NAVIN FLUORINE
INTERNATIONAL LIMITED
ANNUAL REPORT 2009-10

EXTENDING OUR CAPABILITIES

ARVIND MAFATLAL GROUP
The ethics of excellence

Forward-looking statement

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

We cannot guarantee that these forward-looking statements will be realized, although we believe we have been prudent in our assumptions. The achievement of results is subject to risks, uncertainties and even inaccuracies in our assumptions. Should known or unknown risks or uncertainties materialize, or should underlying assumptions prove inaccurate, actual results could vary materially from those anticipated, estimated or projected.

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

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Corporate Information

Shri A. N. Mafatlal	Chairman Emeritus

Board of Directors

Shri H. A. Mafatlal	Chairman
Shri T. M. M. Nambiar	Director
Shri P. N. Kapadia	Director
Shri S. S. Lalbhai	Director
Shri S. M. Kulkarni	Director
Shri R. Sankaran	Director
Shri V. P. Mafatlal	Director
Shri S. D. Kakade	Managing Director
Shri A. K. Srivastava	Finance Director
Shri S. S. Khanolkar	President - Fluorochemicals

Company Secretary
Shri N. B. Mankad

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

Auditors
Messrs Deloitte Haskins & Sells
Chartered Accountants

Solicitors
Vigil Juris

Registered Office:
1st floor, Kalpataru Point, Kamani Marg,
Sion (East),
Mumbai 400022.
Tel: 91 22 6650 9999 / 2404 3300
Fax: 91 22 6650 9800

New Registered Office (w.e.f. 1st July, 2010)
2nd Floor, Suntek Centre,
37/40, Subhash Road,
Vile Parle (East),
Mumbai 400057.
E-mail: info@nfil.in
Website: www.nfil.in

Units
Navin Fluorine, Surat 395023 (Gujarat)
Navin Fluorine, Dewas 455022 (M.P.)

Registrar & Share Transfer Agent
Sharepro Services (India) Pvt. Ltd.
Samhita Warehousing Complex, 2nd Floor,
Gala No.52 to 56, Bldg. No.13 A-B,
Near Sakinaka Telephone Exchange,
Andheri-Kurla Road, Sakinaka, Mumbai 400072.
Tel: 91 22 6772 0300 / 6772 0400
Fax: 91 22 2859 1568 / 2850 8927
E-mail: sharepro@shareproservices.com

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

12th Annual General Meeting
On Monday, the 21st June 2010
At 3.00 p.m. at Rama Watumull Auditorium,
K.C. College, Dinshaw Wacha Road,
Churchgate, Mumbai 400020.

1. Shareholders intending to require information about accounts to be explained in the meeting are requested to inform the Company at least seven days in advance of the Annual General Meeting.
2. Shareholders are requested to bring their copy of the Annual Report to the Meeting as the practice of handing out copies of the Annual Report at the Annual General Meeting has been discontinued in view of the high cost of paper and printing.
3. The Listing Fees for the year 2010-2011 have been paid by the Company to Mumbai, Ahmedabad and National Stock Exchanges wherein the shares of the Company are listed.

NOTICE

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

1. To consider and adopt the Directors' Report, the Audited Financial Statements including Profit and Loss Account for the year ended 31st March 2010 and the Balance Sheet as at that date and the Auditors' Report thereon.

2. To confirm the payment of Interim Dividend on Equity Shares for the year 2009-2010 and to declare Final Dividend.

3. To appoint a Director in place of Shri Sharad M. Kulkarni, who retires by rotation, and being eligible offers himself for reappointment.

4. To appoint a Director in place of Shri R. Sankaran, who retires by rotation, and being eligible offers himself for reappointment.

5. To appoint Auditors, to hold office from the conclusion of this Meeting until the conclusion of the next Annual General Meeting and to fix their remuneration."

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

   "**RESOLVED THAT** pursuant to Section 163 (1) and other applicable provisions, if any, of the Companies Act, 1956, the Register of Members, Index of Members, Register and Index of Debenture Holders, if any, in respect of shares and debentures issued by the Company from time to time, and copies of all Annual Returns prepared under Sections 159 and 160, together with copies of certificates and documents required be annexed thereto under Sections 160 and 161, be kept at the Office of the Registrar and Share Transfer Agent of the Company, M/s. Sharepro Services (India) Pvt. Ltd., Samhita Warehousing Complex, 2nd floor, Gala No. 52 to 56, Building No. 13 A-B, Near Sakinaka Telephone Exchange, Andheri – Kurla Road, Sakinaka, Mumbai 400072."

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

   "**RESOLVED THAT** pursuant to the provisions of Section 31 of the Companies Act, 1956, the Articles of Association of the Company be and is hereby altered in the following manner:

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

   Buy Back of Shares & Securities

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

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

Regd. Office:	By Order of the Board,
1st floor, Kalpataru Point	**N.B. Mankad**
Kamani Marg, Sion (East)	Company Secretary
Mumbai 400022	
Mumbai	
Dated: 28th April 2010	

NOTES

1. **A MEMBER ENTITLED TO ATTEND AND VOTE IS ENTITLED TO APPOINT A PROXY OR PROXIES TO ATTEND AND VOTE INSTEAD OF HIMSELF ON A POLL AND THAT A PROXY NEED NOT BE A MEMBER.**
2. The relevant Explanatory Statements pursuant to Section 173 of the Companies Act, 1956, in respect of Item Nos.6 and 7 mentioned in the above Notice is annexed hereto.
3. The Register of Members and the Share Transfer Books of the Company will remain closed from Tuesday the 15th June 2010 to Monday the 21st June 2010 (both days inclusive) for the purpose of payment of dividend, if any.
4. The dividend as recommended by the Board of Directors, if declared at the Annual General Meeting, will be paid on or after 24th June 2010.
5. No Director seeking appointment / re-appointment at the Annual General Meeting holds any equity shares in the Company.
6. Members are requested to note that pursuant to the provisions of Section 205C of the Companies Act, 1956 the dividend remaining unclaimed / unpaid for a period of seven years from the date it becomes due for payment shall be credited to the Investor Education and Protection Fund (Fund) set up by the Central Government. Members who have so far not claimed the dividends are requested to make claim with the Company immediately as no claim shall lie against the Fund or the Company in respect of individual amounts once credited to the said Fund.
7. Copies of documents mentioned in the Explanatory Statement are open for inspection of the Members between 2.00 p.m. to 4.00 p.m. on any working day at the Registered Office of the Company.

Annexure to Notice

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

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

In respect of Item No.6

As required under the provisions of the Companies Act, 1956, certain documents such as the Register of Members and Index of Members and other related documents, etc. are required to be kept at the Registered Office of the Company. However, these documents can be kept at any other place within the city, town or village in which the Registered Office of the Company is situated, with the approval of the Members to be accorded by a Special Resolution.

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

The Board recommends passing of the resolution at Item No.6 for approval by the Members.

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

In respect of Item No.7

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

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

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

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

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

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

Mumbai
Dated: 28th April 2010

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

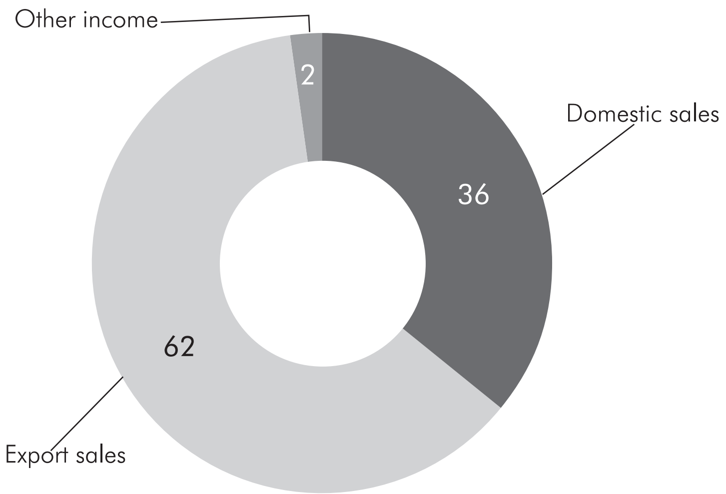
Name	Shri S.M. Kulkarni	Shri R. Sankaran
Age	71 years	64 years
Date of appointment	19.10.2006	30.03.2007
Expertise in functional areas	Corporate and Business Advisor	Financial Services and Business Consultant
Brief resume	B.E., Fellow Institute of Management – U.K., Fellow Indian Institute of Engineers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

Summarised Financial Data

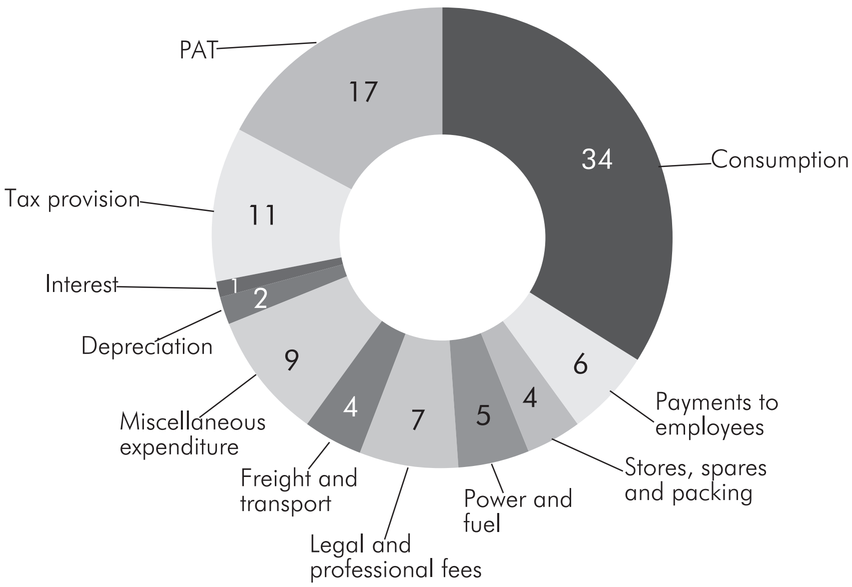
(Rupees in lacs)

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

Rupee Earned (%)



Rupee Spent (%)



Directors' report

To
The members,
Navin Fluorine International Limited

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

1. Financial results

(Rupees in lacs)

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

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

2. Dividend

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

3. Year in retrospect

• Turnover of your Company for the year remained flat at Rs. 42,933 lacs against Rs. 41,788 lacs of the previous year.

• Profit before tax increased by 67% from Rs. 7,309 lacs to Rs. 12,233 lacs.

• Profit after tax increased by 64% from Rs. 4,529 lacs to Rs. 7,436 lacs.

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

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

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

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

The demand for carbon credits in the near term is expected to remain steady despite uncertainties around the Kyoto Protocol and its continuity beyond 2012.

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

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

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

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

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

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

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

Your Company continues to be rated as (a) 'CARE A' (indicating adequate safety for timely servicing of debt obligations and low credit risk) for its term borrowings 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.

Your Company is well on course of repaying the old term borrowings. During 2009-10, repayments of Rs. 1,676 lacs were made and as at the end of the year term borrowings stood at Rs. 801 lacs. Debentures worth Rs. 143 lacs were repaid during the year and working capital borrowings were reduced by Rs. 2,310 lacs.

Reduction in working capital, term loans, debentures and cash flows from CDM helped your Company achieve a debt/equity ratio of 0.04 and a substantial reduction in your Company's interest bill.

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.47/2/2010-CL-III dated 5th April 2010, 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 31st March 2010 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 49% of the equity share capital of Mafatlal Denim Limited (MDL) which is its only associate company. The financials of MDL for the year ended 31st March, 2010 being not available, could not be dealt with as per AS-23 in the results of the Company. Accordingly, the auditors have drawn attention to this fact in their report to the consolidated financial statements of the Company. Further, as per the last audited accounts of MDL as on 31st March 2009 there is substantial erosion of net worth and the erosion is continuing. Consequently appropriate provisions were made against this investment.

5. Industrial relations

There were cordial and harmonious industrial relations during the year and the management received full cooperation from the 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 Guideline 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 31st March 2010 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 Sharad M. Kulkarni and Shri R. Sankaran retire by rotation at the ensuing Annual General Meeting, and being eligible, offer themselves for re-appointment.

