders of Mafatlal Industries Limited (MIL) pursuant to its scheme of demerger, without payment being received in cash.

### Note,

For options outstanding under Employee Stock Option Scheme refer note 23 of schedule 17

<b>Schedule 2 RESERVES AND SURPLUS</b>		
<b>Capital reserve no. 1</b>		
Balance of excess of assets over liabilities and reserves taken over pursuant to the scheme of demerger of MIL		
As per last Balance sheet	8,035.17	8,035.17
<b>Capital reserve no. 2</b>		
Compensation received pursuant to the Montreal Protocol for phasing out production of ozone depleting substances		
As per last Balance sheet	6,281.56	5,866.98
<b>add:</b> received during the year	–	414.58
	6,281.56	6,281.56
<b>Capital redemption reserve</b>		
Transferred from General reserve	33.88	–
<b>Share premium account</b>		
As per last Balance sheet	2,374.08	2,374.08
<b>less:</b> utilised for buy-back of shares	1,321.29	–
<b>less:</b> amount in arrears (net of receipts during the year, Rs. 0.05 lacs; previous year, Rs. 0.03 lacs)	2.15	2.20
	1,050.64	2,371.88
<b>Contingency reserve</b>		
Reserve created in terms of a corporate guarantee given		
As per last Balance sheet	1,000.00	1,000.00
<b>Debenture redemption reserve</b>		
As per last Balance sheet	229.50	292.00
<b>add:</b> transferred from Profit and loss account during the year	–	80.50
<b>less:</b> transferred to General reserve	194.50	143.00
	35.00	229.50
<b>General reserve</b>		
As per last Balance sheet	1,668.22	781.22
<b>add:</b> transferred from Profit and loss account during the year	716.50	744.00
<b>add:</b> transferred from Debenture redemption reserve	194.50	143.00
<b>less:</b> transferred to Capital redemption reserve	33.88	–
	2,545.34	1,668.22
Surplus in Profit and loss account	13,223.09	8,502.10
<b>Total</b>	<b>32,204.68</b>	<b>28,088.43</b>

## Schedules forming part of the accounts

(Rupees in lacs)

	Notes	As at 31st March, 2011	As at 31st March, 2010
<b>Schedule 3 SECURED LOANS</b>			
<b>Debentures</b>			
140,000 (previous year 280,000) Zero Coupon Secured Redeemable at par			
Non-Convertible Debentures of Rs. 100/- each (Redeemable on 6th August, 2011)	1	140.00	280.00
<b>Loans and advances from banks</b>			
Cash credit accounts	2	865.94	54.71
<b>Loans and advances others</b>			
Term loan accounts		–	800.93
		865.94	855.64
<b>Total</b>		<b>1,005.94</b>	<b>1,135.64</b>

### Notes,

1. Secured by first mortgage on the Company's immovable property at first floor of Kalpataru Point, Sion, Mumbai.
2. Secured by hypothecation of certain stocks and book debts of the Company, both present and future and second charge created / to be created on all the fixed assets of the company situated at Bhestan and certain fixed assets at Dewas, (excluding land under development at Bhestan).

<b>Schedule 4 FIXED ASSETS</b>												
Asset category	Gross block				Depreciation				Impairment		Net Block	
	As at 1st April, 2010	Additions/ adjustments	Deductions/ adjustments	As at 31st March, 2011	Upto 31st March, 2010	For the year	Deductions/ adjustments	Upto 31st March, 2011	As at 1st April 2010	Adjustments during the year	As at 31st March, 2011	As at 31st March, 2010
Land	11.56	–	–	11.56	–	–	–	–	–	–	11.56	11.56
Buildings	1,615.14	6.56	–	1,621.70	192.12	37.40	–	229.52	–	–	1,392.18	1,423.02
Plant and machinery	19,551.94	4,025.57	738.12	22,839.39	6,762.73	1,179.67	231.87	7,710.53	11.33	(11.33)	15,128.86	12,777.88
Furniture, fittings and office equipment	358.94	313.90	103.58	569.26	177.86	21.84	16.81	182.89	–	–	386.37	181.08
Vehicles	344.34	62.64	41.07	365.91	101.82	32.00	26.48	107.34	7.69	(7.69)	258.57	234.83
<b>Assets retired from active use *</b>												
Buildings	316.31	–	316.31	–	128.35	–	128.35	–	140.05	(140.05)	–	47.91
Plant and machinery	1,673.65	0.88	1,674.53	–	960.10	–	960.10	–	300.16	(300.16)	–	413.39
Furniture, fittings and office equipment	37.50	0.29	37.79	–	26.45	–	26.45	–	10.50	(10.50)	–	0.55
	<b>23,909.38</b>	<b>4,409.84</b>	<b>2,911.40</b>	<b>25,407.82</b>	<b>8,349.43</b>	<b>1,270.91</b>	<b>1,390.06</b>	<b>8,230.28</b>	<b>469.73</b>	<b>(469.73)</b>	<b>17,177.54</b>	<b>15,090.22</b>
<b>Intangible</b>												
Computer Softwares	97.53	19.93	–	117.46	9.18	18.30	–	27.48	–	–	89.98	88.35
<b>Total</b>	<b>24,006.91</b>	<b>4,429.77</b>	<b>2,911.40</b>	<b>25,525.28</b>	<b>8,358.61</b>	<b>1,289.21</b>	<b>1,390.06</b>	<b>8,257.76</b>	<b>469.73</b>	<b>(469.73)</b>	<b>17,267.52</b>	<b>15,178.57</b>
<b>As at and for the year ended 31st March, 2010</b>	<b>23,838.00</b>	<b>2,427.42</b>	<b>2,258.51</b>	<b>24,006.91</b>	<b>8,620.88</b>	<b>1,106.81</b>	<b>1,369.08</b>	<b>8,358.61</b>	<b>–</b>	<b>469.73</b>	<b>15,178.57</b>	
<b>Capital work-in-progress (including capital advances)</b>											<b>3,480.37</b>	<b>2,614.88</b>

\* Retired from active use w.e.f 31st March, 2009.

## Schedules forming part of the accounts

(Rupees in lacs)

	As at 31st March, 2011	As at 31st March, 2010
<b>Schedule 5 INVESTMENTS (Long Term)</b>		
<b>a) Non-trade investments (unquoted)</b>		
<b>i) Subsidiaries</b>		
1,50,000 equity shares of Sulakshana Securities Limited of Rs. 10/- each, fully paid-up	15.00	15.00
less: provision for diminution in value	15.00	15.00
	-	-
<b>ii) Other investments</b>		
- 4,81,600 equity shares of Cebon Apparel Private Limited of Rs. 10/- each, fully paid-up	9.03	9.03
- 1,77,47,072 equity shares of Mafatlal Denim Limited of Rs. 10/- each, fully paid-up	1,552.73	1,552.73
- 150 * 11% Corporate bonds - series IV of Housing Development Finance Corporation Limited of Rs. 1,000/- each, fully paid-up	1.50	1.50
- 9,300 equity shares of Mafatlal Services Limited of Rs. 100/- each, fully paid-up	12.74	12.74
- 6,00,00,000 Fully Redeemable Non-Cumulative preference shares of Rs. 10/- each, fully paid-up of Mafatlal Industries Limited	6,000.00	6,000.00
	7,576.00	7,576.00
less: provision for diminution in value	7,492.73	7,492.73
	83.27	83.27
<b>iii) Capital contribution in Urvija Associates, a Partnership firm (refer note 20 of schedule 17)</b>	0.80	0.80
	84.07	84.07
<b>b) Immovable properties</b>		
As per last Balance sheet	2.58	2.58
add: purchased during the year	4,756.74	-
	4,759.32	2.58
less: depreciation		
i) As per last Balance sheet	2.09	2.06
ii) for the year	65.24	0.03
	67.33	2.09
	4,691.99	0.49
<b>Total</b>	<b>4,776.06</b>	<b>84.56</b>

Note,

\* pending transfer in the Company's name and not available for physical verification.

<b>Schedule 6 INVENTORIES</b>		
Stores and spares	1,068.09	625.77
<b>Stock-in-trade</b>		
Raw materials	2,789.55	2,632.74
Process stocks	-	53.20
Finished goods	1,651.75	1,397.47
Trading goods	0.81	8.63
	4,442.11	4,092.04
<b>Total</b>	<b>5,510.20</b>	<b>4,717.81</b>

## Schedules forming part of the accounts

(Rupees in lacs)

	As at 31st March, 2011	As at 31st March, 2010
<b>Schedule 7 SUNDRY DEBTORS (Unsecured)</b>		
Debts outstanding for a period exceeding six months	35.87	62.89
Other debts	5,670.62	3,853.94
	5,706.49	3,916.83
<i>less: provision</i>	20.37	20.58
<b>Total</b>	<b>5,686.12</b>	<b>3,896.25</b>
<b>Note,</b>		
Considered good	5,686.12	3,896.25
Considered doubtful	20.37	20.58
	<b>5,706.49</b>	<b>3,916.83</b>

<b>Schedule 8 CASH AND BANK BALANCES</b>		
Cash on hand (including cheques in hand Rs. 1.17 lacs; previous year, Rs. nil)	7.50	8.75
Balances with scheduled banks		
- in current accounts (refer notes below)	487.28	435.88
- in fixed deposit accounts (including interest accrued Rs. 49.71 lacs; as at 31st March, 2010, Rs. 197.65 lacs)	1,296.04	7,601.88
(on fixed deposit receipts of Rs. nil, a bank has lien; as at 31st March, 2010, Rs. 4,630.00 lacs)		
	1,783.32	8,037.76
Post Office savings bank account (security deposit)	0.06	0.06
(maximum amount Rs. 0.06 lac; as at 31st March, 2010, Rs. 0.06 lac)		
<b>Total</b>	<b>1,790.88</b>	<b>8,046.57</b>

### Notes,

1. Certain current accounts with banks, which have been transferred from MIL pursuant to its scheme of demerger, are in the process of being transferred in the Company's name.
2. Bank balance in current accounts includes Rs. nil (as at 31st March, 2010, Rs. 0.07 lac) of unutilised monies from the first and final call on equity shares made by the Company in an earlier year.

## Schedules forming part of the accounts

(Rupees in lacs)

	As at 31st March, 2011	As at 31st March, 2010
<b>Schedule 9 LOANS AND ADVANCES (Unsecured unless otherwise stated)</b>		
Loan to subsidiary company (secured Rs. 2,778.07 lacs; previous year Rs. 2,778.07 lacs) (refer note 3.b.i of schedule 17)	2,799.07	2,794.07
Advances recoverable in cash or in kind or for value to be received (including secured Rs. 3,372.49 lacs; previous year Rs. 3,015.99 lacs) (refer note 4 of schedule 17)	9,426.37	8,090.97
Capital contribution in the partnership firm where the Company is a partner (current)	29.91	30.00
Balances with Central Excise	2.58	5.05
Iraq Project work-in-progress	162.70	162.70
Advance tax (net of provision)	746.04	725.72
Fringe benefit tax (net)	12.25	12.25
	13,178.92	11,820.76
<i>less:</i> provision	416.43	428.16
<b>Total</b>	<b>12,762.49</b>	<b>11,392.60</b>
<b>Notes,</b>		
1) Considered good	12,762.49	11,392.60
Considered doubtful	416.43	428.16
	13,178.92	11,820.76
2) Loans and advances in the nature of loans, due from:		
<b>Subsidiary Company:</b>		
Sulakshana Securities Limited	2,799.07	2,794.07
Maximum amount outstanding during the year	2,799.07	2,794.07
<b>Others:</b>		
Staff (interest bearing with repayment schedules beyond seven years)	48.09	21.61
Maximum amount outstanding during the year	48.09	25.37

<b>Schedule 10 CURRENT LIABILITIES</b>		
Sundry creditors		
- total outstanding dues to micro and small enterprises (refer note 13 of schedule 17)	-	-
- total outstanding dues to creditors other than micro and small enterprises	12,564.38	10,997.98
	12,564.38	10,997.98
Other liabilities*	350.58	1,053.94
Advances from customers	68.30	61.45
Advance against project contracts	303.24	303.24
Interest accrued but not due on loans	-	2.45
<b>Total</b>	<b>13,286.50</b>	<b>12,419.06</b>

\* includes Rs. 191.67 lacs (previous year Rs. 958.33 lacs) secured by pledge of investments of a group company.

<b>Schedule 11 PROVISIONS</b>		
For tax (net of advance tax)	515.53	7.18
Provision for gratuity	113.47	36.98
Provision for leave encashment	293.58	248.34
Proposed dividend	829.69	757.49
Corporate dividend tax	134.60	128.74
<b>Total</b>	<b>1,886.87</b>	<b>1,178.73</b>

## Schedules forming part of the accounts

(Rupees in lacs)

	Year ended 31st March, 2011	Year ended 31st March, 2010
<b>Schedule 12 OTHER INCOME</b>		
Interest		
- on bank deposits, etc. (TDS, Rs. 12.21 lacs; previous year, Rs. 12.64 lacs)	152.16	254.12
- on advances (TDS, Rs. 20.26 lacs; previous year, Rs. 20.26 lacs)	467.24	205.13
	619.40	459.25
Dividend on long-term investments (non-trade)	31.30	43.34
Rent	261.32	28.80
Insurance claims	7.71	18.19
Provision for doubtful debts / advances written back / debts written off recovered	15.20	5.53
Excess provision of earlier years written back (net)	0.72	–
Miscellaneous income	208.32	235.20
<b>Total</b>	<b>1,143.97</b>	<b>790.31</b>

<b>Schedule 13 INCREASE/ (DECREASE) IN STOCKS OF FINISHED GOODS AND PROCESS STOCKS</b>		
<b>Stocks as at 31st March, 2011</b>		
Finished goods	1,651.75	1,397.47
Trading goods	0.81	8.63
Process stocks	–	53.20
	1,652.56	1,459.30
<b>less:</b>		
<b>Stocks as at 1st April, 2010</b>		
Finished goods	1,397.47	1,848.20
Trading goods	8.63	–
Process stocks	53.20	132.91
	1,459.30	1,981.11
<b>Increase/ (Decrease)</b>	<b>193.26</b>	<b>(521.81)</b>

## Schedules forming part of the accounts

(Rupees in lacs)

	Year ended 31st March, 2011	Year ended 31st March, 2010
<b>Schedule 14 MANUFACTURING AND OTHER EXPENSES</b>		
Raw materials consumed	17,032.84	14,314.20
<b>Payments to and provisions for employees</b>		
Salaries, wages and bonus	2,481.64	2,078.64
Contribution to provident and other funds	340.50	241.64
Welfare expenses	156.77	136.22
	2,978.91	2,456.50
<b>Operating and Other expenses</b>		
Stores, spares and packing materials consumed	2,297.40	1,790.03
Power and fuel	2,775.86	2,076.75
Processing charges	24.21	31.34
Rent	210.83	77.29
Rates and taxes	210.86	118.36
Repairs to buildings	35.75	38.10
Repairs to machinery	287.56	211.88
Insurance	64.99	52.83
Communication expenses	83.84	70.54
Commission and discount	326.77	347.51
Transport and freight charges (net)	1,837.27	1,732.50
Loss on sale/ write off of fixed assets (net)	799.59	45.54
Provision for doubtful debts/ advances	3.28	20.36
Provision for diminution in value of long-term investments (non-trade)	–	1,552.73
Bad debts/ advances written off	19.62	–
Donations	15.00	16.75
Directors sitting fees	6.80	7.10
Share of loss in the partnership firm where the Company is a partner	0.09	0.09
Legal and professional fees *	1,083.53	3,118.80
Miscellaneous expenses	1,573.24	1,248.91
	11,656.49	12,557.41
<b>Total</b>	<b>31,668.24</b>	<b>29,328.11</b>

\* includes current market value of carbon credits given to overseas marketing and other service providers.