12. 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.

13. 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.

14. Donation

During the year, your Company made donation of Rs. 16.75 lacs for charitable and other purposes.

15. Appreciation

The Directors wish to place on record their appreciation of the devoted services of the workers, staff and the 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.

For and on behalf of the Board,

H.A. Mafatlal
Chairman

Mumbai
Dated: 28th April 2010

Annexure to the Directors' report

1. Conservation of Energy

A) Energy conservation measures taken :

Company runs natural gas based power plant with 4 ton per hour steam generation (from waste heat recovery boiler as co-generation) capacity. This has resulted in reduction of fuel consumption required for steam generation in plant and reduction in plant power–utility cost.

Handsome savings obtained by optimizing power requirements in cooling water circulation pump by pipe line modification and changing the bigger HP motor with a smaller one of right size based on the actual load.

Saving in power consumption obtained by replacing higher HP pump by inline efficient and smaller pump in Captive Power Plant Auxiliary system.

300 KWH/day power savings achieved in general lighting by providing power saver lamps in street lighting and putting lighting transformer in plant lighting circuit.

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

New initiatives have been taken to apply special coating on higher HP pump and cooling tower fan automation, which will result in substantial savings in power consumption.

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 prescribe 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. The R&D team along with the export team regularly visit all major trade fairs in the USA, Europe and China to remain updated with the latest developments in the relevant chemistries, explore new business partners and improve your Companies visibility among the major players in the chemical 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.

B) Total foreign exchange used and earned

(Rupees in lacs)

	Current Year	Previous Year
Total foreign exchange used	10431.05	10805.45
Total foreign exchange earned	24536.62	23594.33

Form – A

Form for Disclosure of Particulars with respect to Conservation of Energy

	Current year Total	Previous year Total
(A) POWER & FUEL CONSUMPTION		
(1) Electricity		
(a) Purchased		
Units (in Kwh)	3120724	9026248
Total Cost (Rs.)	24337171	56727360
Rate/Unit (Rs.)	7.80	6.28
(b) Own Generation		
(i) Through Diesel Generator		
Units (in Kwh)	–	52250
Unit per litre of diesel oil (Kwh)	–	2.96
Cost/Unit (Rs.)	–	59.35
(ii) Through Captive Power Plant		
Units (in Kwh)	26633377	20392656
Unit per M3 of Natural Gas (Kwh)	3.66	3.66
Cost/Unit (Rs.)	3.82	3.17
(2) Furnace Oil		
Quantity (K.Ltrs)	–	121
Total Amount (Rs.)	–	3282635
Average Rate (Rs./K Ltr)	–	27129
(3) Others		
A. High Speed Diesel (HSD.)		
Quantity (K.Ltrs)	109	787
Total Cost (Rs.)	4095658	30919967
Rate/Unit (Per K.Ltr.)	37421	39280
B. Natural Gas		
Quantity (Cub. Mtrs.)	11991174	10104029
Total Cost (Rs.)	167672508	117323845
Rate (Rs./Cub Mtrs.)	13.98	11.61
C. Water		
Quantity (K. Ltrs.)	705484	978107
Total Cost (Rs.)	3685987	6366241
Rate (Rs./K.Ltrs)	5.22	6.51
D. Light Diesel Oil (L.D.O.)		
Quantity (K. Ltrs.)	–	–
Total Cost (Rs.)	–	–
Rate (Rs./K.Ltrs)	–	–
(B) CONSUMPTION PER UNIT OF PRODUCTION:		
(1) Electricity (Kwh/Mt.)	1065	973
(2) Furnace Oil (K Ltrs/Mt.)	0.00	–
(3) Natural Gas (Cub.Mtrs/Mt.)	430.86	337.59
(4) Others (K Ltrs/Mt.)	25.35	32.71

Production	MT	MT
Synthetic Cryolite, Aluminium Fluoride & Fluorocarbon Gases	10247	12180
Misc. Fluorides	17584	21418
Intermediates	–	391
Total	**27831**	**30073**

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:

A. Continuous improvements in processes, technology and operational efficiency to maintain competitiveness.

B. Development of special catalytic processes, use of special design and grade of equipment, which improve selectivity in processes and make them safe and environment friendly.

C. Development of new methods of analysis to refine and define quality of products based on impurity profiling to meet customers specific quality requirements.

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

Following benefits were derived from the above R&D:

A. Addition to the product basket of specialty fluorochemicals.

B. Widening of customer base both in local and overseas markets.

C. Invitation from agro and pharma majors to participate in the development of fluorine based new Advanced Intermediates and Advanced Pharma Intermediates.

D. Global Pharma and Agro manufacturers' interests in using our fluorine chemistry knowledge, opening up new contract research and contract manufacturing avenues.

3. Future plan of action

A. The new R&D and Pilot Plant will focus on the development and improvement of fluorination technologies, development of new fluorinating agents and work on electrochemical fluorination technology.

B. Provide necessary support to the multipurpose plant which will be operational in 2010-11.

4. Expenditure on R&D

(Rupees in lacs)

	Current year	Previous year
a) Capital Expenditure	268.59	649.57
b) Recurring Expenditure	270.90	188.97
c) Total	539.49	838.54
d) Total R&D expenditure a% of total turnover	1.22	1.92

B) Technology absorption adaptation and innovation

1. Efforts in brief 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 and pilot plant studies after which the products are manufactured on a semi-commercial and then on a commercial scale.

The R&D scientists interact with customers technology experts, academicians (local and overseas) to get updates on technical knowledge, business scenario and activities of global players.

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

   Larger product portfolio, higher margins and attained acknowledgement as global speciality Fluoro chemical manufacturer.

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

   (1) Technology imported Thermal oxidation of HFC 23

   (2) Year of import – Technology was imported during the year 2006-07

   (3) Has technology been fully absorbed – Yes (plant under operation)

   (4) 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 price and weighted average fair value of options	
(1) Weighted average exercise price	Rs.381 per share
(2) Weighted average fair value (Black Scholes model)	Rs.191 per share
o. 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	8.20%
(2) Expected life	10 years
(3) Expected volatility	22.68%
(4) Expected dividend	3.33%
(5) The price of the underlying share in market at the time of option granted	Rs. 374 and Rs.407
***Employee 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. Manoj Pandya	1600
9. Ketan Sablok	1400
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

Your Company's Board of Directors consist of ten 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 consists of one Executive Promoter Director, one Non-Executive Promoter Director, three 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 15th June 2009 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**	3
4.	Shri S. S. Lalbhai	Independent Non-Executive	8	Yes	5	2
5.	Shri S. M. Kulkarni	Independent Non-Executive	8	Yes	12***	7
6.	Shri R. Sankaran	Independent Non-Executive	8	Yes	5****	3
7.	Shri V. P. Mafatlal	Promoter Non-Executive	8	Yes	19*****	1
8.	Shri S. D. Kakade	Executive	8	Yes	–	–
9.	Shri A. K. Srivastava	Executive	7	No	1	1
10.	Shri S. Khanolkar	Executive	8	Yes	–	–

* In four private ltd. companies

** In four private ltd. companies

*** In two private ltd. companies

**** In two private ltd. companies

*****In fourteen private ltd. 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 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 30.04.2009, 15.06.2009, 31.07.2009, 21.09.2009, 26.10.2009, 15.12.2009, 18.01.2010 and 19.03.2010. NFIL 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	30,000
Shri P. N. Kapadia	1,385
Shri S. S. Lalbhai	NIL
Shri S. M. Kulkarni	NIL
Shri R. Sankaran	NIL
Shri V. P. Mafatlal	1,03,505

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 2009-10, a total of five meetings of the Audit Committee were held, on 30.04.2009, 31.07.2009, 26.10.2009, 18.01.2010 and 22.03.2010. 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.	30.04.2009	Yes	Yes	Yes	Yes
2.	31.07.2009	Yes	Yes	Yes	Yes
3.	26.10.2009	Yes	Yes	Yes	Yes
4.	18.01.2010	Yes	Yes	Yes	Yes
5.	22.03.2010	Yes	Yes	No	Yes

Yes – attended, No – Not Attended, N.A. – Not Applicable

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

3. Shareholders' / Investors' Grievance Committee

Shri P. N. Kapadia is the Chairman of Shareholders' / Investors' Grievance Committee. Shri T. M. M. Nambiar and Shri A. K. Srivastava are the other members of the Committee. During 2009-10, one meeting of the Shareholders' / Investors' Grievance Committee was held on 22.03.2010 which was attended by all the members. The Committee looks into redressing the investors' grievances / complaints viz. non-receipt of transferred shares and non-receipt of dividends, among others. The other relevant details are as under:

a) Number of complaints received from shareholders from 01.04.2009 to 31.03.2010 : 8

b) Number of complaints resolved during the year : 7

c) Number of complaints pending at the end of the year : 1 (since resolved)

d) Number of pending transfers as on 31.03.2010 due to certain defects : NIL

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 members.

During the year, one meeting of the Remuneration Committee was held on 30.04.2009. The Committee is authorised 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.	Date of Remuneration Committee Meeting	Attendance of Directors		
		Shri S. S. Lalbhai	Shri T. M. M. Nambiar	Shri S. M. Kulkarni
1	30.04.2009	Yes	Yes	Yes

Yes – attended, No- Not Attended, N.A. – Not Applicable

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	29.92	214.30	–
2	Shri S. D. Kakade	76.40	30.00	–
3	Shri A. K. Srivastava	81.89	30.00	–
4	Shri S. S. Khanolkar	69.04	–	–
5	Shri T. M. M. Nambiar	–	5.00	1.40
6	Shri P. N. Kapadia	–	5.00	1.40
7	Shri S. S. Lalbhai	–	5.00	1.30
8	Shri S. M. Kulkarni	–	5.00	1.40
9	Shri R. Sankaran	–	5.00	0.80
10	Shri V. P. Mafatlal	–	5.00	0.80

* Payable in financial year 2010-2011

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

Shri A.K. Srivastava and Shri Shekhar Khanolkar have been granted 8,700 and 8,000 Stock Options respectively pursuant to the Company's Stock Option Scheme. 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 27th 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. A certificate from the Managing Director, affirming compliance of the said Code by all the Board Members and members of 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 before 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
11th	2008-09	S.N.D.T. Womens' University, Patkar Hall, 1 Nathibai Damodar Thackersey Road Churchgate, Mumbai 400020	15/06/2009	3.00P.M.	2
10th	2007-08	S.N.D.T. Womens' University, Patkar Hall, 1 Nathibai Damodar Thackersey Road Churchgate, Mumbai 400020	23/06/2008	3.00 P.M.	3
9th	2006-07	S.N.D.T. Womens' University, Patkar Hall, 1 Nathibai Damodar Thackersey Road Churchgate, Mumbai 400020	20/07/2007	3.00 P.M.	1

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	:	www.nfil.in
– 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. 12th Annual General Meeting		
Date	:	21st June 2010
Time	:	3.00 p.m.
Venue	:	Rama Watumull Auditorium, K.C. College Dinshaw Wacha Road, Churchgate Mumbai 400020
B. Financial Calendar	:	01/04/2010 to 31/03/2011 (tentative)
First quarterly results	–	End of July 2010
Second quarterly results (half yearly)	–	End of October 2010
Third quarterly results	–	End of January 2011
Audited yearly results	–	End of May 2011
C. Date of book closure	:	15th June 2010 to 21st June 2010
D. Dividend payment date	:	24th June 2010
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 2009	127.50	84.20	11492.10	9546.29	2,78,247
May 2009	195.90	121.30	14930.54	11621.30	5,52,619
June 2009	203.95	158.00	15600.30	14016.95	2,56,526
July 2009	224.00	148.00	15732.81	13219.99	4,10,068
August 2009	258.00	192.55	16002.46	14684.45	2,58,854
September 2009	284.90	232.05	17142.52	15356.72	3,59,994
October 2009	311.00	249.10	17493.17	15805.20	4,70,240
November 2009	321.95	276.10	17290.48	15330.56	2,05,297
December 2009	374.00	304.05	17530.94	16577.78	10,19,185
January 2010	397.30	321.50	17790.33	15982.08	7,41,475
February 2010	347.00	300.65	16669.25	15651.99	3,15,968
March 2010	338.80	299.00	17793.01	16438.45	409641

	National Stock Exchange				
Month	Highest	Lowest	NSE Sensex highest	NSE Sensex lowest	Number of shares traded
April 2009	128.00	84.05	3517.25	2965.70	1,53,851
May 2009	194.80	116.10	4509.40	3478.70	3,63,099
June 2009	204.80	159.00	4693.20	4143.25	1,90,698
July 2009	224.00	147.15	4669.75	3918.75	3,86,235
August 2009	260.00	188.05	4743.75	4353.45	1,94,283
September 2009	283.75	238.00	5087.60	4576.60	3,55,562
October 2009	311.00	250.20	5181.95	4687.50	4,14,538
November 2009	322.95	278.05	5138.00	4538.50	1,72,951
December 2009	385.65	295.15	5221.85	4943.95	11,62,602
January 2010	398.00	322.00	5310.85	4766.00	6,54,758
February 2010	350.00	302.00	4992.00	4675.40	2,35,281
March 2010	368.00	299.05	5329.55	4935.35	3,04,046

I. Registrar and Share Transfer Agents

Sharepro Services (I) Pvt. Ltd.