<b>Schedule 15 INTEREST</b>		
On fixed loans	40.70	162.51
On cash credit accounts	240.75	77.75
On Others	30.77	9.11
<b>Total</b>	<b>312.22</b>	<b>249.37</b>



# Schedules forming part of the accounts

## Schedule 16 SIGNIFICANT ACCOUNTING POLICIES

### 1. Basis of preparation of Financial Statements

The financial statements are prepared under historical cost convention on accrual basis of accounting and in accordance with generally accepted accounting principles.

### 2. Use of Estimates

The preparation of financial statements requires estimates and assumptions to be made that affect the reported 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 the actual results and estimates are recognised in the period in which the results materialise or are known.

### 3. Fixed assets

Fixed assets are recorded at cost of acquisition or construction. They are stated at historical cost less accumulated depreciation and impairment loss, if any.

### 4. Depreciation

Depreciation on fixed assets is provided for on straight-line basis in accordance with the Companies Act, 1956 (refer note 5 of schedule 17).

### 5. Impairment loss

Impairment loss is provided to the extent that the carrying amount(s) of assets exceed their recoverable amount(s). Recoverable amount is the higher of an asset's net selling price and its value in use. Value in use is the present value of estimated future cash-flows expected to arise from the continuing use of the asset and from its disposal at the end of its useful life. Net selling price is the amount obtainable from sale of the asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

### 6. Investments

Long-term investments are carried at cost. Provision is made to recognize a diminution, other than temporary, in the carrying amount of long-term investments.

### 7. Inventories

Items of inventory are valued at cost or net realisable value, whichever is lower. Cost is determined on the following basis:

Raw materials, stores and spares - Weighted average

Process stocks and finished goods - At material cost plus appropriate value of overheads

Trading goods - FIFO

### 8. Retirement and other employee benefits

a. The Company contributes towards Provident fund, Family pension fund and Superannuation fund which are defined contribution schemes. Liability in respect thereof is determined on the basis of contribution required to be made under the statutes / rules.

b. Gratuity liability, a defined benefit scheme, and provision for leave encashment is accrued and provided for on the basis of actuarial valuations made at the year end.

### 9. Foreign currency transactions

Transactions in foreign currency are recorded at the original rates of exchange in force at the time the transactions are effected. At the year-end, monetary items denominated in foreign currency and forward exchange contracts are reported using closing rates of exchange. Exchange differences arising thereon and on realisation / payment of foreign exchange are accounted, in the relevant year, as income or expense.

In case of forward exchange contracts, or other financial instruments that are in substance forward exchange contracts, the premium or discount arising at the inception of the contracts is amortised as expense or income over the life of the contracts. Gains / losses on settlement of transactions arising on cancellation / renewal of forward exchange contracts are recognised as income or expense.

### 10. Borrowing costs

Borrowing costs that are attributable to the acquisition, construction or production of qualifying assets are capitalised as part of the cost of such assets. A qualifying asset is one that necessarily takes a substantial period of time to get ready for its intended use. All other borrowing cost are charged to revenue.

## Schedules forming part of the accounts

### Schedule 16 SIGNIFICANT ACCOUNTING POLICIES (Contd.)

#### 11. Revenue recognition

Revenue (income) is recognised when no significant uncertainty as to its determination or realisation exists. Turnover includes carbon credits which are recognised on delivery thereof or sale of rights therein as the case may be, in terms of the contracts with the respective buyers.

#### 12. Taxes on income

Tax expense comprises of both current and deferred tax at the applicable enacted / substantively enacted rates. Current tax represents the amount of income-tax payable / recoverable in respect of the taxable income / loss for the reporting period. Deferred tax represents the effect of timing differences between taxable income and accounting income for the reporting period that originate in one period and are capable of reversal in one or more subsequent periods.

#### 13. Provisions and contingencies

A provision is recognised when the Company has a legal and constructive obligation as a result of a past event, for which it is probable that cash outflow will be required and a reliable estimate can be made of the amount of the obligation. A contingent liability is disclosed when the Company has a possible or present obligation where it is not probable that an outflow of resources will be required to settle it. Contingent assets are neither recognised nor disclosed.

#### 14. Employee stock option

Measurement and disclosure of the employee share-based payment plans is done in accordance with the Guidance Note on Accounting for Employee Share-based Payments, issued by The Institute of Chartered Accountants on India. Compensation expense is amortised over the vesting period of the option on a straight line basis. The Company measures compensation cost relating to employee stock options using the intrinsic value method.

#### 15. Intangible assets

Intangible assets are stated at cost of acquisition less accumulated amortisation. Computer Software which are capitalised, are amortised over a period of 6 years on straight-line basis.

### Schedule 17 NOTES ON ACCOUNTS

(Rupees in lacs)

	As at 31st March, 2011	As at 31st March, 2010
<b>1. Estimated amount of contracts remaining to be executed on capital account and not provided for</b>	767.80	770.37
<b>2. Contingent liabilities in respect of:</b>		
a. Excise matters disputed in appeal		
These relate to MODVAT on capital purchases (pending before the Assistant Commissioner) and permit fee on purchase of alcohol (pending before the High Court)	158.42	91.48
b. Claims against the Company not acknowledged as debts		
Labour matters involving issues like regularisation of employment, termination of employment, compensation against severance, etc.	22.34	23.34
c. Sales-tax matters disputed in appeal		
These relate to classification of goods and consequent dispute on the rates of sales-tax (pending at various stages from Assistant Commissioner to High Court)	209.42	207.14
d. Income tax matters disputed in appeal	629.17	606.81

In all the above matters, the Company is hopeful of succeeding and as such does not expect any significant liability to crystallise.

3. a) The Board for Industrial & Financial Reconstruction (BIFR) declared Mafatlal Industries Limited (MIL) a sick industrial undertaking and sanctioned a scheme for its rehabilitation (SS). Pursuant to this:
  - i) the Chemical Division of MIL was demerged and vested in the Company with effect from 1st March, 2002 as a going concern;
  - ii) Sulakshana Securities Limited (SSL), the wholly-owned subsidiary of the Company, took over certain identified assets and term loan liabilities of MIL with the objective of repaying them by disposing off the assets thus transferred.
- b) In terms of the settlements reached by MIL - SSL for the discharge of term loan liabilities of MIL, as referred to in 3(a)(ii) earlier:
  - i) As at the year end, the aggregate value of interest free monies advanced to and debentures issued on behalf of SSL by the

## Schedules forming part of the accounts

### Schedule 17 NOTES ON ACCOUNTS (Contd.)

company is Rs. 2,799.07 lacs (previous year Rs. 2,794.07 lacs). The market value of the assets remaining in SSL after repayment of the liabilities taken over from MIL far exceeds the value owed by SSL

- ii) the Company gave a corporate guarantee of Rs. 1,000.00 lacs against which a Contingency reserve of Rs. 1,000.00 lacs has been created equitably over four years from 2005-2006 as required by the lenders.

4. The Company decided to assist MIL in its rehabilitation efforts in view of its substantial investment in MIL's shares and has from time to time taken several steps which, broadly are as follows:

- a) Advanced monies to a group company aggregating to Rs. 2,594.82 lacs (previous year Rs. 2,412.48 lacs) including interest, at year end to enable the settlement of loan liabilities of MIL.
- b) Taken over loan liabilities of MIL of Rs. 6,534.12 lacs, which aggregate to a value of Rs 3,372.49 lacs (previous year Rs. 3,015.99 lacs) at year end.

The net worth of MIL has turned positive based on their accounts as on 31st May, 2010 and consequently it has been deregistered from BIFR. The settlement of the amounts in (a) and (b) above is dependent on the realisation of value from the sale of assets of MIL.

5. Depreciation has been provided for on all fixed assets on straight-line basis in accordance with the provisions of the Companies Act, 1956, at the rates and in the manner specified in schedule XIV of the Act. In respect of Speciality Chemicals, Cryolite, Aluminium Fluoride, Refrigerant Gases, ABF, Fluoroaniline Plants, R & D Pilot Plant and Captive Power Plant depreciation have been provided for at the rate applicable to continuous process plants.

6. a) **Managerial remuneration:**

(Rupees in lacs)

	Year ended 31st March, 2011	Year ended 31st March, 2010
Salaries	197.10	186.21
Contribution to provident and other funds	33.76	30.28
Perquisites	43.76	40.76
Commission	254.40	304.30
<b>Total</b>	<b>529.02</b>	<b>561.55</b>

**Note,**

The above excludes contribution for gratuity and leave encashment as the incremental liability has been accounted for by the Company as a whole.

b) **Calculation of net profits under section 349 of the Companies Act, 1956:**

(Rupees in lacs)

	Year ended 31st March, 2011	Year ended 31st March, 2010
Profit before tax	10,602.16	12,232.86
<b>add:</b> Directors' sitting fees	6.80	7.10
Directors' remuneration (including commission)	529.02	561.55
Provision for doubtful debts/ advances	3.28	20.36
Provision for diminution in value of investments	–	1,552.73
	11,141.26	14,374.60
<b>less:</b> Provision for doubtful debts and advances written back	15.20	93.92
Capital profit on sale of fixed assets	1.14	0.07
	16.34	93.99
Net profit as per section 349 of the Companies Act, 1956	11,124.92	14,280.61
<b>Commission payable</b>		
To, the Chairman @ 1.50 % (previous year, 1.50%)	166.90	214.30
To, the Managing Director (till 31.12.2010) @ 0.18 % (previous year, 0.21%)	20.00	30.00
To, the Managing Director (for the period from 01.01.2011 to 31.03.2011 @ 0.07% (previous year, Rs. Nil)	7.50	–
To, the Finance Director @ 0.27% (previous year, 0.21%)	30.00	30.00
To, the Non-executive directors @ 0.27% (previous year, 0.21%)	30.00	30.00
<b>Total</b>	<b>254.40</b>	<b>304.30</b>

## Schedules forming part of the accounts

### Schedule 17 NOTES ON ACCOUNTS (Contd.)

#### 7. Payment to auditors:

(Rupees in lacs)

	Year ended 31st March, 2011	Year ended 31st March, 2010
Audit fees	10.00	10.00
Tax audit fees	3.00	3.00
As advisor or in any other capacity, in respect of:		
- Taxation matters	6.99	–
In any other manner (certification work, etc.)	9.90	5.65
Service-tax	4.11	1.98
Expenses	–	0.57
<b>Total</b>	<b>34.00</b>	<b>21.20</b>

8. a) The company has taken office and residential premises under operating lease or leave and license agreements. These are generally cancelable in nature and range between 11 months to 36 months. These leave and license agreements are generally renewable or cancelable at the option of the Company or the lessor. The lease payment recognised in the profit and loss account is Rs. 210.83 lacs (previous year Rs 77.29 lacs).

- b) The company has taken office premise under lease rental agreement. Details of minimum lease payments for non-cancellable lease are as under:

(Rupees in lacs)

	As at 31st March, 2011	As at 31st March, 2010
Not later than one year	142.80	–
Later than one year and not later than five years	476.70	–
Later than five years	–	–
<b>Total</b>	<b>619.50</b>	<b>–</b>

- c) The company has given office premises under lease rental agreement. Details of rent income are as under:

(Rupees in lacs)

	As at 31st March, 2011	As at 31st March, 2010
Not later than one year	266.93	–
Later than one year and not later than five years	992.07	–
Later than five years	–	–
<b>Total</b>	<b>1259.00</b>	<b>–</b>
Operating lease rentals credited to the Profit and Loss a/c.	117.46	–

- d) Other details of premises which have been given on operating lease for a period of upto sixty months are as under:

(Rupees in lacs)

	As at 31st March, 2011	As at 31st March, 2010
Gross block as at the year end	5106.80	2.58
Accumulated depreciation as at the year end	110.51	2.08
Depreciation charged during the year	70.90	0.03

9. MIL was executing a project in Iraq when hostilities broke out between Iraq and Kuwait in 1990-91, resulting in suspension of project work. In view of the post war sanctions imposed by the United Nations and the Government of India, suspended operations could not be resumed. The customer's bankers have asked for extension of bank guarantees for advance payment and performance and the State Bank of India (SBI), in turn, had claimed that the funds deposited with them in respect of the aforesaid project are subject to lien which was subsequently released on alternate arrangements. In view of the continuing uncertain circumstances, the receipts and payments under the contracts, transferred to the Company pursuant to the SS of MIL, continue to be carried forward and necessary adjustments would be made on the status of the project becoming clearer.

## Schedules forming part of the accounts

### Schedule 17 NOTES ON ACCOUNTS (Contd.)

#### 10. Major components of deferred tax (liabilities) and assets are as under: (Rupees in lacs)

	As at 31st March, 2011	As at 31st March, 2010
Difference between books and tax written down values of fixed assets	(2737.00)	(2,886.69)
Provision for doubtful debts/ advances	141.72	152.53
Provision for diminution in value of investments	648.90	679.80
Others	32.41	(45.47)
<b>Total</b>	<b>(1913.97)</b>	<b>(2099.83)</b>

#### 11. a) Derivative instruments

The Company enters into forward contracts to offset foreign currency risks arising from the amounts denominated in currencies other than the Indian Rupee. The counter party to such forward contracts is a bank. These contracts are entered into to hedge the foreign currency risks on firm commitments. Details of forward contracts outstanding as at the year end:

	Exposure to buy / sell	As at the year end	
		Rupees in lacs	Foreign currency in lacs
US Dollars	Buy	– (959.14)	– (20.07)

**Note:** Figures in brackets are for the previous year.

b) Net exchange difference in respect of forward contracts to be credited - debited in subsequent accounting year amounts to Rs. nil (as at 31st March, 2010, debit Rs. 27.83 lacs).

#### c) Foreign currency exposure at the year end not hedged by derivative instruments (Rupees in lacs)

	As at 31st March, 2011	As at 31st March, 2010
<b>Receivables against export of goods and services</b>		
Rupees	1,960.68	1,286.06
US Dollars	44.08	20.22
Euros	–	6.29
<b>Advance received from customers</b>		
Rupees	11.80	18.92
US Dollars	0.26	0.42
<b>Payables against import of goods and services</b>		
Rupees	5,765.01	3,498.81
US Dollars	128.34	78.07
<b>Advance payment to suppliers</b>		
Rupees	197.53	110.00
US Dollars	1.92	0.92
Euros	1.21	1.15
Yens	50.50	–
Pound	0.13	–

d) The net amount of exchange gain included in the Profit and loss account for the year is Rs. 95.16 lacs (previous year loss, Rs.103.45 lacs).

12. Research and development expenditure debited to the Profit and loss account by charge to relevant heads of account amount to Rs. 434.75 lacs (previous year, Rs. 270.90 lacs).

13. The Company has not received any intimation from 'suppliers' regarding their status under the Micro, Small and Medium Enterprise Development Act, 2006 and hence disclosure requirements in this regard as per Schedule VI of the Companies Act, 1956 have not be provided.

14. Excise duty deducted from turnover represents excise duty collected on sale of goods. Excise duty shown under 'expenditure'

## Schedules forming part of the accounts

### Schedule 17 NOTES ON ACCOUNTS (Contd.)

represents the aggregate of excise duty borne by the Company and difference between excise duty on opening and closing stocks of finished goods.

#### 15. Segment information

##### Primary

'Business' is the primary segment of the Company, comprising of 'chemicals' only.

##### Secondary

The Company has two geographical segments based upon location of its customers - within and outside India:

(Rupees in lacs)

Particulars	As at and for the year ended 31st March, 2011			As at and for the year ended 31st March, 2010		
	Domestic	Exports	Total	Domestic	Exports	Total
Revenues	23,708.86	21,246.42	44,955.28	17,012.95	27,135.41	44,148.36
	Within India	Outside India	Total	Within India	Outside India	Total
Segment assets	41,836.83	2,111.59	43,948.42	35,632.29	1,429.84	37,062.13
Cost incurred on acquisition of fixed assets	5,295.26	–	5,295.26	2,393.88	–	2,393.88

#### 16. Earnings per share

Earnings per share is calculated by dividing the profit attributable to the equity shareholders by the weighted average number of equity shares outstanding during the year, as under:

	Current year	Previous year
Profit attributable to equity shareholders – Rupees in lacs	7,164.38	7,436.15
Weighted average number of equity shares outstanding during the year	10,075,756	10,099,889
Basic earnings per share – Rupees	71.11	73.63
Diluted earnings per share – Rupees	71.11	73.63
Nominal value per share – Rupees	10.00	10.00

##### Note,

Stock options granted to certain executives not being dilutive have not been considered for the purpose of computing diluted earnings per share.

17. The Company has not made any remittances in foreign currencies on account of dividends during the year and does not have information as to the extent to which remittances in foreign currencies on account of dividends have been made by or on behalf of non-resident shareholders. The particulars of dividends paid to non-resident shareholders are as follows:

	Year ended 31st March, 2011	Year ended 31st March, 2010
<b>Year to which dividend relates</b>	<b>2009-10</b>	<b>2008-09</b>
Number of non-resident shareholders	334	347
Number of shares held by them on which dividend is due	182,063	227,897
Amount remitted to bank accounts in India of non-resident shareholders – Rupees in lacs	13.65	11.39
	Year ended 31st March, 2011	Year ended 31st March, 2010
<b>Year to which dividend relates</b>	<b>Interim 2010-11</b>	<b>Interim 2009-10</b>
Number of non-resident shareholders	352	365
Number of shares held by them on which dividend is due	185,093	231,573
Amount remitted to bank accounts in India of non-resident shareholders – Rupees in lacs	12.03	15.05

18. Out of the rights issue made in 2004-05, 109 equity shares could not be offered on rights basis due to the non-availability of details of beneficial holders from depositories. The same are kept in abeyance.
19. The Company had made a rights issue of equity shares in an earlier year. The first and final call of Rs. 30/- per share (including

## Schedules forming part of the accounts

### Schedule 17 NOTES ON ACCOUNTS (Contd.)

premium of Rs. 25/-) was made during an earlier year. The proceeds have been used to part finance infusion of funds into MIL and for general corporate purposes. Unutilised monies as at the year end, Rs. nil (as at 31st March, 2010, Rs. 0.07 lacs).

#### 20. Investment in Partnership Firm, Urvija Associates

Name of the partners	As at 31st March, 2011		As at 31st March, 2010	
	Capital (Rs. in lacs)	% share of profit/loss	Capital (Rs. in lacs)	% share of profit/loss
Navin Fluorine International Limited	0.80	80.00	0.80	80.00
Mayflower Textiles Private Limited	0.10	10.00	0.10	10.00
Myrtle Textiles Private Limited	0.10	10.00	0.10	10.00

#### 21. Employee benefits

Contributions are made to Recognized Provident Fund / Government Provident Fund and Family Pension Fund which covers all regular employees. Contribution is also made in respect of executives to a Recognized Superannuation Fund. While both the employees and the Company make predetermined contributions to the Provident Fund, contribution to the Family Pension Fund and Superannuation Fund are made only by the Company. The contributions are normally based on a certain proportion of the employee's salary. Amount recognized as expense in respect of these defined contribution plans, aggregate to Rs. 227.01 lacs (previous year, Rs. 165.75 lacs).

ASB Guidance on Implementing AS 15, Employee Benefits (revised 2005) states that benefits involving employer established provident funds, which require interest shortfalls to be recompensed, are to be considered as defined benefit plans. Pending the issuance of the guidance note from the Actuarial Society of India, the company's actuary has expressed inability to reliably measure provident fund liabilities. Accordingly the company is unable to exhibit the related information.

Contributions are made to a Recognized Gratuity Fund in respect of gratuity and provision is made for leave encashment based upon actuarial valuation done at the end of every financial year using 'Projected Unit Credit' method and it covers all regular employees. Major drivers in actuarial assumptions, typically, are years of service and employee compensation. Gains and losses on changes in actuarial assumptions are accounted for in the Profit and Loss account.

The charge on account of provision for gratuity and leave encashment has been included in 'Contribution to provident fund and other funds' and 'Salaries, wages and bonus' respectively.

In respect of gratuity (funded) :

(Rupees in lacs)

	Current year	Previous year
<b>Reconciliation of liability recognised in the Balance sheet</b>		
Present value of commitments	(886.27)	(743.75)
Fair value of plan assets	772.80	706.77
Net liability in the Balance sheet	(113.47)	(36.98)
<b>Movement in net liability recognised in the Balance sheet</b>		
Net liability as at beginning of the year	(36.98)	(51.32)
Net expense recognised in the Profit and Loss account	(113.47)	(56.98)
Contribution during the year	36.98	71.32
Net liability as at end of the year	(113.47)	(36.98)
<b>Expense recognised in the Profit and Loss account</b>		
Current service cost	33.95	32.05
Interest cost	59.50	51.41
Expected return on plan assets	(56.54)	(53.88)
Actuarial (gains)/ losses	76.56	27.40
<b>Expense charged to the Profit and Loss account</b>	113.47	56.98
Return on plan assets		
Expected return on plan assets	56.54	53.88
Actuarial gains/ (losses)	0.45	(10.34)
Actual return on plan assets	56.99	43.54



## Schedules forming part of the accounts

### Schedule 17 NOTES ON ACCOUNTS (Contd.)

(Rupees in lacs)

	Current year	Previous year
<b>Reconciliation of defined-benefit commitments</b>		
Commitments as at beginning of the year	743.76	663.68
Current service cost	33.95	32.05
Interest cost	59.50	51.41
Paid benefits	(27.95)	(20.45)
Actuarial (gains)/ losses	77.01	17.06
Commitments as at end of the year	886.27	743.76
<b>Reconciliation of plan assets</b>		
Plan assets as at beginning of the year	706.77	612.36
Expected return on plan assets	56.54	53.88
Contributions during the year	36.98	71.32
Paid benefits	(27.95)	(20.45)
Actuarial gains/ (losses)	0.45	(10.34)
Plan assets as at end of the year	772.79	706.77

The actuarial calculations used to estimate commitments and expenses in respect of gratuity are based on the following assumptions which if changed, would affect the commitment's size, funding requirements and expense:

	Current year	Previous year
Discount rate	8.25%	8.00%
Expected return on plan assets	8.00%	8.00%
Expected rate of salary increase	5.50%	5.50%
Mortality	LIC (1994-96) Ultimate	
<b>Experience adjustment:</b>		
On plan liability (Gain)/ Loss	91.70	43.15
On plan assets Gain/ (Loss)	0.45	(10.34)
The fair value of the plan assets is distributed in the following manner:	%	%
Deposits with a nationalised bank	55.01	60.30
Various debt instruments	44.99	39.70

22. Pursuant to the decision of the Board of Directors of the Company taken in its meeting dated 24th September, 2010, the Company bought back 3,38,792 equity shares of nominal value of Rs. 10 each at a price of Rs. 400.00 per share for an aggregate value of Rs. 1355.17 lacs during the year under Section 77A of the Companies Act, 1956 through tender offer by utilising the Share premium account to the extent of Rs. 1321.29 lacs. The Capital redemption reserve has been created out of General reserve for Rs. 33.88 lacs being the nominal value of shares thus bought back. All the equity shares bought back have been extinguished by 5th March, 2011.

#### 23. Employee Stock Option Scheme

- The NFIL Employee Stock Option Scheme has been approved by the Board of Directors of the Company on 1st May 2007.
- The vesting period is over four years from the date of grant, commencing after one year from the date of grant.
- Exercise Period would commence one year from date of grant and will expire on completion of ten years from the date of vesting.
- The options will be settled in equity shares of the company.
- The company used the intrinsic value method to account for ESOPs.
- The exercise price has been determined to be the market price on the days preceding the dates of grants.
- Consequently, no compensation cost has been recognized by the company in accordance with the "Guidance Note on Accounting for Employee Share-based payments" issued by the Institute of Chartered Accountants of India.



## Schedules forming part of the accounts

### Schedule 17 NOTES ON ACCOUNTS (Contd.)

#### h. Details of movement of options:

(Rupees in lacs)

Particulars	As at 31st March, 2011 Nos.	As at 31st March, 2010 Nos.
Options outstanding at the beginning of the year	36,300	36,300
Options granted during the year	NIL	NIL
Options vested during the year	9,075	9,075
Options exercised during the year	NIL	NIL
Options forfeited during the year	NIL	NIL
Options lapsed/ surrendered during the year	NIL	NIL
Options outstanding at the end of the year	36,300	36,300

i Had fair value method been used, the compensation cost would have been higher by Rs. 17.33 lacs (previous year Rs 17.33 lacs), Profit after tax would have been lower by Rs. 11.41 lacs (previous year Rs. 11.08 lacs) and EPS – both basic and diluted - would have been Rs. 70.99 per share (previous year Rs. 73.45 per share).

j Weighted Average exercise price of the above options is Rs. 381/- per share.

#### 24. Related party transactions

##### Names of related parties where control exists

Sulakshana Securities Limited – wholly owned subsidiary company

Urvija Associates – a partnership firm where the Company is a majority partner

##### Key management personnel

Shri Hrishikesh A. Mafatlal (in the capacity of an individual/ trustee)

Shri Vishad P. Mafatlal (in the capacity of an individual/ karta)

Shri Atul K. Srivastava

Shri Satish D. Kakade (upto 31.12.2010)

Shri Shekhar Khanolkar

##### Relatives of key management personnel

Shri Arvind N. Mafatlal (in the capacity of an individual/ karta/ trustee)

Smt. Sushilaben A. Mafatlal (upto 20.11.2010)

Smt. Rekha H. Mafatlal

Smt. Aarti Chaddha

Ms. Anjali H. Mafatlal

Mr. Priyavrata H. Mafatlal

Ms. Padmaja Mafatlal

##### Associate

Mafatlal Denim Limited

##### Enterprises over which key management personnel and their relatives are able to exercise significant influence

Mafatlal Industries Limited

Mafatlal Fabrics Private Limited

NOCIL Limited

Mafatlal Impex Private Limited

Vibhadeep Investments and Trading Limited

Sushripada Investments Private Limited

Shamir Texchem Private Limited

Marigold International Private Limited

Pamil Investments Private Limited

Navlekh Investments Limited

Milap Texchem Private Limited

Surekha Holdings Private Limited

Krishnadeep Housing Development Private Limited

Sunanda Industrial Machinery Limited

## Schedules forming part of the accounts

### Schedule 17 NOTES ON ACCOUNTS (Contd.)

#### Details of transactions with related parties during the year/ previous year

*(Rupees in lacs)*

Nature of transactions	1	2	3	4	5	Total
<b>Sale of finished goods</b>						
National Organic Chemical Industries Limited	7.26 5.05					7.26 5.05
Mafatlal Industries Limited	– 0.03					– 0.03
<b>Rental Income</b>						
NOCIL Limited	31.77 31.77					31.77 31.77
<b>Interest Income</b>						
Sunanda Industrial Machinery Ltd	202.60 202.60					202.60 202.60
Mafatlal Industries Limited	261.41 –					261.41 –
<b>Purchase of cloth for uniform</b>						
Mafatlal Fabrics Private Limited	1.93 11.13					1.93 11.13
<b>Managerial remuneration</b>						
Shri Hrishikesh A. Mafatlal				202.74 244.22		202.74 244.22
Shri Vishad P.Mafatlal				5.00 5.00		5.00 5.00
Shri Atul K. Srivastava				117.71 111.89		117.71 111.89
Shri Satish Kakade (upto 31.12.2010)				88.27 106.40		88.27 106.40
Shri Shekhar Khanolkar				90.30 69.04		90.30 69.04
<b>Sitting fees</b>						
Shri Vishad P. Mafatlal				0.80 0.80		0.80 0.80
<b>Share of loss in a partnership firm</b>						
Urvija Associates			0.09 0.09			0.09 0.09
<b>Capital contribution in a partnership firm</b>						
(Urvija Associates) - current			0.09 0.09			0.09 0.09
<b>Deposit given to</b>						
Mafatlal Industries Limited	– 128.90					– 128.90
<b>Advances given to</b>						
Mafatlal Industries Limited	95.10 150.38					95.10 150.38
Sulakshana securities limited			5.00 16.00			5.00 16.00
<b>Repayment of Advance from</b>						
Sunanda Industrial Machinery Ltd	20.25 20.25					20.25 20.25