Samhita Warehousing Complex, 2nd Floor, Gala No. 52 to 56, Building No.13 A-B, Near Sakinaka Telephone Exchange, Andheri – Kurla Road, Sakinaka, Mumbai 400072.
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 was constituted to approve 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 31.03.2010

Slab	Total number of shareholders	%	Number of shares	% of total share capital
Less than 500	1,09,197	98.86	17,38,401	17.21
501-1000	604	0.55	4,69,407	4.65
1001-2000	280	0.26	4,23,769	4.20
2001-3000	114	0.10	2,92,091	2.89
3001-4000	59	0.05	2,08,463	2.06
4001-5000	40	0.04	1,82,276	1.81
5001-10000	77	0.07	5,56,580	5.51
10001-above	77	0.07	62,28,902	61.67
Total	1,10,448	100	1,00,99,889	100

L. Shareholding pattern as on 31.03.2010

Sr No	Category	Number of shares held	% of holding
1	Promoters' holding	37,58,790	37.22
2	Mutual Funds and UTI	3,26,647	3.23
3	Bank, financial institutions, insurance companies, central / state government institutions	3,59,725	3.56
4	FIIs (Foreign Institutional Investors)	44,060	0.44
5	Private Corporate Bodies	10,82,240	10.72
6	Indian Public	43,81,765	43.38
7	NRIs / OCBs	1,46,662	1.45
8	Any other (please specify)	0	0
	Total	1,00,99,889	100

M. Dematerialisation details

As on 31st March 2010, 28,861 shareholders were holding 88,23,247 equity shares in demat form which constitutes 87.31% of the total share capital of the Company.

N. Outstanding GDR / ADR : N.A.

O. Plants / factories:

1. Navin Fluorine Industries, Bhestan, Surat - 395023
2. Navin Fluorine Industries, Dewas – 455002 (M.P.)

P. Address for correspondence

Navin Fluorine International Ltd.

a) Registered Office:
1st floor, Kalpataru Point, Kamani Marg, Sion (East), Mumbai 400022
Tel: 91 22 6650 9999 / 2404
Fax: 91 22 6650 9800
Website: www.nfil.in

b) Corporate Office:
Mafatlal House, Backbay Reclamation, Mumbai 400020
Tel: 91 22 40083636
Fax: 91 22 66357633

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 the Code of Conduct for the year ended 31st March, 2010.

Place: Mumbai
Date: 28th April, 2010

Satish Kakade
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 31st March 2010, 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 was limited to procedures and implementation thereof, adopted by the Company for ensuring the compliance of the conditions of Corporate Governance. It is neither an audit nor an expression of opinion on the financial statements of the Company.

In our opinion and to the best of our information and according to the explanations given to us, and the representation made by the management, we certify that the Company has complied with the conditions of Corporate Governance as stipulated in 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

R. Salivati
Partner
Membership no. 34004

Place: Mumbai
Dated: 28th April, 2010

Management discussion and analysis

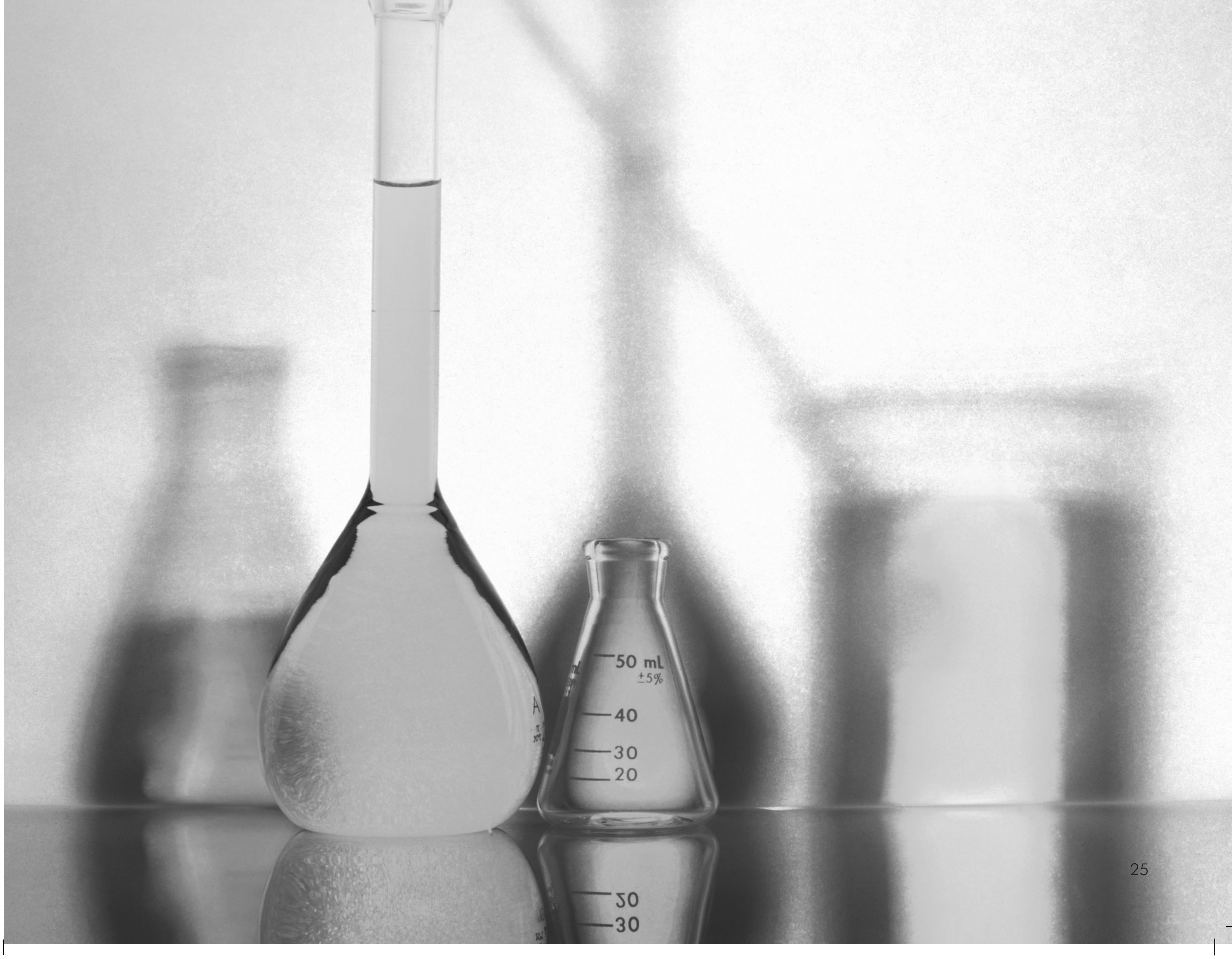
Economic overview

Although India's GDP (gross domestic product) growth in 2008-09 was a modest 6.7 percent, the real turnaround transpired in the second and third quarters of 2009-10 when economic growth surged 7.9 percent and 7.2 percent respectively. As per advance GDP estimates (source Central Statistical Organisation), the economy is expected to grow at 7.2 per cent in 2009-10, with the industrial and the service sectors growing at a healthy 8.2 percent and 8.7 percent respectively.

As per a recent KPMG report, India's chemicals industry is expected to grow to USD 100 billion by end 2010. Consequently, the chemicals industry's contribution to the country's GDP will grow to 12.1 percent while its share of the global industry will increase from 1.9 percent five years ago to 3.9 percent. Interestingly, India's chemical industry is positioning itself as a knowledge-based industry with significant investments in R&D. The industry is a vital component of the agricultural and industrial development in India with key linkages to several downstream industries (pharmaceuticals, automotive, consumer durables, engineering, agrochemicals, aviation and food processing, among others). If India is to carve a significant share of the global chemicals industry, it will need to enhance investments in specialty and knowledge chemicals.

Broad industry segmentation

The Indian chemicals industry encompasses a variety of products from commodity chemicals to research-driven specialised products (as per the table below). Navin's products (value-added specialty and premium chemicals) require complex chemistry skills.



Segments	Characteristics	Industries served
Basic	*High volume, low value addition *Limited product differentiation across manufacturers *High entry barrier due to high capital investments and stringent regulations	*Petrochemicals *Fertilisers *Inorganic chemicals *Other industrial chemicals
Specialty	*High product differentiation and value addition *Typically smaller production units with more flexibility *Low capital investment levels	*Adhesive sealants *Catalysts *Industrial gases *Plastic additives
Knowledge	*Differentiated chemical and biological substances used to induce specific outcomes in humans, animals, plants and other life forms *High investments in R&D and marketing	*Agrochemicals *Pharmaceuticals *Biotechnology

Source: KPMG. Note: The categorisation is illustrative and representative and does not include the entire universe of chemical industries

Fluorochemical growth drivers

India's emergence as a global supplier for pharmaceuticals, healthcare and agrochemicals.

The robust GDP growth and higher disposable incomes of the middle-class fuelling higher demands for refrigerators, air-conditioners, cold-chains and automobiles.

Company overview

As reported earlier, your Company is one of the largest producers of fluorochemicals in the country with 20,000 t.p.a of Hydrofluoric Acid capacity. It has a leading market standing in some of the niche fluorine molecules it makes and supplies to both Indian and International customers. It has a diversified portfolio of advance fluorine derivatives with world scale capacities in some of the products.

Business segment review

1. Refrigerants

(Rupees in lacs)

Year	Sales
2006-07	12,675
2007-08	13,858
2008-09	22,955
2009-10	24,802

Operational Highlights

The Refrigerant gases cater to both stationary and mobile refrigeration and air-conditioning segments. The BU deals in HCFC 22 and traded HFC 134a. The reach in this BU is through both direct servicing of original equipment manufacturers and a 125 strong dealers network. The divisional turnover includes income from sale of carbon credits. Capacity utilisations for refrigerant gases remained high during the year.

2. Specialty fluorochemicals

(Rupees in lacs)

Year	Sales
2006-07	7,941
2007-08	8,531
2008-09	10,752
2009-10	9,080

Operational Highlights

The specialty fluorochemicals primarily cater to the pharmaceutical, agrochemical and polymer industries. Due to recessionary pressures in the global markets, demand in the first half remained low. Consequently there has been a 15% drop in the turnover. However, demand for the high margin products remained strong during the year protecting the overall margins. The R&D centre in Surat along with the Pilot Plant is fully operational now. Two new fluorochemicals were introduced during the year. The investment in a Multi Purpose Plant is expected to get operational during the year which will further extend the existing portfolio.

3. Bulk fluorides

(Rupees in lacs)

Year	Sales
2006-07	5,433
2007-08	6,708
2008-09	8,081
2009-10	5,964

Operational Highlights

The division reported a lower turnover as a result of weak demand and lower prices throughout the year. However, the margins could be protected due to lower input costs and improvement in conversion efficiencies. Expansion in capacity is underway in a product for pharmaceutical applications.

Outlook

The second half of 2009-10 showed glimpses of some economic recovery in the world markets through emergence of stronger demands for some of our specialty and refrigerants though its sustainability is yet to be ascertained. However, the Indian demand is expected to remain moderately strong. Moderate demand supported by low input costs (at least during the first half of the year) will ensure that the margin levels are protected. The new multi-purpose plant and CRAMs initiatives will begin to bring in revenues towards the end of 2010-11.

Contract research and manufacturing services (CRAMS) and research and development (R&D)

The chemical industry, especially the pharmaceutical industry is undergoing a radical transformation globally due to increased pressures on profit margins, absence of blockbuster molecules, spiralling R&D costs, pricing pressures, and increased overheads. In such a scenario, outsourcing of business processes to third-party providers is perhaps the most viable strategic option for companies to increase their competitiveness by reducing costs in addition to utilizing expertise of the partner in areas where in-house capabilities or capacities are inadequate. The Indian CRAMS industry is estimated to report revenues of USD 850 million annually, driven largely by the pharmaceutical industry.

To extend our capabilities further and become an even more valued partner for our clients' fluorination and related needs, we intend to expand into contract research, development and manufacturing service activities as a part of a CRAMS provider model using a staircase approach in various phases. NFIL shall be providing contract research services to some of its existing as well as new customers to leverage and share NFIL's long fluorine based capabilities and experiences to work with fluorine-containing chemical entities and their "fluorosimilars" at the R&D and pilot plant level to begin with.

Health Safety and environment (HSE)

At NFIL, we are continuously engaged in the development and enhancement of our HSE activities. As a responsible corporate citizen, we endeavour to create a completely risk-free zone across our plants and offices.

Initiatives to strengthen safety

- Engaged Chilworth, a reputed UK firm, to carry out a comprehensive safety audit of the Company's plants in Surat and Implemented most of their recommendations. The remaining recommendations will be implemented in a phased manner in the following year.
- Conducted safety training and awareness programmes for familiarisation and awareness creation through mandatory participation by all permanent and contract workers in mock drills and other activities.
- Introduced a modified safety work permit system to make standard operating practices more comprehensive.
- Extended focus beyond employees to the neighbouring community, transporters and customers by getting them trained in safe product use and handling.
- Implemented HSE consultant's recommendations, investing in scientific plant design with necessary checks, alarms and trips (backed by fully-automated DCS operated monitoring systems).

Initiatives to strengthen health

- Arranged for periodic advisory visits by reputed external faculty.
- Provided a six-bed health centre, a qualified full-time doctor and nurses at the Surat facility.
- Partnered with a hospital 5 km from the Surat plant to provide immediate and effective emergency care.
- Provided a comprehensive health insurance cover for all employees across organisational levels.
- Undertook biannual employee health appraisals.

Initiatives to strengthen the environment

- Acquired the prestigious OHSAS-18001, a comprehensive safety management system certification in 2009-10; Navin is an ISO-14001 certified entity with a fully-equipped pollution control laboratory for pollutant analysis and monitoring.
- Maintained green cover at the Surat plant, reducing air pollution and preventing soil erosion.
- Improved the efficiency of the effluent treatment plant to minimise lime waste disposal.
- Undertook a surveillance audit for ISO-14001 environment management system and implemented recommendations arising out of the audit.
- Executed a third party environment audit through Sardar Vallabhbhai National Institute of Technology.

Human resources

- Undertook Sankalp, a multi-function and multi-location team working initiative for employees who were suitably rewarded and recognised for their contributions.
- Conducted workshops in the area of competence mapping.
- Conducted training sessions around goal-setting.
- The total number of employees as on 31st March, 2010 was 462.

ERP implementation

Some highlights of this implementation comprised the following:

- HR module of SAP has been fully implemented and payroll were integrated into the ERP.
- Employee self service portal was built on the HR-payroll module.
- As part of the SAP upgrade project, full-fledged training was imparted to all SAP users.

Risk management

At Navin Fluorine, risks are measured, estimated and controlled with the objective to enhance shareholder value. Irrespective of the type of risk or the activity that creates it, the Company's fundamental approach to risk management remains the same:

- Identify and measure risks
- knowledge of the business and competition
- Flexibility in the understanding and management of risk

NFIL's structured risk management programme safeguards the organisation from various risks through adequate and timely actions. The Company prioritised risks and attached each risk with a designated owner, who monitored the likelihood of occurrence and the probable impact on the business and designed suitable mitigation plans.

Internal control systems

All the Company's major business processes are currently run on SAP, the latest in ERP. 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.

Opportunities and Threats

The management is aware of the environment in which your Company operates. There is a process of constantly identifying, monitoring and reviewing the potential opportunities and threats to the business and takes appropriate actions at suitable times.

The significant opportunities are:

- Your Company's positioning in the fluoro-specialties space which is a niche segment with high entry barriers providing it with the necessary protection from competitive threats.
- High capacity utilisations of the hydrofluoric acid and some of the other specialty and refrigerant gases plants provide your Company with the necessary cost synergies to remain competitive in its playing field.
- Due to its reputation as a reliable provider of fluorinated chemicals and long presence among the major pharma and agro producers your Company has a first mover advantage for any new fluoro-molecule requirements of these customers.
- The CDM income shall provide the Company with necessary financial strength to leverage and grow further in its area of choice.

The threats to the Company which are being closely monitored and suitably dealt with are:

- Strengthening of the Indian Rupee against US dollars and the Euro.
- Current uncertainties around the continuance of the Kyoto Protocol and its adverse impact on CER prices.
- Unpredictable pricing by Chinese competitors in some of the Company's products.
- Increased population around the Surat site of the Company leading to the potential HSE vulnerability.

Discussion on Financial Performance with respect to Operational Performance

The Company returned a healthy financial performance during the year and the salient points have been discussed in details under Year in Retrospect and elsewhere in the management discussion and analysis. Some of the high points are:

- PBT increased by 67% from Rs.7309 lacs in the previous year to Rs. 12233 lacs in the current year.
- PAT also improved by 64% from 4529 lacs in the previous year to Rs. 7436 lacs in the current year.
- EPS improved from Rs. 44.84 in the previous year to Rs. 73.63 in the current year.
- Operating EBIDTA increased from 25% to 31%
- ROCE improved from 27% to 40% as a consequence of lower interest charge.

Total borrowings of the Company came down from Rs. 5264 lacs to 1136 lacs during the year. There has also been a sizable reduction in the inventories and receivables by Rs. 3550 lacs during the year.

Consequently, the Balance Sheet ratios have also shown marked improvement over the previous years. Debt/Equity improved from 0.23 to 0.04 and RONW improved from 21% to 29%.

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, 2010, 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, issued by the Central Government in terms of section 227 (4A) of the Companies Act, 1956, we enclose 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. *attention is invited to note no. 24 of schedule 17 regarding the company's view on disclosure under AS 24 (Discontinuing Operations) in respect of its plant at Dewas owing to which no disclosures in terms of AS 24 have been made. Subject to the aforesaid*, 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, 2010;

      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, 2010 and taken on record by the Board of Directors, none of the directors is disqualified as on 31st March, 2010 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
(Membership No. 34004)

Mumbai, dated, 28th April, 2010

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 program 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, there is an adequate internal control system commensurate with the size of the Company and the nature of its business for the purchase of inventory and fixed assets and for the sale of goods and services. During the course of audit, we have not observed any continuing failure to correct major weaknesses in the 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 in 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 Company has an adequate internal audit system commensurate with the size and nature of its business.

8. We have broadly reviewed the books of accounts maintained by the Company pursuant to the Rules made by the Central Government for the maintenance of cost records under section 209(1)(d) of the Companies Act, 1956 for Sulphuric Acid, 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, customs 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, 2010 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, 2010 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 (Penalty)	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
Central Excise Act	Excise Duty	High Court	1993-94 to 2006-07	90.50
Central Excise Act	Excise Duty	Assistant Commissioner of Central Excise	1994-95 & 1997-1998	0.98
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	12.79
M.P. Commercial Tax Act 1994	Commercial Tax	Assistant Commissioner of Commercial Taxes	1996-1997	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	Senior Joint Commissioner	2006-07	0.43
The West Bengal Value Added Tax Act	Value Added Tax	Additional Commissioner of Commercial Taxes	2002-03	1.91
The West Bengal Value Added Tax Act	Value Added Tax	Appellate Board	1999-2000	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 & VAT	Department of Industries M.P. Government	1997-1998	12.42
M.P. Commercial Tax Act	Commercial Tax	Madhya Pradesh High Court	1990-91 to 1995-1996	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	Assessing Officer	1992-1993	0.33

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 debentureholders.

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 material fraud on the Company was noticed or reported during the year.

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

(R. Salivati)
Partner
(Membership No. 34004)

Mumbai, dated, 28th April, 2010

Balance sheet as at 31st March, 2010

(Rupees in lacs)

	Schedule	As at 31st March, 2010	As at 31st March, 2009
SOURCES OF FUNDS			
Shareholders' funds			
Share capital	1	1,009.55	1,009.54
Reserves and surplus	2	28,088.43	21,891.96
		29,097.98	**22,901.50**
Loan funds			
Secured loans	3	1,135.64	5,264.27
Deferred tax liabilities (net)		2,099.83	1,714.76
Total		**32,333.45**	**29,880.53**
APPLICATION OF FUNDS			
Fixed assets	4		
Gross block		24,006.91	23,838.00
less, depreciation		8,358.61	8,620.88
less, impairment		469.73	469.73
Net block		15,178.57	14,747.39
Capital work-in-progress		2,614.88	2,648.42
		17,793.45	17,395.81
Investments	5	84.56	1,624.58
Current assets, loans and advances			
Inventories	6	4,717.81	6,087.72
Sundry debtors	7	3,896.25	6,076.46
Cash and bank balances	8	8,046.57	1,480.98
Loans and advances	9	11,392.60	10,256.47
		28,053.23	23,901.63
less, Current liabilities and provisions			
Current liabilities	10	12,419.06	12,163.81
Provisions	11	1,178.73	877.68
		13,597.79	13,041.49
Net current assets		14,455.44	10,860.14
Total		**32,333.45**	**29,880.53**
Significant accounting policies	16		
Notes on accounts	17		

As per our attached Report of even date

For **Deloitte Haskins & Sells**
Chartered Accountants

(R. Salivati)
Partner
(Membership No. 34004)

Mumbai, dated, 28th April, 2010

H. A. Mafatlal
Chairman

S. D. Kakade
Managing Director

N. B. Mankad
Company Secretary

T. M. M. Nambiar
V. P. Mafatlal
S. S. Lalbhai
A. K. Srivastava
P. N. Kapadia
R. Sankaran
S. M. Kulkarni
Directors

Profit and loss account for the year ended 31st March, 2010

(Rupees in lacs)

	Schedule	Year ended 31st March, 2010	Year ended 31st March, 2009
INCOME			
Turnover (gross)		44,148.36	43,728.35
less, excise duty		1,230.97	2,169.27
Turnover (net)		42,917.39	41,559.08
Other operating income		15.12	228.99
		42,932.51	41,788.07
Other income	12	790.31	473.83
(Decrease) in stocks of finished goods and process stocks	13	(521.81)	(872.42)
Total		**43,201.01**	**41,389.48**
EXPENDITURE			
Purchase of trading goods		261.78	63.00
Manufacturing and Other expenses	14	29,328.11	30,899.12
Excise duty		22.05	(220.84)
Depreciation		1,106.81	1,248.46
Depreciation on immovable properties		0.03	0.03
Impairment		–	469.73
Interest	15	249.37	863.36
Total		**30,968.15**	**33,322.86**
Profit before exceptional items and tax		**12,232.86**	**8,066.62**
Exceptional items			
Compensation under voluntary retirement scheme		–	(174.71)
Capital work-in-progress written off		–	(582.58)
Profit before tax		**12,232.86**	**7,309.33**
Provision for tax			
Current tax (including wealth-tax, Rs.1.64 lacs, previous year, Rs.1.48 lacs)		(4,411.64)	(2,501.48)
Deferred tax		(385.07)	(250.00)
Fringe benefit tax		–	(29.00)
		(4,796.71)	**(2,780.48)**
Profit after tax		**7,436.15**	**4,528.85**
Surplus brought forward from previous year		3,544.74	1,013.42
Amount available for appropriations		**10,980.89**	**5,542.27**
APPROPRIATIONS			
Transferred to general reserve		744.00	453.00
Transferred to debenture redemption reserve		80.50	112.00
Transferred to contingency reserve (refer note 3.b.ii of schedule 17)		–	250.00
Interim dividend		656.49	505.00
Proposed dividend		757.49	505.00
Corporate dividend tax		240.31	172.53
		2,478.79	1,997.53
Surplus carried to Balance sheet		**8,502.10**	**3,544.74**
Earnings per share (refer note 17 of schedule 17):			
basic - Rs.		73.63	44.84
diluted - Rs.		73.63	44.84
Significant accounting policies	16		
Notes on accounts	17		