## Schedules forming part of the accounts

### Schedule 17 NOTES ON ACCOUNTS (Contd.)

#### Details of transactions with related parties during the year/ previous year

*(Rupees in lacs)*

Nature of transactions	1	2	3	4	5	Total
<b>Dividend paid</b>						
Mafatlal Impex Private Limited	151.93 124.80					151.93 124.80
NOCIL Limited	79.29 65.12					79.29 65.12
Others	213.62 175.48			41.23 36.73	33.83 26.32	288.68 238.53
<b>As at the year end</b>						
<b>Amounts due to</b>						
Mafatlal Fabrics Private Limited	1.93 –					1.93 –
Shri Hrishikesh A. Mafatlal				166.90 214.30		166.90 214.30
Shri Vishad P.Mafatlal				5.00 5.00		5.00 5.00
Shri Satish Kakade (upto 31.12.2010)				20.00 30.00		20.00 30.00
Shri Atul K. Srivastava				30.00 30.00		30.00 30.00
Shri Shekhar Khanolkar				7.50 –		7.50 –
<b>Amounts due from</b>						
Mafatlal Industries Limited	3,376.81 3,149.20					3,376.81 3,149.20
Mafatlal Denim Limited		0.83 1.61				0.83 1.61
Urvija Associates			29.91 30.00			29.91 30.00
Sulakshana securities limited			2,799.07 2,794.07			2,799.07 2,794.07
Sunanda Industrial Machinery Limited	2,594.82 2,412.48					2,594.82 2,412.48
NOCIL Limited	0.61 30.27					0.61 30.27
Provision for amounts receivable (Note 1)			380.37 380.37			380.37 380.37

- Enterprises over which key management personnel and their relatives are able to exercise significant influence
- Associate
- Related parties where control exists
- Key management personnel
- Relatives of key management personnel

#### Notes,

- There are no amounts written off or written back during the year in respect of debts due from or to related parties. In an earlier year, provision for doubtful advance of Rs. 380.37 lacs was made for Sulakshana Securities Ltd.
- Figures in italics are those as at and for the year ended 31st March, 2010

## Schedules forming part of the accounts

### Schedule 17 NOTES ON ACCOUNTS (Contd.)

#### 25. Raw materials consumed

	Unit	Year ended 31st March, 2011		Year ended 31st March, 2010	
		Quantity	Rupees in lacs	Quantity	Rupees in lacs
a) Fluorspar	tons	35,312	5,385.03	30,399	6,116.85
b) Chloromethanes	tons	14,300	3,750.75	13,441	1,928.44
c) Spor 11	tons	356	911.75	737	1,386.32
d) Sulphur	tons	10,502	864.00	9,755	459.23
e) Others			6,121.31		4,423.36
<b>Total</b>			<b>17,032.84</b>		<b>14,314.20</b>

#### 26. Quantitative information regarding classes of goods manufactured

	Unit	Year ended 31st March, 2011		Year ended 31st March, 2010	
		Installed capacity	Production*	Installed capacity	Production*
a) Organic Chemicals	tons	–	–	–	–
b) Synthetic cryolite, aluminium fluoride and fluorocarbon gases	tons	29,010	10,554	29,010	10,247
c) Hydrofluoric acid and other fluorine chemicals	tons	34,055	20,332	32,605	17,584
d) Sulphuric acid and oleum	tons	39,600	29,641	39,600	26,046

\* including production internally consumed

**Note,**

Installed capacity (on three shift basis) as certified by the management.

#### 27. Quantitative information regarding opening and closing stocks of finished goods

	Unit	Opening stock		Closing stock	
		Quantity	Rupees in lacs	Quantity	Rupees in lacs
a) Organic Chemicals	tons	18	30.41	–	–
		23	36.33	18	30.41
b) Synthetic cryolite, aluminium fluoride and fluorocarbon gases	tons	477	441.66	454	663.01
		889	751.68	477	441.66
c) Hydrofluoric acid and other fluorine chemicals	tons	539	900.32	528	959.50
		406	1,025.68	539	900.32
d) Sulphuric acid and oleum	tons	662	25.08	642	29.24
		360	34.51	662	25.08
<b>Total</b>			<b>1,397.47</b>		<b>1,651.75</b>
			<b>1,848.20</b>		<b>1,397.47</b>

*Previous year figures are in italics*

#### 28. Quantitative information regarding goods traded in

	Opening stock		Purchases		Closing stock	
	Unit - tons	Rupees in lacs	Unit - tons	Rupees in lacs	Unit - tons	Rupees in lacs
a) Mafron gases	4	8.63	117	321.82	1	0.81
	–	–	113	261.78	4	8.63
<b>Total</b>		<b>8.63</b>		<b>321.82</b>		<b>0.81</b>
		–		<b>261.78</b>		<b>8.63</b>

*Previous year figures are in italics*

## Schedules forming part of the accounts

### Schedule 17 NOTES ON ACCOUNTS (Contd.)

#### 29. Quantitative information regarding sales turnover

	Year ended 31st March, 2011		Year ended 31st March, 2010	
	Unit - tons	Rupees in lacs	Unit - tons	Rupees in lacs
a) Organic Chemicals	1	1.36	4	42.32
b) Synthetic cryolite, aluminium fluoride fluorocarbon gases	10,753	25,057.83	10,734	28,440.00
c) Hydrofluoric acid and other fluorine chemicals	10,724	19,321.39	8,931	15,309.15
d) Others (including sulphuric acid and oleum)		574.70		356.89
<b>Total</b>		<b>44,955.28</b>		<b>44,148.36</b>

#### 30. Value of imports and value of raw materials, stores, spares and packing materials consumed

##### a) CIF value of imports

(Rupees in lacs)

	Year ended 31st March, 2011	Year ended 31st March, 2010
Raw materials	10,720.59	9,537.09
Stores, spares and packing materials	15.30	0.64
Capital goods	94.66	68.69

##### b) Consumption of raw materials and stores, spares and packing materials

	Year ended 31st March, 2011		Year ended 31st March, 2010	
	Rupees in lacs	Percentage of consumption	Rupees in lacs	Percentage of consumption
<b>Raw materials</b>				
Imported	12,317.07	72.31	11,533.64	80.57
Indigenous	4,715.77	27.69	2,780.56	19.43
	<b>17,032.84</b>	<b>100.00</b>	<b>14,314.20</b>	<b>100.00</b>
<b>Stores, spares and packing materials</b>				
Imported	9.93	0.43	8.75	0.49
Indigenous	2,287.47	99.57	1,781.28	99.51
	<b>2,297.40</b>	<b>100.00</b>	<b>1,790.03</b>	<b>100.00</b>

#### 31. Expenditure in foreign currency

(Rupees in lacs)

	Year ended 31st March, 2011	Year ended 31st March, 2010
a) Travelling expenses	41.55	31.18
b) Commission	45.79	80.44
c) Legal and professional fees	26.05	76.28
d) ISO tank rental	298.50	441.59
e) Others	327.33	195.14

## Schedules forming part of the accounts

### Schedule 17 NOTES ON ACCOUNTS (Contd.)

#### 32. Earnings in foreign exchange

(Rupees in lacs)

	Year ended 31st March, 2011	Year ended 31st March, 2010
a) FOB value of exports / carbon credits	20,883.92	24,521.50
b) Contract Research Income	21.28	15.12

33. Previous year figures have been regrouped, wherever necessary, to correspond with those of the current year.

#### Signatures to schedule 1 to 17

**H. A. Mafatlal**  
Chairman

**S. S. Khanolkar**  
Managing Director

**T. M. M. Nambiar**  
**S. S. Lalbhai**  
**A. K. Srivastava**  
**P. N. Kapadia**  
**R. Sankaran**  
**S. G. Mankad**  
**S. M. Kulkarni**

} Directors

Mumbai, dated, 29<sup>th</sup> April, 2011

**N. B. Mankad**  
Company Secretary

# Balance sheet abstract and Company's general business profile

## I. Registration Details

Registration No.

1 1 5 4 9 9

State Code

1 1

Balance Sheet Date

3 1 0 3 2 0 1 1

## II. Capital Raised during the year (amount in Rs. thousands)

Public issue

N I L

Rights issue

N I L

Bonus issue

N I L

Private placement

N I L

## III. Position of mobilisation and deployment of funds (amount in Rs. thousands)

Total liabilities

5 1 2 7 3 6 4

Total assets

5 1 2 7 3 6 4

Sources of Funds

Paid-up capital

9 7 5 6 8

Reserves and surplus

3 2 2 0 4 6 8

Secured loans

1 0 0 5 9 4

Unsecured loans

N I L

Deferred tax liabilities (net)

1 9 1 3 9 7

Application of Funds

Net fixed assets

2 0 7 4 7 8 9

Investments

4 7 7 6 0 6

Net current assets

1 0 5 7 6 3 2

Miscellaneous expenditure

N I L

Accumulated losses

N I L

## IV. Performance of the Company (amount in Rs. thousands)

Turnover

4 4 9 5 5 2 8

Total expenditure

3 3 7 0 3 8 8

+ (-) Profit/ (loss) before tax

1 0 6 0 2 1 6

+ (-) Profit/ (loss) after tax

7 1 6 4 3 8

Earnings per share (Rupees)

(Refer note 16 of schedule 17)

Dividend (%)

1 5 0

## V. Generic Names of two principal products/services of Company (as per monetary terms)

Item Code No. (ITC code)

2 9 0 3 4 9 1 0

Product descriptions

H Y D R O C H L O R O F L U O R O

C A R B O N S

Item Code No. (ITC code)

2 8 1 1 1 1

Product descriptions

H Y D R O F L U O R I C A C I D

**H. A. Mafatlal**  
Chairman

**S. S. Khanolkar**  
Managing Director

**T. M. M. Nambiar**  
**S. S. Lalbhai**  
**A. K. Srivastava**  
**P. N. Kapadia**  
**R. Sankaran**  
**S. G. Mankad**  
**S. M. Kulkarni**

Directors

**N. B. Mankad**  
Company Secretary

Mumbai, dated, 29<sup>th</sup> April, 2011



## Section 212

Statement pursuant to the exemption received under section 212(8) of the Companies Act, 1956 relating to the Subsidiary Companies for the financial year ended 31st March, 2011

Sr No.	Name of the Subsidiary Company	Sulakshana Securities Limited (Wholly owned subsidiary)
<b>Extent of the Holding Company's interest in Subsidiary :</b>		
	No of Shares	150,000
	% of Capital	100%
		<b>(Rupees in lacs)</b>
1	Capital	15.00
2	Reserves	Nil
	Debit Balance of Profit & Loss A/c	1,224.71
3	Total Assets (Fixed Assets + Investments + Current Assets)	1,595.96
4	Total Liabilities (Debts + Current Liabilities)	2,805.67
5	Details of Investments	0.00
6	Income	25.00
7	Profit before Tax	(27.11)
8	Provision for Tax	2.80
9	Profit after Tax	(29.91)
10	Proposed Dividend	Nil

**H. A. Mafatlal**  
*Chairman*

**S. S. Khanolkar**  
*Managing Director*

**T. M. M. Nambiar**  
**S. S. Lalbhai**  
**A. K. Srivastava**  
**P. N. Kapadia**  
**R. Sankaran**  
**S. G. Mankad**  
**S. M. Kulkarni**

*Directors*

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

Mumbai, dated, 29<sup>th</sup> April, 2011

## Consolidated Auditors' report

To,  
The Board of Directors of  
**Navin Fluorine International Limited**

1. We have audited the attached Consolidated Balance Sheet of Navin Fluorine International Limited ("the Company") and its subsidiaries (the Company and its subsidiaries constitute "the Group") as at 31st March, 2011 the Consolidated Profit and Loss Account and the Consolidated Cash Flow Statement of the Group for the year ended on that date, both annexed thereto. The Consolidated Financial Statements include investments in associates accounted on the equity method in accordance with Accounting Standard 23 (Accounting for Investments in Associates in Consolidated Financial Statements) as notified under the Companies (Accounting Standards) Rules, 2006. These financial statements are the responsibility of the Company's Management and have been prepared on the basis of the separate financial statements and other financial information regarding components. Our responsibility is to express an opinion on these Consolidated Financial Statements based on our audit.
2. We conducted our audit in accordance with the auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and the disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by the Management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. We did not audit the financial statements of the associate, whose net carrying cost of investments as at the end of the year is Nil (Previous year Nil) and a subsidiary whose financial statements reflect total assets of Rs. 30.81 lacs as at 31st March, 2011, total revenue Rs. Nil and net cash outflow Rs. 0.11 lacs for the year ended on that date, (Previous year total assets Rs. 30.92 lacs, total revenues Nil and net cash Outflows Rs. 0.11 lacs) as considered in the Consolidated Financial Statements. These financial statements have been audited by other auditors whose reports have been furnished to us and our opinion in so far as it relates to the amounts included in respect of this subsidiary and associate is based solely on the reports of the other auditors.
4. We report that the Consolidated Financial Statements have been prepared by the Company in accordance with the requirements of Accounting Standard 21 (Consolidated Financial Statements) and Accounting Standard 23 (Accounting for Investment in Associates in Consolidated Financial Statements) as notified under the Companies (Accounting Standards) Rules, 2006.
5. Without qualifying our report we draw attention to our Note 17 of schedule 17 regarding non-accounting of rent/recovery of expenses, Rs. 108.83 lacs (previous year Rs. 108.83 lacs).
6. Based on our audit and on consideration of separate audit reports on individual financial statements of the Company and the aforesaid subsidiaries and associate and to the best of our information, and according to the explanations given to us, in our opinion, the Consolidated Financial Statements give a true and fair view in conformity with the accounting principles generally accepted in India:
  - a) in the case of the Consolidated Balance sheet, of the state of affairs of the Group as at 31st March, 2011;
  - b) in the case of the Consolidated Profit and Loss account, of the profit for the Group for year ended on that date; and
  - c) in the case of the Consolidated Cash-Flow Statement, of the cash flows of the Group for the year ended on that date.