As per our attached Report of even date

For **Deloitte Haskins & Sells**
Chartered Accountants

(R. Salivati)
Partner
(Membership No. 34004)

H. A. Mafatlal
Chairman

S. D. Kakade
Managing Director

N. B. Mankad
Company Secretary

T. M. M. Nambiar
V. P. Mafatlal
S. S. Lalbhai
A. K. Srivastava
P. N. Kapadia
R. Sankaran
S. M. Kulkarni
Directors

Mumbai, dated, 28th April, 2010

Cash flow statement for the year ended 31st March, 2010

(Rupees in lacs)

	Year ended 31st March, 2010	Year ended 31st March, 2009
A. CASH FLOW FROM OPERATING ACTIVITIES		
Profit before tax	12,232.86	7,309.33
adjustments for,		
Depreciation	1,106.84	1,248.49
Impairment	–	469.73
Capital work-in-progress written off	–	582.58
Loss on sale of fixed assets (net)	45.54	30.23
Provision for doubtful debts / advances written back	(5.53)	(18.37)
Provision for diminution in value of long-term investments (non-trade)	1,552.73	–
Interest expense	249.37	863.36
Interest income	(459.25)	(329.33)
Foreign exchange (gain)/ loss on year end revaluation	(85.43)	46.33
Share of loss in the partnership firm where the Company is a partner	0.09	0.16
Dividend on long-term investments (non-trade)	(43.34)	(28.90)
Excess provision of earlier years written back	–	(6.27)
Provision for doubtful debts / advances	20.36	8.96
Operating profit before working capital changes	**14,614.24**	**10,176.30**
Decrease / (Increase) in trade receivables	2,112.25	1,144.30
Decrease / (Increase) in inventories	1,369.91	714.83
Decrease / (Increase) in loans and advances	(206.88)	84.38
(Decrease) / Increase in trade and other payables	368.14	(1,652.90)
	3,643.42	**290.61**
Cash generated from Operations	**18,257.66**	**10,466.91**
Direct taxes and fringe benefit tax paid	(4,812.90)	(2,510.78)
Net cash generated from operating activities	**13,444.76**	**7,956.13**
B. CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of fixed assets	(1,933.37)	(1,407.54)
Capital contribution in partnership firm where Company is a partner (current)	(0.08)	(0.19)
Share of loss in the partnership firm where the Company is a partner	(0.09)	(0.16)
Amounts paid for acquiring MIL debts from KMBL on assignment basis	(311.04)	(1,846.64)
Advances to Sulakshana Securities Ltd.	(16.00)	(251.00)
Purchase of long term investments (non-trade)	(12.74)	–
Sale of fixed assets	383.38	19.44
Dividend income	43.34	28.90
Interest income	124.44	169.23
Net cash (used in) investing activities	**(1,722.16)**	**(3,287.96)**

Cash flow statement *(Contd.)* for the year ended 31st March, 2010

(Rupees in lacs)

	Year ended 31st March, 2010	Year ended 31st March, 2009
C. CASH FLOW FROM FINANCING ACTIVITIES		
Calls in arrears received during the year (including share premium)	0.04	0.02
Repayment of debenture	(143.00)	(588.05)
Repayments of other borrowings	(1,676.04)	(2,089.29)
Repayment of other borrowings (net)	(2,309.60)	(1,121.88)
Compensation received pursuant to Montreal Protocol for phasing out production of Ozone Depleting Substances - Capital reserve no. 2	414.58	316.51
Dividend paid (including Corporate dividend tax)	(1,335.58)	(1,045.62)
Interest expense	(259.09)	(902.99)
Net cash (used in) financing activities	**(5,308.69)**	**(5,431.30)**
Net (decrease) in cash and cash equivalents	**6,413.91**	**(763.13)**
Cash and cash equivalents at the beginning of the year	1,435.36	2,198.49
Cash and cash equivalents at the end of the year	7,849.27	1,435.36
Notes,		
1. **Reconciliation of cash and cash equivalents**		
As per Balance sheet - schedule 8	8,046.57	1,480.98
less, interest accrued on bank deposits	197.65	45.19
Foreign exchange (gains) and losses	0.35	(0.43)
As per cash flow statement	**7,849.27**	**1,435.36**
2. **The following has been treated as non-cash transactions:**		
Interest Rs. nil (previous year, Rs. 26.56 lacs) capitalised during the year.		

As per our attached Report of even date

For **Deloitte Haskins & Sells**
Chartered Accountants

(R. Salivati)
Partner
(Membership No. 34004)

Mumbai, dated, 28th April, 2010

H. A. Mafatlal
Chairman

S. D. Kakade
Managing Director

N. B. Mankad
Company Secretary

T. M. M. Nambiar
V. P. Mafatlal
S. S. Lalbhai
A. K. Srivastava
P. N. Kapadia
R. Sankaran
S. M. Kulkarni
Directors

Schedules forming part of the accounts

(Rupees in lacs)

	As at 31st March, 2010	As at 31st March, 2009
Schedule 1 SHARE CAPITAL		
Authorised		
3,50,00,000 equity shares of Rs.10/- each	3,500.00	3,500.00
Issued and subscribed		
1,00,99,889 equity shares of Rs. 10/- each, fully paid-up *	1,009.99	1,009.99
less, Calls in arrears	0.44	0.45
Total	**1,009.55**	**1,009.54**

* 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 25 of schedule 17.

	As at 31st March, 2010	As at 31st March, 2009
Schedule 2 RESERVES AND SURPLUS		
Capital reserve No. 1		
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
Capital reserve No. 2		
Compensation received pursuant to the Montreal Protocol for phasing out production of ozone depleting substances		
As per last Balance sheet	5,866.98	5,550.47
add, received during the year	414.58	316.51
	6,281.56	5,866.98
Share premium account		
As per last Balance sheet	2,374.08	2,374.08
less, amount in arrears (net of receipts during the year, Rs. 0.03 lacs; previous year, Rs. 0.02 lacs)	2.20	2.23
	2,371.88	2,371.85
Contingency reserve		
Reserve created in terms of a corporate guarantee given		
As per last Balance sheet	1,000.00	750.00
add, transferred from Profit and loss account during the year	–	250.00
	1,000.00	1,000.00
Debenture redemption reserve		
As per last Balance sheet	292.00	261.35
add, transferred from Profit and loss account during the year	80.50	112.00
less, transferred to General reserve	143.00	81.35
	229.50	292.00
General reserve		
As per last Balance sheet	781.22	246.87
add, transferred from Profit and loss account during the year	744.00	453.00
add, transferred from Debenture redemption reserve	143.00	81.35
	1,668.22	781.22
Surplus in Profit and loss account	8,502.10	3,544.74
Total	**28,088.43**	**21,891.96**

Schedules forming part of the accounts

(Rupees in lacs)

	Notes	As at 31st March, 2010	As at 31st March, 2009
Schedule 3 SECURED LOANS			
Debentures			
280,000 Zero Coupon Secured Redeemable at par Non-Convertible Debentures of Rs. 100/- each (Redeemable in two equal annual instalments on 6th August, 2010 and 6th August, 2011)	1	280.00	423.00
Loans and advances from Banks			
Term loan accounts	2	800.93	2,476.96
Cash credit accounts	3	54.71	2,364.31
		855.64	4,841.27
Total		**1,135.64**	**5,264.27**

Notes,

1. Secured by first mortgage on the Company's immovable property at first floor of Kalpataru Point, Sion, Mumbai.
2. Secured by charges created/ to be created on all the fixed assets at Bhestan and certain fixed assets at Dewas, both present and future (excluding land under development at Bhestan).
3. 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).

Schedule 4 FIXED ASSETS

(Rupees in lacs)

Asset category	Gross block				Depreciation				Impairment	Net Block	
	As at 1st April, 2009	Additions/ adjustments	Deductions/ adjustments	As at 31st March, 2010	Upto 31st March, 2009	For the year	Deductions/ adjustments	Upto 31st March, 2010		As at 31st March, 2010	As at 31st March, 2009
Land	11.56	–	–	11.56	–	–	–	–	–	11.56	11.56
Buildings	1,605.98	9.16	–	1,615.14	154.83	37.29	–	192.12	–	1,423.02	1,451.15
Plant and machinery	17,379.33	2,222.81	50.20	19,551.94	5,792.82	982.89	12.98	6,762.73	11.33	12,777.88	11,575.18
Furniture, fittings and office equipment	337.88	29.52	8.46	358.94	162.84	15.82	0.80	177.86	–	181.08	175.04
Vehicles	292.93	68.31	16.90	344.34	90.83	24.75	13.76	101.82	7.69	234.83	194.41
Assets retired from active use *											
Buildings	316.31	–	–	316.31	128.35	–	–	128.35	140.05	47.91	47.91
Plant and machinery	3,843.49	–	2,169.84	1,673.65	2,259.76	36.88	1,336.54	960.10	300.16	413.39	1,283.57
Furniture, fittings and office equipment	37.41	–	–	37.41	26.45	–	–	26.45	10.50	0.46	0.46
Vehicles	13.11	–	13.11	–	5.00	–	5.00	–	–	–	8.11
	23,838.00	**2,329.89**	**2,258.51**	**23,909.38**	**8,620.88**	**1,097.63**	**1,369.08**	**8,349.43**	**469.73**	**15,090.22**	**14,747.39**
Intangible											
Computer Softwares	–	97.53	–	97.53	–	9.18	–	9.18	–	88.35	–
Total	**23,838.00**	**2,427.42**	**2,258.51**	**24,006.91**	**8,620.88**	**1,106.81**	**1,369.08**	**8,358.61**	**469.73**	**15,178.57**	**14,747.39**
As at and for the year ended 31st March, 2009	**22,966.83**	**941.84**	**70.67**	**23,838.00**	**7,393.43**	**1,248.46**	**21.01**	**8,620.88**	**469.73**	**14,747.39**	
Capital work-in-progress (including capital advances)										2,614.88	2,648.42

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

Schedules forming part of the accounts

(Rupees in lacs)

	As at 31st March, 2010	As at 31st March, 2009
Schedule 5 INVESTMENTS (long term)		
(a) Non-trade investments (unquoted)		
(i) Subsidiaries		
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
	–	–
(ii) Other investments		
– 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	–
– 6,00,00,000 Fully Redeemable Non-Cumulative preference shares of Rs. 10/- each, fully paid-up of Mafatlal Industries Limited (optionally convertible in the previous year)	6,000.00	6,000.00
	7,576.00	7,563.26
less, provision for diminution in value	7,492.73	5,940.00
	83.27	1,623.26
(iii) Capital contribution in Urvija Associates, a Partnership Firm	0.80	0.80
(refer note 22 of schedule 17)		
	84.07	1,624.06
(b) Immovable properties		
As per last Balance sheet	2.58	2.58
less, depreciation		
(i) As per last Balance sheet	2.06	2.03
(ii) for the year	0.03	0.03
	2.09	2.06
	0.49	0.52
Total	**84.56**	**1,624.58**

Note.

Immovable properties charged in connection with loan taken by another company.

* pledged in connection with loan taken by another company.

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

Schedule 6 INVENTORIES		
Stores and spares	625.77	611.24
Stock-in-trade		
Raw materials	2,632.74	3,495.37
Process stocks	53.20	132.91
Finished goods	1,397.47	1,848.20
Trading goods	8.63	–
	4,092.04	5,476.48
Total	**4,717.81**	**6,087.72**

Schedules forming part of the accounts

(Rupees in lacs)

	As at 31st March, 2010	As at 31st March, 2009
Schedule 7 SUNDRY DEBTORS		
Debts outstanding for a period exceeding six months	62.89	199.05
Other debts	3,853.94	5,953.18
	3,916.83	6,152.23
less, provision	20.58	75.77
Total	**3,896.25**	**6,076.46**
Note,		
Considered good	3,896.25	6,076.46
Considered doubtful	20.58	75.77
	3,916.83	**6,152.23**

Schedule 8 CASH AND BANK BALANCES

Cash on hand	8.75	8.14
Balances with scheduled banks		
– in current accounts (refer notes below)	435.88	193.42
– in fixed deposit accounts (including interest accrued Rs. 197.65 lacs; as at 31st March, 2009, Rs. 45.19 lacs)	7,601.88	1,279.36
(on fixed deposit receipts of Rs. 4,630.00 lacs, a bank has lien; as at 31st March, 2009, Rs. 46 lacs)	8,037.76	1,472.78
Post Office savings bank account (security deposit) (maximum amount Rs. 0.06 lac; as at 31st March, 2009, Rs. 0.06 lac)	0.06	0.06
Total	**8,046.57**	**1,480.98**

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. Out of the above, unutilised monies from the first and final call on equity shares made by the Company in an earlier year aggregate to Rs. 0.07 lacs (as at 31st March, 2009, Rs. 1.62 lacs).

Schedules forming part of the accounts

(Rupees in lacs)

	As at 31st March, 2010	As at 31st March, 2009
Schedule 9 LOANS AND ADVANCES		
(Unsecured unless otherwise stated)		
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)	2,794.07	2,778.07
Advances recoverable in cash or in kind or for value to be received (including secured Rs. 3,015.99 lacs; previous year Rs. 2,865.61 lacs) (refer note 4 of schedule 17)	8,090.97	7,390.39
Capital contribution in the partnership firm where the Company is a partner (current)	30.00	30.08
Balances with Central Excise	5.05	5.19
Iraq Project work-in-progress	162.70	162.70
Advance tax (net of provision)	725.72	335.18
Fringe benefit tax (net)	12.25	1.37
	11,820.76	10,702.98
less, provision	428.16	446.51
Total	**11,392.60**	**10,256.47**
Notes,		
1. Considered good	11,392.60	10,256.47
Considered doubtful	428.16	446.51
	11,820.76	10,702.98
2. Loans and advances in the nature of loans, due from:		
Subsidiary Company:		
Sulakshana Securities Limited	2,794.07	2,778.07
Maximum amount outstanding during the year	2,794.07	2,778.07
Others:		
Staff (interest bearing with repayment schedules beyond seven years)	21.61	25.37
Maximum amount outstanding during the year	25.37	33.55

Schedule 10 CURRENT LIABILITIES

Sundry creditors		
– total outstanding dues to micro and small enterprises (refer note 14 of schedule 17)	–	–
– total outstanding dues to creditors other than micro and small enterprises	10,997.98	10,536.32
	10,997.98	10,536.32
Other liabilities *	1,053.94	1,243.50
Advances from customers	61.45	68.58
Advance against project contracts	303.24	303.24
Interest accrued but not due on loans	2.45	12.17
Total	**12,419.06**	**12,163.81**

*includes Rs. 958.33 lacs (previous year Rs. 1,119.00 lacs) secured by pledge of investments of a group company.

Schedule 11 PROVISIONS

For tax (net of advance tax)	7.18	7.02
For fringe benefit tax (net)	–	–
Provision for gratuity	36.98	51.32
Provision for leave encashment	248.34	228.49
Proposed dividend	757.49	505.00
Corporate dividend tax	128.74	85.85
Total	**1,178.73**	**877.68**

Schedules forming part of the accounts

(Rupees in lacs)

	Year ended 31st March, 2010	Year ended 31st March, 2009
Schedule 12 OTHER INCOME		
Interest		
– on bank deposits, etc. (TDS, Rs. 12.64 lacs; previous year, Rs. 17.44 lacs)	254.12	121.37
– on advances (TDS, Rs. 20.26 lacs; previous year, Rs. 46.05 lacs)	205.13	207.96
	459.25	329.33
Dividend on long-term investments (non-trade)	43.34	28.90
Rent	28.80	28.80
Insurance claims	18.19	16.93
Provision for doubtful debts / advances written back / debts written off recovered	5.53	18.37
Excess provision of earlier years written back (net)	–	6.27
Miscellaneous income	235.20	45.23
Total	**790.31**	**473.83**

Schedule 13 DECREASE IN STOCKS OF FINISHED GOODS AND PROCESS STOCKS

Stocks as at 31st March, 2010		
Finished goods	1,397.47	1,848.20
Trading goods	8.63	–
Process stocks	53.20	132.91
	1,459.30	1,981.11
less,		
Stocks as at 1st April, 2009		
Finished goods	1,848.20	2,597.94
Trading goods	–	1.90
Process stocks	132.91	253.69
	1,981.11	2,853.53
Decrease	**(521.81)**	**(872.42)**

Schedules forming part of the accounts

(Rupees in lacs)

		Year ended 31st March, 2010	Year ended 31st March, 2009
Schedule 14 MANUFACTURING AND OTHER EXPENSES			
Raw materials consumed		14,314.20	20,314.23
Payments to and provisions for employees			
Salaries, wages and bonus		2,078.64	1,821.46
Contribution to provident fund and other funds		241.64	240.48
Welfare expenses		136.22	128.54
		2,456.50	2,190.48
Operating and Other expenses			
Stores, spares and packing materials consumed		1,790.03	1,506.26
Power and fuel		2,076.75	2,193.75
Processing charges		31.34	2.36
Rent		77.29	58.31
Rates and taxes		118.36	174.24
Repairs to buildings		38.10	14.55
Repairs to machinery		211.88	196.08
Insurance		52.83	74.41
Communication expenses		70.54	73.85
Commission and discount		347.51	379.16
Transport and freight charges (net)		1,732.50	1,422.54
Loss on sale of fixed assets (net)		45.54	30.23
Provision for doubtful debts/ advances		20.36	8.96
Provision for diminution in value of long-term investments (non-trade)		1,552.73	–
Bad debts/ advances written off	88.39		
less, provision for doubtful debts/ advances	(88.39)	–	–
Donations		16.75	15.00
Directors sitting fees		7.10	6.90
Share of loss in the partnership firm where the Company is a partner		0.09	0.16
Legal and professional fees *		3,118.80	652.38
Miscellaneous expenses		1,248.91	1,585.27
		12,557.41	8,394.41
Total		**29,328.11**	**30,899.12**

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

Schedule 15 INTEREST		
On fixed loans	162.51	341.50
On cash credit accounts	77.75	486.37
On others	9.11	35.49
Total	**249.37**	**863.36**

Schedules forming part of the accounts

Schedule 16 **SIGNIFICANT ACCOUNTING POLICIES**

1. **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.

2. **Depreciation**

   Depreciation on fixed assets is provided for on straight-line basis in accordance with the Companies Act, 1956 (refer note 6 of schedule 17).

3. **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.

4. **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.

5. **Inventories**

   Items of inventory are valued at cost or net realizable value, which ever 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

6. **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 as required 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.

7. **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 realization / 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 amortized 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.

8. **Borrowing costs**

   Borrowing costs that are attributable to the acquisition, construction or production of qualifying assets are capitalized 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.

9. **Revenue recognition**

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

10. **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.

11. **Provisions and contingencies**

    A provision is recognized 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

Schedules forming part of the accounts

Schedule 16 SIGNIFICANT ACCOUNTING POLICIES *(Contd.)*

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 recognized nor disclosed.

12. 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 amortized 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.

13. 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, 2010	As at 31st March, 2009
1. Estimated amount of contracts remaining to be executed on capital account and not provided for	**770.37**	**292.00**
2. Contingent liabilities in respect of:		
a. **Claims against the Company not acknowledged as debts** These relate to MODVAT on capital purchases (pending before the Assistant Commissioner) and permit fee on purchase of alcohol (pending before the High Court)	91.48	91.93
b. **Sales-tax matters disputed in appeal** Labour matters involving issues like regularization of employment, termination of employment, compensation against severance, etc.	23.34	23.34
Disputed bills of vendors not accounted for	–	8.84
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)	207.14	174.13
d. **Income tax matters disputed in appeal**	606.81	371.72
In all the above matters, the Company is hopeful of succeeding and as such does not expect any significant liability to crystallize.		
e. Corporate guarantee given for settlement of Mafatlal Industries Limited (MIL) dues (refer note 3.b.ii of schedule 17)	1,000.00	1,000.00

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 the appointed date (1st March, 2002), as a going concern, and effect given to in the accounts in the relevant financial year;

(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) above:

(i) the Company advanced monies, from time to time, and issued debentures aggregating to Rs. 2,794.07 lacs (previous year Rs. 2,778.07 lacs) (interest free) at year end.

(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.

c. SSL completed repayment of the term loan liabilities taken over from MIL in an earlier year. The settlement of monies advanced is dependent on the sale and realization of assets remaining with SSL as mentioned in 3(a)(ii) above.

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

Schedules forming part of the accounts

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

several steps in this regard which, broadly are as follows:

a. Advanced monies to a group company aggregating to Rs. 2,412.48 lacs (previous year Rs. 2,230.13 lacs) including interest, at year end to enable settlement of loan liabilities of MIL.

b. Taken over loan liabilities of MIL of Rs. 6,534.12 lacs, at a value of Rs 3,015.99 lacs (previous year Rs. 2,865.61 lacs) (at year end).

The Modified Rehabilitation Scheme of MIL, which inter alia includes settlement of the loan liabilities at the acquisition cost, has been approved by the BIFR during the year after receiving the consent of the secured creditors. MIL presently is in the last leg of implementation of the Modified Rehabilitation Scheme. The settlement of the amounts in (a) and (b) above is dependent on the successful implementation of the modified rehabilitation scheme.

5. During the year, the Company has successfully bid through an open tender process, for a commercial property admeasuring 53,214 sq. ft. at Lower Parel, Mumbai. This investment will entail a cash outflow of Rs. 4,506 lacs. As per the terms of the bid document, necessary bank guarantee worth Rs. 4,377.10 lacs has been furnished.

6. 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, Research & Development Plant and Captive Power Plant depreciation has been provided for at the rate applicable to continuous process plants.

(Rupees in lacs)

7. a. **Managerial remuneration:**	**Year ended 31st March, 2010**	**Year ended 31st March, 2009**
Salaries	186.21	135.78
Contribution to provident and other funds	30.28	21.88
Perquisites	40.76	29.67
Commission	304.30	166.00
Total	**561.55**	**353.33**

Note,

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

ii. Of the above, Rs. nil (Previous Year Rs. 244.13 lacs) is subject to approval of shareholders.

	Year ended 31st March, 2010	**Year ended 31st March, 2009**
b. **Calculation of net profits under section 349 of the Companies Act, 1956:**		
Profit before tax	12,232.86	7,309.33
add,		
Directors' sitting fees	7.10	6.90
Directors' remuneration (including commission)	561.55	353.33
Provision for doubtful debts/ advances	20.36	8.96
Provision for diminution in value of investments	1,552.73	–
	14,374.60	7,678.52
less,		
Provision for doubtful debts and advances written back	93.92	18.37
Capital profit on sale of fixed assets	0.07	–
	93.99	18.37
Net profit as per section 349 of the Companies Act, 1956	14,280.61	7,660.15
Commission payable		
To, the Chairman @ 1.5 % (previous year, 1.5%)	214.30	115.00
To, the Managing Director @ 0.21% (previous year, 0.13%)	30.00	10.00
To, the Finance Director @ 0.21% (previous year, 0.26%)	30.00	20.00
To, the Non-executive directors @ 0.21 % (previous year, 0.27%)	30.00	21.00
Total	**304.30**	**166.00**

Schedules forming part of the accounts

Schedule 17 NOTES ON ACCOUNTS *(Contd.)*

(Rupees in lacs)

8. Payment to auditors:	Year ended 31st March, 2010	Year ended 31st March, 2009
Audit fees	10.00	8.00
Tax audit fees	3.00	2.75
As advisor or in any other capacity, in respect of:		
– taxation matters	–	9.75
– company law matters	–	1.29
In any other manner (certification work, etc.)	5.65	5.45
Service-tax	1.98	3.23
Expenses	0.57	0.22
Total	**21.20**	**30.69**

The above payments include Rs. nil (Previous year Rs. 6.12 lacs) paid to a firm where a partner of the firm is a partner.