**For Deloitte Haskins & Sells,**  
Chartered Accountants  
(Registration No. 117364W)

**R. Salivati**  
Partner

Mumbai, dated, 29th April, 2011

(Membership No. 34004)

# Consolidated Balance sheet as at 31st March, 2011

(Rupees in lacs)

	Schedule	As at 31st March, 2011	As at 31st March, 2010
<b>SOURCES OF FUNDS</b>			
<b>Shareholders' funds</b>			
Share capital	1	975.68	1,009.55
Reserves and surplus	2	32,866.34	28,779.98
		33,842.02	29,789.53
<b>Minority interest</b>		0.05	0.07
<b>Loan funds</b>			
Secured loans	3	1,005.94	1,135.64
<b>Deferred tax liabilities (net)</b>		1,913.97	2,099.83
	<b>Total</b>	<b>36,761.98</b>	<b>33,025.07</b>
<b>APPLICATION OF FUNDS</b>			
<b>Fixed assets</b>			
Gross block	4	27,310.38	25,792.00
<i>less</i> , depreciation		8,520.63	8,592.39
<i>less</i> , impairment		–	469.73
Net block		<b>18,789.75</b>	<b>16,729.88</b>
Capital work-in-progress		3,480.37	2,614.88
		22,270.12	19,344.76
Goodwill on consolidation		1,490.99	1,490.99
		23,761.11	20,835.75
<b>Investments</b>	5	4,775.26	83.76
<b>Current assets, loans and advances</b>			
Inventories	6	5,510.20	4,717.81
Sundry debtors	7	5,686.12	3,896.25
Cash and bank balances	8	1,822.31	8,077.92
Loans and advances	9	10,387.00	9,013.23
		23,405.63	25,705.21
<b><i>less</i>, Current liabilities and provisions</b>			
Current liabilities	10	13,292.94	12,420.65
Provisions	11	1,887.08	1,179.00
		15,180.02	13,599.65
<b>Net current assets</b>		8,225.61	12,105.56
	<b>Total</b>	<b>36,761.98</b>	<b>33,025.07</b>
Significant accounting policies	16		
Notes on accounts	17		

In terms of our Report attached

For Deloitte Haskins & Sells  
Chartered Accountants  
Registration No. 117364W

R. Salivati  
Partner  
Membership No. 34004

H. A. Mafatlal  
Chairman

S. S. Khanolkar  
Managing Director

N. B. Mankad  
Company Secretary

T. M. M. Nambiar  
S. S. Lalbhai  
A. K. Srivastava  
P. N. Kapadia  
R. Sankaran  
S. G. Mankad  
S. M. Kulkarni

Directors

Mumbai, dated, 29<sup>th</sup> April, 2011

# Consolidated Profit and loss account for the year ended 31st March, 2011

*(Rupees in lacs)*

Schedule	Year ended 31st March, 2011	Year ended 31st March, 2010
<b>INCOME</b>		
Turnover (gross)	44,955.28	44,148.36
<i>less</i> , excise duty	2,017.02	1,230.97
Turnover (net)	42,938.26	42,917.39
Other Operation Charges	30.55	15.12
	42,968.81	42,932.51
Other income 12	1,168.97	818.54
(Decrease)/ Increase in stocks of finished goods and process stocks 13	193.26	(521.81)
<b>Total</b>	<b>44,331.04</b>	<b>43,229.24</b>
<b>EXPENDITURE</b>		
Purchase of trading goods	321.82	261.78
Manufacturing and Other expenses 14	31,691.25	27,796.24
Excise duty	47.15	22.05
Depreciation	1,318.31	1,135.91
Depreciation on immovable properties	65.24	0.03
Interest 15	312.22	249.57
<b>Total</b>	<b>33,755.99</b>	<b>29,465.58</b>
<b>Profit before exceptional items and tax</b>	<b>10,575.05</b>	<b>13,763.66</b>
Provision for tax		
Current tax (including wealth-tax, Rs. 3.64 lacs, previous year, Rs. 1.64 lacs)	(3,626.44)	(4,414.71)
Deferred tax	185.86	(385.07)
	(3,440.58)	(4,799.78)
<b>Profit after tax</b>	<b>7,134.47</b>	<b>8,963.88</b>
Current year's share of losses in associate	–	(718.01)
Minority interest	0.02	0.03
	<b>7,134.49</b>	<b>8,245.90</b>
Surplus brought forward from previous year	9,193.65	3,426.54
<b>Amount available for appropriation</b>	<b>16,328.14</b>	<b>11,672.44</b>
<b>APPROPRIATIONS</b>		
Transferred to General reserve	716.50	744.00
Transfer to Debenture Redemption Reserve	–	80.50
Interim dividend	656.49	656.49
Proposed dividend	829.69	757.49
Corporate dividend tax thereon	240.71	240.31
	2,443.39	2,478.79
<b>Surplus carried to Balance sheet</b>	<b>13,884.75</b>	<b>9,193.65</b>
Earnings per share (refer note 13 of schedule 17):		
basic - Rs.	70.81	81.64
diluted - Rs.	70.81	81.64
Significant accounting policies 16		
Notes on accounts 17		

In terms of our Report attached

For Deloitte Haskins & Sells

Chartered Accountants

Registration No. 117364W

**R. Salivati**  
Partner  
Membership No. 34004

**H. A. Mafatlal**  
Chairman

**S. S. Khanolkar**  
Managing Director

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**A. K. Srivastava**  
**P. N. Kapadia**  
**R. Sankaran**  
**S. G. Mankad**  
**S. M. Kulkarni**

Directors

Mumbai, dated, 29<sup>th</sup> April, 2011

## Consolidated Cash flow statement for the year ended 31st March, 2011

(Rupees in lacs)

	Year ended 31st March, 2011	Year ended 31st March, 2010
<b>A. CASH FLOW FROM OPERATING ACTIVITIES</b>		
Profit before tax	10,575.05	13,763.66
adjustments for,		
Depreciation	1,383.55	1,135.94
Loss on sale / write off of fixed assets (net)	799.59	45.54
Provision for doubtful debts/ advances written back	(15.20)	(5.53)
Interest expense	312.22	249.57
Interest income	(619.40)	(459.25)
Foreign exchange (gain)/ loss on year end revaluation	(20.74)	(85.43)
Dividend on long-term investments (non-trade)	(31.30)	(43.34)
Bad debts written off	19.62	–
Excess provision of earlier years written back (net)	(0.72)	–
Provision for doubtful debts/ advances	3.28	20.36
<b>Operating profit before working capital changes</b>	<b>12,405.95</b>	<b>14,621.52</b>
(Increase)/ decrease in trade receivables	(1,834.41)	2,112.25
(Increase) in inventories	(792.39)	1,369.91
(Increase) / decrease in loans and advances	(304.46)	(216.05)
Increase/ (Decrease) in trade and other payables	1,033.77	360.17
	<b>(1,897.49)</b>	<b>3,626.28</b>
<b>Cash generated from Operations</b>	<b>10,508.46</b>	<b>18,247.80</b>
Direct taxes and fringe benefit tax paid	(3,138.47)	(4,819.28)
<b>Net cash generated from operating activities</b>	<b>7,369.99</b>	<b>13,428.52</b>
<b>B. CASH FLOW FROM INVESTING ACTIVITIES</b>		
Purchase of fixed assets	(5,057.33)	(1,933.37)
Purchase of long term investments (non-trade)	(4,756.74)	(12.74)
Amounts paid for acquiring MIL debts from a bank on assignment basis	(854.92)	(311.04)
Sale of fixed assets	14.08	383.38
Dividend income	31.30	43.34
Interest income	585.00	124.44
<b>Net cash (used in) investing activities</b>	<b>(10,038.61)</b>	<b>(1,705.99)</b>

## Consolidated Cash flow statement (Contd.) for the year ended 31st March, 2011

(Rupees in lacs)

	Year ended 31st March, 2011	Year ended 31st March, 2010
<b>C. CASH FLOW FROM FINANCING ACTIVITIES</b>		
Calls in arrears received during the year (including share premium)	0.06	0.04
Buyback of equity shares	(1,355.17)	–
Repayments of debenture	(140.00)	(143.00)
Repayments of other borrowings	(800.93)	(1,676.04)
Proceeds/ (repayments) of other borrowings (net)	811.23	(2,309.60)
Compensation received pursuant to Montreal Protocol for phasing out production of Ozone Depleting Substances - Capital reserve no. 2	–	414.58
Dividend paid (including Corporate dividend tax thereon)	(1,639.56)	(1,335.58)
Interest paid	(314.67)	(259.29)
<b>Net cash (used in)/ generated from financing activities</b>	<b>(3,439.04)</b>	<b>(5,308.89)</b>
<b>Net (decrease)/ increase in cash and cash equivalents</b>	<b>(6,107.66)</b>	<b>6,413.65</b>
Cash and cash equivalents at the beginning of the year	7,880.47	1,466.82
Cash and cash equivalents at the end of the year	1,772.81	7,880.47
<b>Note,</b>		
<b>Reconciliation of cash and cash equivalents</b>		
As per Balance sheet - schedule 8	1,822.31	8,077.92
<i>less</i> , interest accrued on bank deposits	49.71	197.65
Foreign exchange (gains) and losses	0.21	0.20
As per Cash-flow statement	<b>1,772.81</b>	<b>7,880.47</b>

In terms of our Report attached

For **Deloitte Haskins & Sells**  
Chartered Accountants  
Registration No. 117364W

**R. Salivati**  
Partner  
Membership No. 34004

**H. A. Mafatlal**  
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**R. Sankaran**  
**S. G. Mankad**  
**S. M. Kulkarni**

} Directors

Mumbai, dated, 29<sup>th</sup> April, 2011

## Schedules forming part of the consolidated accounts

(Rupees in lacs)

	As at 31st March, 2011	As at 31st March, 2010
<b>Schedule 1 SHARE CAPITAL</b>		
<b>Authorised</b>		
3,50,00,000 equity shares of Rs.10/- each	3,500.00	3,500.00
<b>Issued and subscribed (refer note 16 of schedule 17)</b>		
97,61,097 (previous year 1,00,99,889) equity shares of Rs. 10/- each, fully paid-up *	976.11	1,009.99
less, Calls in Arrears	0.43	0.44
<b>Total</b>	<b>975.68</b>	<b>1,009.55</b>

\* Includes 49,99,999 equity shares of Rs. 10/- each allotted as fully paid up to the shareholders of Mafatlal Industries Limited (MIL) pursuant to its scheme of demerger, without payment being received in cash.

### Note,

For options outstanding under Employee Stock Option Scheme refer note 21 of Schedule 17

<b>Schedule 2 RESERVES AND SURPLUS</b>		
<b>Capital reserve no. 1</b>		
Balance of excess of assets over liabilities and reserves taken over by the parent company pursuant to the scheme of demerger of MIL		
As per last Balance sheet	8,035.17	8,035.17
<b>Capital reserve no. 2</b>		
Compensation received by the parent company pursuant to the Montreal Protocol for phasing out production of Ozone Depleting Substances		
As per last Balance sheet	6,281.56	5,866.98
<b>add, received during the year</b>	<b>-</b>	<b>414.58</b>
	6,281.56	6,281.56
<b>Capital redemption reserve</b>		
Transferred from General reserve	33.88	-
<b>Share premium account</b>		
As per last Balance sheet	2,374.08	2,374.08
<b>less, utilised for buy-back of shares</b>	<b>1,321.29</b>	<b>-</b>
<b>less, amount in arrears (net of receipts during the year, Rs. 0.05 lacs; previous year, Rs. 0.03 lacs)</b>	<b>2.15</b>	<b>2.20</b>
	1,050.64	2,371.88
<b>Contingency reserve</b>		
Reserve created in terms of a corporate guarantee given by the parent company		
As per last Balance sheet	1,000.00	1,000.00
<b>Debenture Redemption Reserve</b>		
As per Last Balance Sheet	229.50	292.00
<b>add, transferred from profit and loss account during the year</b>	<b>-</b>	<b>80.50</b>
<b>less, transferred to General reserve</b>	<b>194.50</b>	<b>143.00</b>
	35.00	229.50
<b>General reserve</b>		
As per last Balance sheet	1,668.22	781.22
<b>add, transferred from Profit and Loss account during the year</b>	<b>716.50</b>	<b>744.00</b>
<b>add, transferred from Debenture redemption reserve</b>	<b>194.50</b>	<b>143.00</b>
<b>less, transferred to capital redemption reserve</b>	<b>33.88</b>	<b>-</b>
	2,545.34	1,668.22
Surplus in Profit and Loss account	13,884.75	9,193.65
<b>Total</b>	<b>32,866.34</b>	<b>28,779.98</b>

## Schedules forming part of the consolidated accounts

(Rupees in lacs)

	Notes	As at 31st March, 2011	As at 31st March, 2010
<b>Schedule 3 SECURED LOANS</b>			
<b>Debentures</b>			
140,000 (previous year 280,000) Zero Coupon Secured			
Convertible Debentures of Rs.100/- each (Redeemable on 6th August, 2011)	1	140.00	280.00
<b>Loans and advances from banks</b>			
Cash credit accounts	2	865.94	54.71
Loans and advances others			
Term loan accounts		–	800.93
		865.94	855.64
<b>Total</b>		<b>1,005.94</b>	<b>1,135.64</b>

### Notes,

1. Secured by first mortgage on the parent company's immovable property at first floor of Kalpataru Point, Sion, Mumbai.
2. Secured by hypothecation of certain stocks and book debts of the Company, both present and future and second charge created / to be created on all the fixed assets of the company situated at Bhestan and certain fixed assets at Dewas, (excluding land under development at Bhestan).

<b>Schedule 4 FIXED ASSETS</b>												
Asset category	Gross block				Depreciation				Impairment		Net Block	
	As at 1st April, 2010	Additions/ adjustments	Deductions/ adjustments	As at 31st March, 2011	Upto 31st March, 2010	For the year	Deductions/ adjustments	Upto 31st March, 2011	As at 1st April 2010	Adjustments during the year	As at 31st March, 2011	As at 31st March, 2010
Land	11.56	–	–	11.56	–	–	–	–	–	–	11.56	11.56
Buildings	3,400.23	6.56	–	3,406.79	425.90	66.49	–	492.39	–	–	2,914.40	2,974.33
Plant and machinery	19,551.94	4,025.57	738.12	22,839.39	6,762.73	1,179.67	231.87	7,710.53	11.33	(11.33)	15,128.86	12,777.88
Furniture, fittings and office equipment	358.95	313.90	103.58	569.27	177.86	21.84	16.81	182.89	–	–	386.38	181.09
Vehicles	344.34	62.64	41.07	365.91	101.82	32.00	26.48	107.34	7.69	(7.69)	258.57	234.83
<b>Assets retired from active use *</b>												
Buildings	316.31	–	316.31	–	128.35	–	128.35	–	140.05	(140.05)	–	47.91
Plant and machinery	1,673.65	0.88	1,674.53	–	960.10	–	960.10	–	300.16	(300.16)	–	413.39
Furniture, fittings and office equipment	37.49	0.29	37.78	–	26.45	–	26.45	–	10.50	(10.50)	–	0.54
<b>Total</b>	<b>25,694.47</b>	<b>4,409.84</b>	<b>2,911.39</b>	<b>27,192.92</b>	<b>8,583.21</b>	<b>1,300.00</b>	<b>1,390.06</b>	<b>8,493.15</b>	<b>469.73</b>	<b>(469.73)</b>	<b>18,699.77</b>	<b>16,641.53</b>
<b>Intangible</b>												
Computer Softwares	97.53	19.93	–	117.46	9.18	18.30	–	27.48	–	–	89.98	88.35
<b>Total</b>	<b>25,792.00</b>	<b>4,429.77</b>	<b>2,911.39</b>	<b>27,310.38</b>	<b>8,592.39</b>	<b>1,318.30</b>	<b>1,390.06</b>	<b>8,520.63</b>	<b>469.73</b>	<b>(469.73)</b>	<b>18,789.75</b>	<b>16,729.88</b>
As at and for the year ended 31st March, 2010	25,623.09	2,427.42	2,258.51	25,792.00	8,825.56	1,135.91	1,369.08	8,592.39	–	469.73	16,729.88	
Capital work-in-progress (including capital advances)											3,480.37	2,614.88

\* Assets were retired from active use on 31st March, 2009.



## Schedules forming part of the consolidated accounts

(Rupees in lacs)

	As at 31st March, 2011	As at 31st March, 2010
<b>Schedule 5 INVESTMENTS (Long Term)</b>		
<b>a) Other investments</b>		
1,77,47,072 equity shares of Mafatlal Denim Limited of Rs. 10/- each, fully paid-up	–	718.01
<i>less</i> , share of current year's loss	–	718.01
	–	–
9,300 equity shares of Mafatlal Services Limited of Rs. 100/- each, fully paid-up	12.74	12.74
4,81,600 equity shares of Cebon Apparel Private Limited of Rs. 10/- each, fully paid-up	9.03	9.03
150 * 11% Corporate bonds - series IV of Housing Development Finance Corporation Limited of Rs. 1,000/- each, fully paid-up	1.50	1.50
2 equity shares of Soushreyas Investments India Limited of Rs. 10/- each, fully paid-up - Rs. 20/- (Previous year Rs. 20/-)	–	–
2 equity shares of Samatva Investments Limited of Rs. 10/- each, fully paid-up - Rs. 20/- (Previous year Rs. 20/-)	–	–
6,00,00,000 Fully Redeemable Non-Cumulative preference shares of Rs. 10/- each, fully paid-up of Mafatlal Industries Limited	6,000.00	6,000.00
	6,023.27	6,023.27
<i>less</i> , provision for diminution in value	5,940.00	5,940.00
	83.27	83.27
<b>b) Immovable properties</b>		
As per last Balance sheet	2.58	2.58
<i>add</i> , purchased during the year	4,756.74	–
	4,759.32	2.58
<i>less</i> , depreciation		
i) As per last Balance sheet	2.09	2.06
ii) for the year	65.24	0.03
	67.33	2.09
	4,691.99	0.49
<b>Total</b>	<b>4,775.26</b>	<b>83.76</b>

**Note,**

\* pending transfer in the Company's name and not available for physical verification.

<b>Schedule 6 INVENTORIES</b>		
Stores and spares	1,068.09	625.77
<b>Stock-in-trade</b>		
Raw materials	2,789.55	2,632.74
Process stocks	–	53.20
Finished goods	1,651.75	1,397.47
Trading goods	0.81	8.63
	4,442.11	4,092.04
<b>Total</b>	<b>5,510.20</b>	<b>4,717.81</b>

## Schedules forming part of the consolidated accounts

(Rupees in lacs)

	As at 31st March, 2011	As at 31st March, 2010
<b>Schedule 7 SUNDRY DEBTORS (Unsecured)</b>		
Debts outstanding for a period exceeding six months	35.87	62.89
Other debts	5,670.62	3,853.94
	5,706.49	3,916.83
<i>less, provision</i>	20.37	20.58
<b>Total</b>	<b>5,686.12</b>	<b>3,896.25</b>
<b>Note,</b>		
Considered good	5,686.12	3,896.25
Considered doubtful	20.37	20.58
	<b>5,706.49</b>	<b>3,916.83</b>

<b>Schedule 8 CASH AND BANK BALANCES</b>		
Cash on hand (including cheques in hand Rs. 1.17 lacs; Previous year Rs. nil)	7.60	8.85
Balances with scheduled banks		
- in current accounts (refer note 2 below)	518.61	467.13
- in fixed deposit accounts (including interest accrued Rs. 49.71 lacs; as at 31st March, 2010, Rs. 197.65 lacs)	1,296.04	7,601.88
(on fixed deposit receipts of Rs. nil, a bank has lien; as at 31st March, 2010, Rs. 4,630.00 lacs)		
	1,814.65	8,069.01
Post Office savings bank account (security deposit)	0.06	0.06
(maximum amount Rs. 0.06 lac; as at 31st March, 2010, Rs. 0.06 lac)		
<b>Total</b>	<b>1,822.31</b>	<b>8,077.92</b>

### Notes,

1. Certain current accounts with bank, which have been transferred from MIL pursuant to its scheme of demerger, are in the process of being transferred in the parent company's name.
2. Bank balance in current accounts includes Rs. nil (as at 31st March, 2010, Rs. 0.07 lac) of unutilised monies from the first and final call on equity shares made by the Company in an earlier year.

## Schedules forming part of the consolidated accounts

(Rupees in lacs)

	As at 31st March, 2011	As at 31st March, 2010
<b>Schedule 9 LOANS AND ADVANCES (Unsecured unless otherwise stated)</b>		
Advances recoverable in cash or in kind or for value to be received (including secured Rs. 3,372.49 lacs; previous year Rs. 3,015.99 lacs) (refer note 6 of schedule 17)	9,459.90	8,115.71
Balances with Central Excise	2.58	5.05
Iraq Project work-in-progress	162.70	162.70
Advance tax (net of provision)	785.63	765.31
Fringe benefit tax (net)	12.25	12.25
	10,423.06	9,061.02
less, provision	36.06	47.79
<b>Total</b>	<b>10,387.00</b>	<b>9,013.23</b>
<b>Note,</b>		
Considered good	10,387.00	9,013.23
Considered doubtful	36.06	47.79
	10,423.06	9,061.02

<b>Schedule 10 CURRENT LIABILITIES</b>		
Sundry creditors		
- total outstanding dues of micro and small enterprises	-	-
- total outstanding dues of creditors other than micro and small enterprises	12,570.77	10,999.52
	12,570.77	10,999.52
Other liabilities *	350.63	1,053.99
Advances from customers	68.30	61.45
Advance against project contracts	303.24	303.24
Interest accrued but not due on loans	-	2.45
<b>Total</b>	<b>13,292.94</b>	<b>12,420.65</b>

\* includes Rs. 191.67 lacs (previous year Rs. 958.33 lacs) secured by pledge of investments of a group company.

<b>Schedule 11 PROVISIONS</b>		
For tax (net of advance tax)	515.74	7.45
Provision for gratuity	113.47	36.98
Provision for leave encashment	293.58	248.34
Proposed dividend	829.69	757.49
Corporate dividend tax	134.60	128.74
<b>Total</b>	<b>1,887.08</b>	<b>1,179.00</b>

## Schedules forming part of the consolidated accounts

(Rupees in lacs)

	Year ended 31st March, 2011	Year ended 31st March, 2010
<b>Schedule 12 OTHER INCOME</b>		
Interest		
- on bank deposits, etc. (TDS, Rs. 12.21 lacs; previous year, Rs. 12.64 lacs)	152.16	254.12
- on advances (TDS, Rs. 20.26 lacs; previous year, Rs. 20.26 lacs)	467.24	205.13
	619.40	459.25
Dividend on long-term investments (non-trade)	31.30	43.34
Rent from property	277.11	45.03
Air-conditioning charges and other receipts	9.21	12.00
Insurance claims	7.71	18.19
Provision for doubtful debts/ advances written back	15.20	5.53
Excess provision of earlier years written back (net)	0.72	–
Miscellaneous income	208.32	235.20
<b>Total</b>	<b>1,168.97</b>	<b>818.54</b>

<b>Schedule 13 INCREASE/ (DECREASE) IN STOCKS OF FINISHED GOODS AND PROCESS STOCKS</b>		
<b>Stocks as at 31st March, 2011</b>		
Finished goods	1,651.75	1,397.47
Trading goods	0.81	8.63
Process stocks	–	53.20
	1,652.56	1,459.30
<i>less,</i>		
<b>Stocks as at 1st April, 2010</b>		
Finished goods	1,397.47	1,848.20
Trading goods	8.63	–
Process stocks	53.20	132.91
	1,459.30	1,981.11
<b>Increase/ (Decrease)</b>	<b>193.26</b>	<b>(521.81)</b>

## Schedules forming part of the consolidated accounts

(Rupees in lacs)

	Year ended 31st March, 2011	Year ended 31st March, 2010
<b>Schedule 14 MANUFACTURING AND OTHER EXPENSES</b>		
Raw materials consumed	17,032.84	14,314.20
<b>Payments to and provisions for employees</b>		
Salaries, wages and bonus	2,481.64	2,078.64
Contribution to provident and other funds	340.50	241.64
Welfare expenses	156.77	136.22
	2,978.91	2,456.50
<b>Operating and Other expenses</b>		
Stores, spares and packing materials consumed	2,297.40	1,790.03
Power and fuel	2,775.86	2,076.75
Processing charges	24.21	31.34
Rent	210.83	77.29
Rates and taxes	210.86	118.36
Repairs to buildings	35.75	38.10
Repairs to machinery	287.56	211.88
Property maintenance expenses	16.21	19.12
Insurance	64.99	52.83
Communication expenses	83.84	70.54
Commission and discount	326.77	347.51
Transport and freight charges (net)	1,837.27	1,732.50
Loss on sale/ write off of fixed assets (net)	799.59	45.54
Provision for doubtful debts/ advances	3.28	20.36
Bad debts/ advances written off	19.62	–
Donations	15.00	16.75
Directors sitting fees	6.80	7.10
Legal and professional fees *	1,088.89	3,119.13
Miscellaneous expenses	1,574.77	1,250.41
<b>Total</b>	<b>31,691.25</b>	<b>27,796.24</b>

\* includes current market value of carbon credits given to overseas marketing and other service providers.

<b>Schedule 15 INTEREST</b>		
On fixed loans	40.70	162.51
On cash credit accounts	240.75	77.75
On Others	30.77	9.31
<b>Total</b>	<b>312.22</b>	<b>249.57</b>

# Schedules forming part of the consolidated accounts

## Schedule 16 SIGNIFICANT ACCOUNTING POLICIES

### 1. Basis of preparation of Financial Statements

The financial statements are prepared under historical cost convention on accrual basis of accounting and in accordance with generally accepted accounting principles.

### 2. Use of Estimates

The preparation of financial statements requires estimates and assumptions to be made that affect the reported 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 the actual results and estimates are recognised in the period in which the results materialise or are known.

### 3. Fixed assets

Fixed assets are recorded at cost of acquisition or construction. They are stated at historical cost less accumulated depreciation and impairment loss, if any.

### 4. Depreciation

Depreciation on fixed assets is provided on the straight-line basis in accordance with the Companies Act, 1956. (refer note 4 of schedule 17)

### 5. Impairment loss

Impairment loss is provided to the extent the carrying amount(s) of assets exceed their recoverable amount(s). Recoverable amount is the higher of an asset's net selling price and its value in use. Value in use is the present value of estimated future cash-flows expected to arise from the continuing use of the asset and from its disposal at the end of its useful life. Net selling price is the amount obtainable from sale of the asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

### 6. Investments

Long-term investments are carried at cost. Provision is made to recognise a diminution, other than temporary, in the carrying amount of long-term investments.

### 7. Inventories

Items of inventory are valued at cost or net realisable value, whichever is lower. Cost is determined on the following basis:

Raw materials, stores and spares - Weighted average

Process stocks and finished goods - At material cost plus appropriate value of overheads

Trading goods - FIFO

### 8. Retirement and other employee benefits

a. Contributions are made towards Provident fund, Family pension fund and Superannuation fund, which are defined contribution schemes. Liability in respect thereof is determined on the basis of contribution required to be made under the statute/ rules.

b. Gratuity liability, a defined benefit scheme, and provision for leave encashment is accrued and provided for on the basis of actuarial valuations made at the year end.

### 9. Foreign currency transactions

Transactions in foreign currency are recorded at the original rates of exchange in force at the time the transactions are effected. At the year-end, monetary items denominated in foreign currency and forward exchange contracts are reported using closing rates of exchange. Exchange differences arising thereon and on realisation/ payment of foreign exchange are accounted, in the relevant year, as income or expense.

In case of forward exchange contracts, or other financial instruments that are in substance forward exchange contracts, the premium or discount arising at the inception of the contracts is amortised as expense or income over the life of the contracts. Gains/ losses on settlement of transactions arising on cancellation/ renewal of forward exchange contracts are recognized as income or expense.

### 10. Borrowing costs

Borrowing costs that are attributable to the acquisition, construction or production of qualifying assets are capitalised as part of the cost of such assets. A qualifying asset is one that necessarily takes a substantial period of time to get ready for its intended use. All other borrowing costs are charged to revenue.

### 11. Revenue recognition

Revenue (income) is recognised when no significant uncertainty as to its determination or realization exists. Turnover includes carbon credits which are recognised on delivery thereof or sale of rights therein as the case may be, in terms of the contracts with the respective buyers.