9. 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. 77.29 lacs (previous year Rs 58.31 lacs).

   b. Premises shown as investments have been given on operating lease for a period of sixty months. The other details are as under:

(Rupees in lacs)

Particulars	As at 31st March, 2010	As at 31st March, 2009
Gross block as at the year end	2.58	2.58
Accumulated depreciation as at the year end	2.08	2.06
Depreciation charged during the year	0.03	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 (liabilities) and assets are as under:

(Rupees in lacs)

Particulars	As at 31st March, 2010	As at 31st March, 2009
Difference between books and tax written down values of fixed assets	(2,886.69)	(2,629.90)
Provision for doubtful debts/ advances	152.53	177.52
Provision for diminution in value of investments	679.80	679.80
Others	(45.47)	57.82
Total	**(2099.83)**	**(1,714.76)**

12. a. **Derivative instruments**

The Company has entered 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	20.17
		(–)	(–)
US Dollars	Sell	–	–
		(–)	(–)

Note: Figures in brackets are for the previous year

   b. Net exchange difference in respect of forward contracts to be debited in subsequent accounting year amounts to Rs. 27.83 lacs (as at 31st March, 2009, credited Rs. nil).

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

c. **Foreign currency exposure at the year end not hedged by derivative instruments**

(Amounts in lacs)

	As at 31st March, 2010	As at 31st March, 2009
Receivables against export of goods and services		
Rupees	1,286.06	3,416.13
US Dollars	20.22	33.05
Pound Sterlings	–	0.14
Euros	6.29	25.87
Advance received from customers		
Rupees	18.92	–
US Dollars	0.42	–
Payables against import of goods and services		
Rupees	3,498.81	2,187.15
US Dollars	78.07	42.80
Advance payment to suppliers		
Rupees	110.00	142.44
US Dollars	0.92	2.70
Euros	1.15	–
Yens	–	10.74

d. The net amount of exchange gain included in the Profit and Loss account for the year is Rs. 103.45 lacs (previous year loss, Rs.338.96 lacs).

13. Research and development expenditure debited to the Profit and Loss account by charge to relevant heads of account amount to Rs. 270.90 lacs (previous year, Rs. 188.97 lacs).

14. 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.

15. 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 Company and difference between excise duty on opening and closing stocks of finished goods.

16. 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)*

	As at and for the year ended 31st March, 2010			As at and for the year ended 31st March, 2009		
Particulars	**Domestic**	**Exports**	**Total**	**Domestic**	**Exports**	**Total**
Revenues	17,012.95	27,135.41	44,148.36	19,665.30	24,063.05	43,728.35
	Within India	**Outside India**	**Total**	**Within India**	**Outside India**	**Total**
Segment assets	35,632.29	1,429.84	37,062.13	35,901.07	3,578.83	39,479.91
Cost incurred on acquisition of fixed assets	2,393.88	–	2,393.88	851.52	–	851.52

17. 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	7,436.15	4,528.75
Weighted average number of equity shares outstanding during the year	10,099,889	10,099,889
Basic earnings per share – Rupees	73.63	44.84
Diluted earnings per share – Rupees	73.63	44.84
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.

Schedules forming part of the accounts

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

18. Interest capitalized during the year, nil (previous year, Rs. 26.56 lacs)

19. 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, 2010	Year ended 31st March, 2009
Year to which dividend relates	**2008-09**	**2007-08**
Number of non-resident shareholders	347	249
Number of shares held by them on which dividend is due	227,897	282,789
Amount remitted to bank accounts in India of non-resident shareholders – Rupees in lacs	11.39	11.31
Year to which dividend relates	**Interim 2009-10**	**Interim 2008-09**
Number of non-resident shareholders	365	253
Number of shares held by them on which dividend is due	231,573	148,158
Amount remitted to bank accounts in India of non-resident shareholders – Rupees in lacs	15.05	7.41

20. 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.

21. 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 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. Unutilized monies as at the year end, Rs. 0.07 lacs (as at 31st March, 2009, Rs. 1.62 lacs).

22. Investment in Partnership Firm, Urvija Associates

Name of the Partners	As at 31st March, 2010		As at 31st March, 2009	
	Capital (Rupees in lacs)	% share of profit/ loss	Capital (Rupees 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

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. 165.75 lacs (previous year, Rs. 135.47 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.

Schedules forming part of the accounts

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

In respect of gratuity (funded) :

(Rupees in lacs)

	Current year	Previous year
Reconciliation of liability recognized in the Balance sheet		
Present value of commitments	(743.75)	(663.68)
Fair value of plan assets	706.77	612.36
Net liability in the Balance sheet	(36.98)	(51.32)
Movement in net liability recognized in the Balance sheet		
Net liability as at beginning of the year	(51.32)	(122.86)
Net expense recognized in the Profit and Loss account	(56.98)	(61.32)
Contribution during the year	71.32	132.86
Net liability as at end of the year	(36.98)	(51.32)
Expense recognized in the Profit and Loss account		
Current service cost	32.05	27.38
Interest cost	51.41	52.43
Expected return on plan assets	(53.88)	(51.04)
Actuarial (gains)/losses	27.40	32.55
Expense charged to the Profit and Loss account	56.98	61.32
Return on plan assets		
Expected return on plan assets	53.88	51.04
Actuarial gains/ (losses)	(10.34)	(15.52)
Actual return on plan assets	43.54	35.52
Reconciliation of defined-benefit commitments		
Commitments as at beginning of the year	663.68	689.05
Current service cost	32.05	27.38
Interest cost	51.41	52.43
Paid benefits	(20.45)	(122.20)
Actuarial (gains)/ losses	17.06	17.03
Commitments as at end of the year	743.76	663.68
Reconciliation of plan assets		
Plan assets as at beginning of the year	612.36	566.19
Expected return on plan assets	53.88	51.04
Contributions during the year	71.32	132.86
Paid benefits	(20.45)	(122.20)
Actuarial gains/ (losses)	(10.34)	(15.52)
Plan assets as at end of the year	706.77	612.36

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	8.00%	7.50%
Expected return on plan assets	8.00%	8.00%
Expected rate of salary increase	5.50%	5.50%
Mortality	LIC (1994-96) Ultimate	

The fair value of the plan assets is distributed in the following manner:

– 60.30 % in deposits with a nationalized bank

– 39.70 % various debt instruments

24. The company suspended its organic chemicals activities at Dewas in the previous year. Some of the assets of its Dewas unit are being transferred from Dewas and redeployed in other projects currently under implementation at Surat. The Dewas site is now being utilised to set up another state-of-the-art contract manufacturing facility. Accordingly, the company is of the view that it does not require any disclosure under AS 24 – Discontinuing Operations. Necessary provision for impairment wherever required has been made.

Schedules forming part of the accounts

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

25. Employee Stock Option Scheme

a. The NFIL Employee Stock Option Scheme has been approved by the Board of Directors of the Company on 1st May 2007.

b. The vesting period is over four years from the date of grant, commencing after one year from the date of grant.

c. Exercise Period would commence one year from date of grant and will expire on completion of ten years from the date of vesting.

d. The options will be settled in equity shares of the company.

e. The company used the intrinsic value method to account for ESOPs.

f. The exercise price has been determined to be the market price on the days preceding the dates of grants.

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:**	As at 31st March, 2010	As at 31st March, 2009
Particulars	Nos.	Nos.
Options outstanding at the beginning of the year	36,300	56,100
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	19,800
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 11.03 lacs), Profit after tax would have been lower by Rs. 11.08 lacs (previous year Rs. 7.26 lacs) and EPS – both basic and diluted - would have been Rs. 73.45 per share (previous year Rs. 44.77 per share).

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

26. 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

Shri Shekhar Khanolkar

Relatives of key management personnel

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

Smt. Sushilaben A. Mafatlal

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

National Organic Chemical Industries 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

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

Navlekh Investments Limited
Milap Texchem Private Limited
Surekha Holdings Private Limited
Krishnadeep Housing Development 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
Sale of finished goods						
National Organic Chemical Industries Limited	5.05 *43.43*					5.05 *43.43*
Mafatlal Denim Limited		– *1.33*				– *1.33*
Mafatlal Industries Limited	0.03 –					0.03 –
Rental Income						
National Organic Chemical Industries Limited	31.77 *32.21*					31.77 *32.21*
Interest Income						
Sunanda Industrial Machinery Limited	202.60 *205.21*					202.60 *205.21*
Purchase of cloth for uniform						
Mafatlal Fabrics Private Limited	11.13 –					11.13 –
Managerial remuneration						
Shri Hrishikesh A. Mafatlal				244.22 *143.19*		244.22 *143.19*
Shri Vishad P. Mafatlal				5.00 *3.50*		5.00 *3.50*
Shri Atul K. Srivastava				111.89 *83.76*		111.89 *83.76*
Shri Vinesh Sadekar				– *17.27*		– *17.27*
Shri Satish Kakade				106.40 *43.34*		106.40 *43.34*
Shri Shekar Khanolkar				69.04 *44.79*		69.04 *44.79*
Sitting fees						
Shri Vishad P. Mafatlal				0.80 *0.80*		0.80 *0.80*
Share of loss in a partnership firm						
Urvija Associates			0.09 *0.16*			0.09 *0.16*
Capital contribution in a partnership firm (Urvija Associates)						
– current			0.09 *0.16*			0.09 *0.16*
Deposit given to						
Mafatlal Industries Limited	128.90 –					128.90 –
Advances given to						
Mafatlal Industries Limited	150.38 *2,865.61*					150.38 *2,865.61*
Sulakshana securities limited			16.00 *251.00*			16.00 *251.00*
Repayment of Advance from						
Sunanda Industrial Machinery Limited	20.25 *171.74*					20.25 *171.74*

Schedules forming part of the accounts

Schedule 17 NOTES ON ACCOUNTS *(Contd.)*

Details of transactions with related parties during the year/ previous year *(Contd.)*

(Rupees in lacs)

Nature of transactions	1	2	3	4	5	Total
Dividend paid						
Mafatlal Impex Private Limited	124.80 *97.67*					124.80 *97.67*
National Organic Chemical Industries Limited	65.12 *50.97*					65.12 *50.97*
Surekha Holdings Private Limited	– *29.20*					– *29.20*
Others	175.48 *20.04*			36.73 *25.84*	26.32 *19.05*	238.53 *64.93*
As at the year end **Amounts due to**						
Shri Hrishikesh A. Mafatlal				214.30 *115.00*		214.30 *115.00*
Shri Vishad P. Mafatlal				5.00 *3.50*		5.00 *3.50*
Shri Satish Kakade				30.00 *10.00*		30.00 *10.00*
Shri Atul K. Srivastava				30.00 *20.00*		30.00 *20.00*
Amounts due from						
Mafatlal Industries Limited	3,149.20 *2,910.58*					3,149.20 *2,910.58*
Mafatlal Denim Limited		1.61 *1.61*				1.61 *1.61*
Urvija Associates			30.00 *30.09*			30.00 *30.09*
Sulakshana securities limited			2,794.07 *2,778.07*			2,794.07 *2,778.07*
Sunanda Industrial Machinery Limited	2,412.48 *2,230.13*					2,412.48 *2,230.13*
National Organic Chemical Industries Limited	30.27 *5.20*					30.27 *5.20*
Charge has been created on immovable property of the Company for loan obtained by National Organic Chemical Industries Limited	Refer note in schedule 5					
Provision for amounts receivable (Note 1)			380.37 *380.37*			380.37 *380.37*
Guarantees/ indemnity given for	refer notes 2.e of schedule17					

1. Enterprises over which key management personnel and their relatives are able to exercise significant influence
2. Associate
3. Related parties where control exists
4. Key management personnel
5. Relatives of key management personnel

Notes,

1. 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.
2. Figures in italics are those as at and for the year ended 31st March, 2009