## Schedules forming part of the consolidated accounts

### Schedule 16 SIGNIFICANT ACCOUNTING POLICIES (Contd.)

#### 12. Taxes on income

Tax expense comprise both current and deferred tax at the applicable enacted/ substantively enacted rates. Current tax represents the amount of income-tax payable/ recoverable in respect of the taxable income/ loss for the reporting period. Deferred tax represents the effect of timing differences between taxable income and accounting income for the reporting period that originate in one period and are capable of reversal in one or more subsequent periods.

#### 13. Provisions and contingencies

A provision is recognised when there is a legal and constructive obligation as a result of a past event, for which it is probable that cash outflow will be required and a reliable estimate can be made of the amount of the obligation. A contingent liability is disclosed when there is a possible or present obligation where it is not probable that an outflow of resources will be required to settle it. Contingent assets are neither recognised nor disclosed.

#### 14. Employee stock option

Measurement and disclosure of the employee share-based payment plans is done in accordance with the Guidance Note on Accounting for Employee Share-based Payments, issued by The Institute of Chartered Accountants of India. Compensation expense is amortised over the vesting period of the option on a straight line basis. The Company measures compensation cost relating to employee stock options using the intrinsic value method.

#### 15. Intangible assets

Intangible assets are stated at cost of acquisition less accumulated amortisation. Computer Softwares which are capitalised, are amortised over a period of 6 years on straight-line basis.

### Schedule 17 NOTES ON ACCOUNTS

(Rupees in lacs)

	As at 31st March, 2011	As at 31st March, 2010
1. Estimated amount of contracts remaining to be executed on capital account and not provided for	767.80	770.37
2. Contingent liabilities in respect of:		
a. Excise matters disputed in appeal		
These relate to MODVAT on capital purchases (pending before the Assistant Commissioner) and permit fee on purchase of alcohol (pending before the High Court)	158.42	91.48
b. Sales-tax matters disputed in appeal		
These relate to classification of goods and consequent dispute on the rates of sales-tax (pending at various stages from Assistant Commissioner to High Court)	209.42	207.14
c. Claims against the Group not acknowledged as debts		
Labour matters involving issues like regularisation of employment, termination of employment, compensation against severance, etc.	22.34	23.34
d. Income tax matters disputed in appeal	714.23	689.47

In all the above matters, the Group is hopeful of succeeding and as such does not expect any significant liability to crystallise.

3. a) The consolidated financial statements of Navin Fluorine International Limited (the parent company - NFIL) and its subsidiaries and an associate have been prepared in accordance with Accounting Standard (AS) 21 on 'Consolidated Financial Statements' and AS 23 on 'Accounting for Investments in Associates in Consolidated Financial Statements' issued by the Institute of Chartered Accountants of India. The details of such enterprises are as under:

Subsidiaries	% holding of NFIL	Date of financial statements
Sulakashana Securities Limited - SSL (a company incorporated in India)	100.00	31st March, 2011
Urvija Associates (a partnership firm in India)	80.00	31st March, 2011
<b>Associate – a company incorporated in India</b>		
Mafatlal Denim Limited – MDL	43.29	31st March, 2011

#### Note,

There has been no change in the percentage holding of NFIL in SSL and Urvija Associates. In case of MDL, the percentage holding as on 31st March, 2010 was 49.99%.

## Schedules forming part of the consolidated accounts

### Schedule 17 NOTES ON ACCOUNTS (Contd.)

#### b) In respect of MDL:

(Rupees in lacs)

	Year ended 31st March, 2011	Year ended 31st March, 2010
Carrying value	2,514.12	2,514.12
Less: Capital Reserve	(961.39)	(961.39)
Post acquisition share in reserves and surplus as at the date of the financial statements.	(1,552.73)	(1552.73)
Carrying amount of investment as at the year end	--	--

4. Depreciation has been provided for on all fixed assets on straight-line basis in accordance with the provisions of the Companies Act, 1956, at the rates and in the manner specified in schedule XIV of the Act. In respect of Speciality Chemicals, Cryolite, Aluminium Fluoride, Refrigerant Gases, ABF Plants, Fluoroaniline Plants, R & D Pilot Plant and Captive Power Plant depreciation have been provided for at the rate applicable to continuous process plants.
5. a) The Board for Industrial & Financial Reconstruction (BIFR) declared Mafatlal Industries Limited (MIL) a sick industrial undertaking and sanctioned a scheme for its rehabilitation (SS). Pursuant to this:
  - i) the Chemical Division of MIL was demerged and vested in the Company with effect from 1st March, 2002, as a going concern.
  - ii) Sulakshana Securities Ltd (SSL) the wholly-owned subsidiary of the Company, took over certain identified assets and term loan liabilities of MIL with the objective of repaying them by disposing off the assets thus transferred.
 b) In terms of the settlements reached by MIL - SSL in the discharge of term loan liabilities of MIL taken over under 5(a)(ii) above:
  - i) As at the year end, the aggregate value of interest free monies advanced to and debentures issued on behalf of SSL by the parent company is Rs. 2,799.07 lacs (previous year Rs. 2,794.07 lacs). The market value of the assets remaining in SSL after repayment of the liabilities taken over from MIL far exceeds the value owed by SSL.
  - ii) the parent company gave a corporate guarantee of Rs. 1,000.00 lacs against which a contingency reserve of Rs. 1,000.00 lacs has been created equitably over four years from 2005-2006 as required by the lenders.
6. The parent company decided to assist MIL in its rehabilitation efforts in view of its substantial investment in MIL's shares and has from time to time taken several steps which, broadly are as follows:
  - a) Advanced monies to a group company aggregating to Rs. 2,594.42 lacs (previous year Rs. 2,412.48 lacs) including interest, at year end to enable the settlement of loan liabilities of MIL.
  - b) Taken over loan liabilities of MIL of Rs. 6,534.12 lacs, which aggregate to a value of Rs 3,372.49 lacs (previous year Rs. 3,015.99 lacs ) at year end.

The net worth of MIL has turned positive based on the their accounts as on 31st May, 2010 and consequently it has been deregistered from BIFR. The settlement of the amounts in (a) and (b) above is dependent on the realisation of value from the sale of assets of MIL.
7. a) As mentioned in Note 5 above, BIFR had declared MIL a sick industrial undertaking and sanctioned a scheme of rehabilitation (SS). In the SS, SSL was identified as a 'special purpose vehicle' into which the Real Estate and Investment Business of MIL was demerged for settlement of MIL's secured term lenders at the values determined in the SS. Against this demerger, the shareholders of MIL were to be issued one equity share of Rs. 10/- each fully paid-up in the Company for every 500 shares of Rs. 100/- each fully paid-up held in MIL as consideration for the demerger, aggregating to Rs. 1.00 lac. Accordingly, assets valued as per SS of Rs. 14,905.59 lacs along with settled values of secured term liabilities of the like amount had been transferred to the Company on the Appointed Date (1st April, 2002) and effect given in the accounts in the relevant year.
  - b) In respect of other settled values of secured term liabilities of MIL transferred to the Company settlement had been reached in the previous years.
 

For paying off settlement amounts, monies have been borrowed from the parent company. In terms of the SS, the parent company has residuary rights on the assets of SSL as available to a guarantor under section 140 and 141 of Indian Contract Act, for all payments made by it towards such repayment of dues.
8. As mentioned in note 7 above, SSL has been identified as a 'special purpose vehicle' in the process of implementation of the SS of MIL. Therefore, though the accumulated losses have exceeded its shareholders' funds as at 31st March, 2011, the accounts of the Company have been prepared on going concern basis. Further the market value of the immovable property is much higher than the cost.



## Schedules forming part of the consolidated accounts

### Schedule 17 NOTES ON ACCOUNTS (Contd.)

9. a) The parent company has taken office and residential premises under operating lease or leave and license agreements. These are generally cancelable in nature and range between 11 months to 36 months. These leave and license agreements are generally renewable or cancelable at the option of the Company or the Lessor. The lease payment recognised in the profit and loss account is Rs. 210.83 lacs (Previous Year Rs. 77.29 lacs).

- b) The company has taken office premise under lease rental agreement. Details of minimum lease payments for non-cancellable lease are as under:

(Rupees in lacs)

Particulars	As at 31st March, 2011	As at 31st March, 2010
Not later than one year	142.80	–
Later than one year and not later than five years	476.70	–
Later than five years	–	–
<b>Total</b>	<b>619.50</b>	<b>–</b>

- c) The company has given office premises under lease rental agreement. Details of rent income are as under:

(Rupees in lacs)

Particulars	As at 31st March, 2011	As at 31st March, 2010
Not later than one year	266.93	–
Later than one year and not later than five years	992.07	–
Later than five years	–	–
<b>Total</b>	<b>1259.00</b>	<b>–</b>
Operating lease rentals credited to the Profit and Loss a/c.	117.46	–

- d) Other details of premises which have been given on operating lease for a period of upto sixty months are as under:

(Rupees in lacs)

Particulars	As at 31st March, 2011	As at 31st March, 2010
Gross block as at the year end	5106.80	2.58
Accumulated depreciation as at the year end	110.51	2.08
Depreciation charged during the year	70.90	0.03

10. MIL was executing a project in Iraq when hostilities broke out between Iraq and Kuwait in 1990-91, resulting in suspension of project work. In view of the post war sanctions imposed by the United Nations and the Government of India, suspended operations could not be resumed. The customer's bankers have asked for extension of bank guarantees for advance payment and performance and the State Bank of India (SBI), in turn, had claimed that the funds deposited with them in respect of the aforesaid project are subject to lien which was subsequently released on alternate arrangements. In view of the continuing uncertain circumstances, the receipts and payments under the contracts, transferred to the Company pursuant to the SS of MIL, continue to be carried forward and necessary adjustments would be made on the status of the project becoming clearer.

11. Major components of deferred tax assets and (liabilities) are as under:

(Rupees in lacs)

Particulars	Year ended 31st March, 2011	Year ended 31st March, 2010
Difference between book and tax written down values of fixed assets	(2,737.00)	(2,886.69)
Provision for doubtful debts/ advances	141.72	152.53
Provision for diminution in value of investments	648.90	679.80
Others	32.41	(45.47)
<b>Total</b>	<b>(1913.97)</b>	<b>(2,099.83)</b>

## Schedules forming part of the consolidated accounts

### Schedule 17 NOTES ON ACCOUNTS (Contd.)

#### 12. Managerial remuneration:

(Rupees in lacs)

Particulars	Year ended 31st March, 2011	Year ended 31st March, 2010
Salaries	197.10	186.21
Contribution to provident and other funds	33.76	30.28
Perquisites	43.76	40.76
Commission	254.40	304.30
<b>Total</b>	<b>529.02</b>	<b>561.55</b>

**Note,**

The above excludes contribution for gratuity and leave encashment as the incremental liability has been accounted for by the Company as a whole.

#### 13. Earnings per share is calculated by dividing the profit attributable to the equity shareholders by the weighted average number of equity shares outstanding during the year, as under:

(Rupees in lacs)

	Current year	Previous year
Profit attributable to equity shareholders – Rupees in lacs	7134.49	8,245.90
Weighted average number of equity shares outstanding during the year	10,075,756	10,099,889
Basic / Diluted earnings per share – Rupees	70.81	81.64
Nominal value per share – Rupees	10.00	10.00

**Note,**

Stock options granted to certain executives not being dilutive have not been considered for the purpose of computing diluted earnings per share.

#### 14. Research and development expenditure debited to the Profit and loss account by charge to relevant heads of account amount to Rs. 434.75 lacs (previous year, Rs. 270.90 lacs).

#### 15. Out of the rights issue made by the parent company during 2004-05, 109 equity shares could not be offered on rights basis in view of the non-availability of details of beneficial holders from depositories. The same are kept in abeyance.

#### 16. Pursuant to the decision of the Board of Directors of the Company taken in its meeting held on 24th September, 2010, the Company bought back 3,38,792 equity shares of nominal value of Rs. 10 each for an aggregate value of Rs. 1355.17 lacs at a price of Rs. 400.00 per share during the year under Section 77A of the Companies Act, 1956 through tender offer by utilising the Share Premium account to the extent of Rs. 1321.29 lacs. The Capital Redemption Reserve has been created out of General Reserve for Rs. 33.88 lacs being the nominal value of shares thus bought back. All the equity shares bought back have been extinguished by 5th March, 2011.

#### 17. Before transfer of assets to SSL by MIL (refer note 5 above) pursuant to its SS, MIL had issued notices to its erstwhile tenants in its building at Nariman Point, Mumbai for revision in rent/ recovery of expenses. Pending settlement with them, aggregate rent, of Rs. 66.42 lacs for the period when they were tenants (previous year Rs 66.42 lacs) and recovery of expenses, of Rs. 42.40 lacs (Previous year Rs. 42.40 lacs), have not been accounted, on legal advice.

#### 18. Excise duty deducted from turnover represents excise duty collected on sale of goods. Excise duty shown under 'expenditure' represents the aggregate of excise duty borne by the Group and difference between excise duty on opening and closing stocks of finished goods.

#### 19. SSL's current account with the Bank of Baroda had been attached by the Income-tax authorities in the earlier years against their demands and an amount of Rs. 7.29 lacs has been withdrawn by them towards such demands.

#### 20. SSL has applied for the change of name to Registrar of Companies from Sulakshana Securities Pvt Ltd to Sulakshana Securities Ltd.

#### 21. Employee Stock Option Scheme

- The NFIL Employee Stock Option Scheme has been approved by the Board of Directors of the Company on 1st May 2007.
- The vesting period is over four years from the date of grant, commencing after one year from the date of grant.
- Exercise Period would commence one year from date of grant and will expire on completion of ten years from the date of vesting.
- The options will be settled in equity shares of the company.
- The company used the intrinsic value method to account for ESOPs.
- The exercise price has been determined to be the market price on the days preceding the dates of grants.

## Schedules forming part of the consolidated accounts

### Schedule 17 NOTES ON ACCOUNTS (Contd.)

- g. Consequently, no compensation cost has been recognized by the company in accordance with the "Guidance Note on Accounting for Employee Share-based payments" issued by the Institute of Chartered Accountants of India.
- h. Details of movement of options:

Particulars	As at 31st March, 2011 Nos.	As at 31st March, 2010 Nos.
Options outstanding at the beginning of the year	36,300	36,300
Options granted during the year	NIL	NIL
Options vested during the year	9,075	9,075
Options exercised during the year	NIL	NIL
Options forfeited during the year	NIL	NIL
Options lapsed during the year	NIL	NIL
Options outstanding at the end of the year	36,300	36,300

- i. Had fair value method been used, the compensation cost would have been higher by Rs. 17.33 lacs (previous year Rs 17.33 lacs), Profit after tax would have been lower by Rs. 11.39 lacs (previous year Rs. 11.77 lacs) and EPS – both basic and diluted - would have been Rs. 70.70 per share (previous year Rs. 81.47 per share).
- j. Weighted Average exercise price of the above options is Rs. 381/- per share.

#### 22. a) Derivative instruments

The Group enters into forward contracts to offset foreign currency risks arising from the amounts denominated in currencies other than the Indian Rupee. The counter party to such forward contracts is a bank. These contracts are entered into, to hedge the foreign currency risks on firm commitments. Details of forward contracts outstanding as at the year end:

Currency	Exposure to buy / sell	As at the year end	
		Rupees in lacs	Foreign currency in lacs
US Dollars	Buy	– (959.14)	– (20.07)

**Note:** Figures in brackets are for the previous year.

- b) Net exchange difference in respect of forward contracts to be credited/ debited in subsequent accounting year amounts to Rs. nil (as at 31st March, 2010, debited, Rs. 27.83)
- c) Foreign currency exposure at the year end not hedged by derivative instruments (Rupees in lacs)

	As at 31st March, 2011	As at 31st March, 2010
<b>Receivables against export of goods and services</b>		
Rupees	1,960.68	1,286.06
US Dollars	44.08	20.22
Euros	–	6.29
<b>Advance received from customers</b>		
Rupees	11.80	18.92
US Dollars	0.26	0.42
<b>Payables against import of goods and services</b>		
Rupees	5,765.01	3,498.81
US Dollars	128.34	78.07
<b>Advance payment to suppliers</b>		
Rupees	197.53	110.00
US Dollars	1.92	0.92
Euros	1.21	1.15
Yens	50.50	–
Pound	0.13	–

- d) The net amount of exchange gain included in the Profit and loss account for the year is Rs. 95.16 lacs (previous year loss, Rs.103.45 lacs).

## Schedules forming part of the consolidated accounts

### Schedule 17 NOTES ON ACCOUNTS (Contd.)

#### 23. Employee benefits

Contributions are made to Recognized Provident Fund / Government Provident Fund and Family Pension Fund which covers all regular employees. Contribution is also made in respect of executives to a Recognized Superannuation Fund. While both the employees and the Company make predetermined contributions to the Provident Fund, contribution to the Family Pension Fund and Superannuation Fund are made only by the Company. The contributions are normally based on a certain proportion of the employee's salary. Amount recognized as expense in respect of these defined contribution plans, aggregate to Rs. 227.01 lacs (previous year, Rs. 165.75 lacs).

ASB Guidance on Implementing AS 15, Employee Benefits (revised 2005) states that benefits involving employer established provident funds, which require interest shortfalls to be recompensed, are to be considered as defined benefit plans. Pending the issuance of the guidance note from the Actuarial Society of India, the company's actuary has expressed inability to reliably measure provident fund liabilities. Accordingly the company is unable to exhibit the related information.

Contributions are made to a Recognized Gratuity Fund in respect of gratuity and provision is made for leave encashment based upon actuarial valuation done at the end of every financial year using 'Projected Unit Credit' method and it covers all regular employees. Major drivers in actuarial assumptions, typically, are years of service and employee compensation. Gains and losses on changes in actuarial assumptions are accounted for in the Profit and Loss account.

The charge on account of provision for gratuity and leave encashment has been included in 'Contribution to provident fund and other funds' and 'Salaries, wages and bonus' respectively.

In respect of gratuity (funded) :

(Rupees in lacs)

	Current year	Previous year
<b>Reconciliation of liability recognised in the Balance sheet</b>		
Present value of commitments	(886.27)	(743.75)
Fair value of plan assets	772.80	706.77
Net liability in the Balance sheet	(113.47)	(36.98)
<b>Movement in net liability recognised in the Balance sheet</b>		
Net liability as at beginning of the year	(36.98)	(51.32)
Net expense recognized in the Profit and Loss account	(113.47)	(56.98)
Contribution during the year	36.98	71.32
Net liability as at end of the year	(113.47)	(36.98)
<b>Expense recognized in the Profit and Loss account</b>		
Current service cost	33.95	32.05
Interest cost	59.50	51.41
Expected return on plan assets	(56.54)	(53.88)
Actuarial (gains)/ losses	76.56	27.40
Expense charged to the Profit and Loss account	113.47	56.98
<b>Return on plan assets</b>		
Expected return on plan assets	56.54	53.88
Actuarial gains/ (losses)	0.45	(10.34)
Actual return on plan assets	56.99	43.54
<b>Reconciliation of defined-benefit commitments</b>		
Commitments as at beginning of the year	743.76	663.68
Current service cost	33.95	32.05
Interest cost	59.50	51.41
Paid benefits	(27.95)	(20.45)
Actuarial (gains)/ losses	77.01	17.06
Commitments as at end of the year	886.27	743.76
<b>Reconciliation of plan assets</b>		
Plan assets as at beginning of the year	706.77	612.36
Expected return on plan assets	56.54	53.88
Contributions during the year	36.98	71.32
Paid benefits	(27.95)	(20.45)
Actuarial gains/ (losses)	0.45	(10.34)
Plan assets as at end of the year	772.79	706.77

## Schedules forming part of the consolidated accounts

### Schedule 17 NOTES ON ACCOUNTS (Contd.)

The actuarial calculations used to estimate commitments and expenses in respect of gratuity are based on the following assumptions which if changed, would affect the commitment's size, funding requirements and expense:

	Current year	Previous year
Discount rate	8.25%	8.00%
Expected return on plan assets	8.00%	8.00%
Expected rate of salary increase	5.50%	5.50%
Mortality	LIC (1994-96) Ultimate	
<b>Experience adjustment:</b>		
On plan liability (Gain)/ Loss	91.70	43.15
On plan assets Gain/ (Loss)	0.45	(10.34)
The fair value of the plan assets is distributed in the following manner:	%	%
Deposits with a nationalized bank	55.01	60.30
Various debt instruments	44.99	39.70

### 24. Segment information

#### Primary

'Business' is the primary segment of the Company, comprising of 'chemicals' only.

#### Secondary

The Company has two geographical segments based upon location of its customers - within and outside India: (Rupees in lacs)

Particulars	As at and for the year ended 31st March, 2011			As at and for the year ended 31st March, 2010		
	Domestic	Exports	Total	Domestic	Exports	Total
Revenues	23,708.86	21,246.42	44,955.28	17,012.95	27,135.41	44,148.36
	Within India	Outside India	Total	Within India	Outside India	Total
Segment assets	42,434.96	2,111.59	44,546.55	36,255.64	1,429.84	37,685.48
Cost incurred on acquisition of fixed assets	5,295.26	–	5,295.26	2,393.88	–	2,393.88

### 25. Payment to auditors:

(Rupees in lacs)

	Year ended 31st March, 2011	Year ended 31st March, 2010
Audit fees	11.25	11.11
Tax audit fee	3.00	3.00
As advisor or any other capacity in respect of taxation matter	11.60	–
In any other manner (Certification work, etc.)	10.15	5.65
Service tax	4.74	2.08
Reimbursement of expenses	–	0.58
<b>Total</b>	<b>40.74</b>	<b>22.42</b>

### 26. Related party transactions

Names of related parties and description of relationship where transactions have taken place during the year/ previous year

#### Key management personnel

Shri Hrishikesh A. Mafatlal (in the capacity of an individual/ trustee)

Shri Vishad P. Mafatlal (in the capacity of an individual/ karta)

Shri Atul K. Srivastava

Shri Satish D Kakade (upto 31.12.2010)

Shri Shekhar Khanolkar

#### Relatives of key management personnel

Shri Arvind N. Mafatlal (in the capacity of an individual/ karta/ trustee)

Smt. Sushilaben A. Mafatlal (upto 20.11.2010)

Smt. Rekha H. Mafatlal

Smt. Aarti Chaddha

Ms. Anjali H. Mafatlal

Mr. Priyavrata H. Mafatlal

Ms. Padmaja Mafatlal

## Schedules forming part of the consolidated accounts

### Schedule 17 NOTES ON ACCOUNTS (Contd.)

#### Associate

Mafatlal Denim Limited

#### Enterprises over which key management personnel and their relatives are able to exercise significant influence

Mafatlal Industries Limited

Mafatlal Fabrics Private Limited

NOCIL Limited

Mafatlal Impex Private Limited

Vibhadeep Investments and Trading Limited

Sushripada Investments Private Limited

Sudas Manufacturing & Trading Limited

Surekha Holdings Private Limited

Sarvamagala Holdings Private Limited

Shamir Texchem Private Limited

Marigold International Private Limited

Pamil Investments Private Limited

Navlekh Investments Limited

Milap Texchem Private Limited

Krishnadeep Housing Development Private Limited

Arvi Associates Private Limited

Shripad Associates Private Limited

Sunanda Industrial Machinery Limited

#### Details of transactions with related parties during the year/ previous year

(Rupees in lacs)

Nature of transactions	1	2	3	4	5	Total
<b>Sale of finished goods</b>						
NOCIL Limited	7.26					7.26
	5.05					5.05
Mafatlal Industries Limited	–					–
	0.03					0.03
<b>Property Maintenance Expenses</b>						
Mafatlal Industries Limited	16.20					16.20
	19.12					19.12
<b>Rental Income</b>						
NOCIL Limited	31.77					31.77
	31.77					31.77
<b>Interest Income</b>						
Sunanda Industrial Machinery Ltd	202.60					202.60
	202.60					202.60
Mafatlal Industries Limited	261.41					261.41
	–					–
<b>Purchase of cloth for uniform</b>						
Mafatlal Fabrics Private Limited	1.93					1.93
	11.13					11.13
<b>Managerial remuneration</b>						
Shri Hrishikesh A. Mafatlal				202.74		202.74
				244.22		244.22
Shri Vishad P.Mafatlal				5.00		5.00
				5.00		5.00
Shri Atul K. Srivastava				117.71		117.71
				111.89		111.89
Shri Satish Kakade (upto 31.12.2010)				88.27		88.27
				106.40		106.40
Shri Shekhar Khanolkar				90.30		90.30
				69.04		69.04

## Schedules forming part of the consolidated accounts

### Schedule 17 NOTES ON ACCOUNTS (Contd.)

#### Details of transactions with related parties during the year/ previous year

(Rupees in lacs)

Nature of transactions	1	2	3	4	5	Total
<b>Sitting fees</b>						
Shri Vishad P. Mafatlal				0.80		0.80
				0.80		0.80
<b>Deposit given to</b>						
Mafatlal Industries Limited	–					–
	128.90					128.90
<b>Advances given to</b>						
Mafatlal Industries Limited	103.89					103.89
	159.37					159.37
<b>Repayment of Advance from</b>						
Sunanda Industrial Machinery Ltd	20.25					20.25
	20.25					20.25
<b>Dividend paid</b>						
Mafatlal Impex Private Limited	151.93					151.93
	124.80					124.80
NOCIL Limited	79.29					79.29
	65.12					65.12
Others	213.62			41.23	33.83	288.68
	175.48			36.73	26.32	238.53
<b>As at the year end</b>						
<b>Amounts due to</b>						
Mafatlal Fabrics Private Limited	1.93					1.93
	–					–
Shri Hrishikesh A. Mafatlal				166.90		166.90
				214.30		214.30
Shri Vishad P. Mafatlal				5.00		5.00
				5.00		5.00
Shri Satish Kakade (upto 31.12.2010)				20.00		20.00
				30.00		30.00
Shri Atul K. Srivastava				30.00		30.00
				30.00		30.00
Shri Shekhar Khanolkar				7.50		7.50
				–		–
<b>Amounts due from</b>						
Mafatlal Industries Limited	3,410.34					3,410.34
	3,173.39					3,173.39
Mafatlal Denim Limited		0.83				0.83
		1.61				1.61
Sunanda Industrial Machinery Limited	2,594.82					2,594.82
	2,412.48					2,412.48
NOCIL Limited	0.61					0.61
	30.27					30.27

- Enterprises over which key management personnel and their relatives are able to exercise significant influence
- Associate
- Related parties where control exists
- Key management personnel
- Relatives of key management personnel

#### Notes,

- There are no provision for doubtful debts or amounts written off or written back in respect of debts due from or to related parties.
- Figures in italics are those as at and for the year ended 31st March, 2010

## Schedules forming part of the consolidated accounts

### Schedule 17 NOTES ON ACCOUNTS (Contd.)

27. The Company has not attached accounts of its subsidiary vide Ministry of Corporate Affairs circular reference no 2/2011 dated 8th February, 2011.

The details of subsidiary are as under :

Sr No.	Name of the Subsidiary Company	Sulakshana Securities Limited (Wholly owned subsidiary)	
		Year ended 31st March, 2011	Year ended 31st March, 2010
	<b>Extent of the Holding Company's interest in Subsidiary :-</b>		
	No of Shares	150,000	150,000
	% of Capital	100%	100%
		<b>(Rupees in lacs)</b>	<b>(Rupees in lacs)</b>
1	Capital	15.00	15.00
2	Reserves	Nil	Nil
	Debit Balance of Profit & Loss A/c	1,224.71	1,194.80
3	Total Assets (Fixed Assets + Investments + Current Assets)	1,595.96	1,616.08
4	Total Liabilities (Debts + Current Liabilities)	2,805.67	2,795.88
5	Details of Investments	Nil	Nil
6	Income	25.00	28.23
7	Profit before Tax	(27.11)	(21.89)
8	Provision for Tax	2.80	3.07
9	Profit after Tax	(29.91)	(24.96)
10	Proposed Dividend	Nil	Nil

28. Previous year figures have been regrouped, wherever necessary, to correspond with those of the current year.

#### Signatures to schedule 1 to 17

**H. A. Mafatlal**  
Chairman

**S. S. Khanolkar**  
Managing Director

**T. M. M. Nambiar**  
**S. S. Lalbhai**  
**A. K. Srivastava**  
**P. N. Kapadia**  
**R. Sankaran**  
**S. G. Mankad**  
**S. M. Kulkarni**

} Directors

**N. B. Mankad**  
Company Secretary

Mumbai, dated, 29<sup>th</sup> April, 2011