Schedules forming part of the accounts

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

27. Raw materials consumed

	Unit	Year ended 31st March, 2010		Year ended 31st March, 2009	
		Quantity	Rupees in lacs	Quantity	Rupees in lacs
(a) Fluorspar	tons	30,399	6,116.85	34,285	6,113.70
(b) Chloromethanes	tons	13,441	1,928.44	12,687	2,782.26
(c) Spor 11	tons	737	1,386.32	1,032	2,833.44
(d) Sulphur	tons	9,755	459.23	10,385	2,144.93
(e) Others			4,423.36		6,439.90
Total			**14,314.20**		**20,314.23**

28. Quantitative information regarding classes of goods manufactured

	Unit	Year ended 31st March, 2010		Year ended 31st March, 2009	
		Installed capacity	Production*	Installed capacity	Production*
(a) Organic Chemicals	tons	–	–	9,031	370
(b) Synthetic cryolite, aluminium fluoride and fluorocarbon gases	tons	29,010	10,247	29,010	12,535
(c) Hydrofluoric acid and other fluorine chemicals	tons	32,605	17,584	32,155	17,395
(d) Sulphuric acid and oleum	tons	39,600	26,046	39,600	27,886

* including production internally consumed

Note,

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

29. 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	23	36.33	18	30.41
		117	*533.69*	*23*	*36.33*
(b) Synthetic cryolite, aluminium fluoride and fluorocarbon gases	tons	889	751.68	477	441.66
		858	*818.45*	*889*	*751.68*
(c) Hydrofluoric acid and other fluorine chemicals	tons	406	1,025.68	539	900.32
		634	*1,189.47*	*406*	*1,025.68*
(d) Sulphuric acid and oleum	tons	360	34.51	662	25.08
		943	*56.33*	*360*	*34.51*
Total			**1,848.20**		**1,397.47**
			2,597.94		***1,848.20***

Previous year figures are in italics

30. 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	–	–	113	261.78	4	8.63
	–	*–*	*20*	*63.00*	*–*	*–*
Total		**–**		**261.78**		**8.63**
		–		*63.00*		*–*

Previous year figures are in italics

31. Quantitative information regarding sales turnover

(Rupees in lacs)

	Year ended 31st March, 2010		Year ended 31st March, 2009	
	Unit - tons	Rupees in lacs	Unit - tons	Rupees in lacs
(a) Organic Chemicals	4	42.32	288	164.29
(b) Synthetic cryolite, aluminium fluoride, fluorocarbon gases and related carbon credits	10,734	28,440.00	11,963	26,250.41
(c) Hydrofluoric acid and other fluorine chemicals	8,931	15,309.15	9,739	16,887.88
(d) Others (including sulphuric acid and oleum)	–	356.89	–	425.77
Total		**44,148.36**		**43,728.35**

Schedules forming part of the accounts

Schedule 17 NOTES ON ACCOUNTS *(Contd.)*

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

(Rupees in lacs)

	Year ended 31st March, 2010	Year ended 31st March, 2009
(a) CIF value of imports		
Raw materials	9,537.09	10,052.04
Stores, spares and packing materials	0.64	14.72
Capital goods	68.69	29.60

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

	Year ended 31st March, 2010		Year ended 31st March, 2009	
	Rupees in lacs	Percentage of consumption	Rupees in lacs	Percentage of consumption
Raw materials				
Imported	11,533.64	80.57	14,209.33	69.95
Indigenous	2,780.56	19.43	6,104.90	30.05
	14,314.20	**100.00**	**20,314.23**	**100.00**
Stores, spares and packing materials				
Imported	8.75	0.49	4.53	0.30
Indigenous	1,781.28	99.51	1,501.73	99.70
	1,790.03	**100.00**	**1,506.26**	**100.00**

33. Expenditure in foreign currency

(Rupees in lacs)

	Year ended 31st March, 2010	Year ended 31st March, 2009
(a) Travelling expenses	31.18	21.59
(b) Commission	80.44	93.65
(c) Legal and professional fees	76.28	41.14
(d) ISO tank rental	441.59	339.16
(e) Others	195.14	213.55

34. Earnings in foreign exchange

(Rupees in lacs)

	Year ended 31st March, 2010	Year ended 31st March, 2009
(a) FOB value of exports / carbon credits	24,521.50	23,583.35
(b) Contract Research Income	15.12	10.98

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

Signatures to schedule 1 to 17

As per our attached Report of even date

For **Deloitte Haskins & Sells**
Chartered Accountants

(R. Salivati)
Partner
(Membership No. 34004)

Mumbai, dated, 28th April, 2010

H. A. Mafatlal
Chairman

S. D. Kakade
Managing Director

N. B. Mankad
Company Secretary

T. M. M. Nambiar
V. P. Mafatlal
S. S. Lalbhai
A. K. Srivastava
P. N. Kapadia
R. Sankaran
S. M. Kulkarni
Directors

Balance sheet abstract and Company's general business profile

I. Registration Details

Registration No.	1 1 5 4 9 9
Balance Sheet Date	31 03 2010
State Code	11

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

Public issue	NIL
Rights issue	NIL
Bonus issue	NIL
Private placement	NIL

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

Total liabilities	4593124
Total assets	4593124

Sources of Funds

Paid–up capital	100955
Reserves and surplus	2808843
Secured loans	113564
Unsecured loans	NIL
Deferred tax liabilities (net)	209983

Application of Funds

Net fixed assets	1779345
Investments	8456
Net current assets	1445544
Miscellaneous expenditure	NIL
Accumulated losses	NIL

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

Turnover	4414836
Total expenditure	3096815
+ (–) Profit/ (loss) before tax	√ 1223286
+ (–) Profit/ (loss) after tax	√ 743615
Earnings per share (Rupees)	(Refer note 17 of schedule 17)
Dividend (%)	140

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

Item Code No. *(ITC code)*	Product descriptions
29034910	HYDROCHLOROFLUORO CARBONS
281111	HYDROFLUORIC ACID

		T. M. M. Nambiar	
H. A. Mafatlal *Chairman*	**S. D. Kakade** *Managing Director*	V. P. Mafatlal	
		S. S. Lalbhai	
		A. K. Srivastava	*Directors*
		P. N. Kapadia	
	N. B. Mankad *Company Secretary*	R. Sankaran	
Mumbai, dated, 28th April, 2010		S. M. Kulkarni	

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, 2010

Sr No.	Name of the Subsidiary Company	Sulakshana Securities Limited (Wholly owned subsidiary)
	Extent of the Holding Company's interest in Subsidiary :	
	No of Shares	150,000
	% of Capital	100%
		(Rupees in lacs)
1.	Capital	15.00
2.	Reserves	Nil
	Debit Balance of Profit & Loss A/c	1,194.80
3.	Total Assets (Fixed Assets + Investments + Current Assets)	1,616.08
4.	Total Liabilities (Debts + Current Liabilities)	2,795.88
5.	Details of Investments	0.00
6.	Income	28.23
7.	Profit before Tax	(21.89)
8.	Provision for Tax	3.07
9.	Profit after Tax	(24.96)
10.	Proposed Dividend	Nil

H. A. Mafatlal
Chairman

S. D. Kakade
Managing Director

N. B. Mankad
Company Secretary

T. M. M. Nambiar
V. P. Mafatlal
S. S. Lalbhai
A. K. Srivastava
P. N. Kapadia
R. Sankaran
S. M. Kulkarni
Directors

Mumbai, dated, 28th April, 2010

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, 2010, 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 Rs 718.01 lacs) (Refer Note no 3(a)(iii) of Schedule 17) and a subsidiary (Previous year subsidiaries) whose financial statements reflect total assets of Rs. 25 lacs as at 31st March, 2010, total revenue Rs. Nil and net cash Inflow Rs. Nil for the year ended on that date, (Previous year total assets Rs. 1661.16 lacs, total revenues of Rs. 29.16 lacs and net cash Outflows amounting to Rs. 1.10 lacs) as considered in the Consolidated Financial Statements. These financial statements have been audited by other auditors (in the case of associate for the year ended 31st March 2009) whose reports have been furnished to us and our opinion in so far as it relates to the amounts included in respect of these 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 subject to:
   i. *Note 3(a)(iii) of schedule 17 regarding non availability of financial statements of the associate for the year ended 31st March, 2010, for consolidation in contravention of the provisions of AS 23, ' Accounting for Investments in Associates in Consolidated Financial Statements' and;*
   ii. *Note 18 of schedule 17 regarding the parent company's view on disclosure under AS 24 (Discontinuing Operations) in respect of its plant at Dewas owing to which no disclosures in terms of AS 24 have been made.*
   iii. *Note 19 of schedule 17 regarding non-accounting of rent/recovery of expenses.*
5. *Attention is invited to the following in schedule 17, which were also the subject matter of our report modified in the previous year:*
   i. *Note 3(a)(iii) regarding non availability of financial statements of the associate for the year ended 31st March, 2010, for consolidation in contravention of the provisions of AS 23, 'Accounting for Investments in Associates in Consolidated Financial Statements'. The impact of the same is not ascertainable;*
   ii. *Note 19, regarding non-accounting of rent/ recovery of expenses, Rs. 108.83 lacs (previous year Rs. 108.83 lacs).*
6. *We further report that without considering items 5(i) above, the effect of which on the financial statements for the year ended 31st March 2010 could not be determined, had the observations made by us in item 5(ii) above been considered, Profit after tax would have been Rs.8,354.73 lacs, as against the reported profit of Rs. 8,245.90 lacs (previous year, Rs. 4,429.33 lacs, as against the reported profit of Rs. 4,345.75 lacs), Reserves and Surplus would have been Rs. 28,888.81 lacs, as against the reported figure of Rs. 28,779.98 lacs (as at 31st March 2009, Rs. 21,857.34 lacs, as against the reported figure of Rs. 21,773.76 lacs), Loans and Advances would have been Rs. 9,122.06 lacs, as against the reported figure of Rs. 9,013.23 lacs (as at 31st March, 2009, Rs. 7,992.85 lacs, as against the reported figure of Rs. 7,884.02 lacs) and Provisions as at 31st March, 2009 would have been Rs. 906.51 lacs as against the reported figure of Rs. 881.26 lacs.*
7. *In view of the foregoing and more particularly para 5(i) above,* based on our audit and on consideration of separate audit reports on individual financial statements of the Company, subsidiaries and associates and to the best of our information, and according to the explanations given to us, in our opinion, the attached Consolidated Financial Statements do not 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, 2010;*
   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
(Membership No. 34004)

Mumbai, dated, 28th April, 2010

Consolidated Balance sheet as at 31st March, 2010

(Rupees in lacs)

	Schedule	As at 31st March, 2010	As at 31st March, 2009
SOURCES OF FUNDS			
Shareholders' funds			
Share capital	1	1,009.55	1,009.54
Reserves and surplus	2	28,779.98	21,773.76
		29,789.53	**22,783.30**
Minority interest		0.07	0.10
Loan funds			
Secured loans	3	1,135.64	5,264.27
Deferred tax liabilities (net)		2,099.83	1,714.76
Total		**33,025.07**	**29,762.43**
APPLICATION OF FUNDS			
Fixed assets	4		
Gross block		25,792.00	26,623.09
less, depreciation		8,592.39	8,825.56
less, impairment		469.73	469.73
Net block		**16,729.88**	**16,327.80**
Capital work-in-progress		2,614.88	2,648.42
		19,344.76	18,976.22
Goodwill on consolidation		1,490.99	1,490.99
		20,835.75	20,467.21
Investments	5	83.76	789.06
Current assets, loans and advances			
Inventories	6	4,717.81	6,087.72
Sundry debtors	7	3,896.25	6,076.46
Cash and bank balances	8	8,077.92	1,512.59
Loans and advances	9	9,013.23	7,884.02
		25,705.21	21,560.79
***less,* Current liabilities and provisions**			
Current liabilities	10	12,420.65	12,173.37
Provisions	11	1,179.00	881.26
		13,599.65	13,054.63
Net current assets		12,105.56	8,506.16
Total		**33,025.07**	**29,762.43**
Significant accounting policies	16		
Notes on accounts	17		

As per our attached Report of even date

For **Deloitte Haskins & Sells**
Chartered Accountants

(R. Salivati)
Partner
(Membership No. 34004)

Mumbai, dated, 28th April, 2010

H. A. Mafatlal
Chairman

S. D. Kakade
Managing Director

N. B. Mankad
Company Secretary

T. M. M. Nambiar
V. P. Mafatlal
S. S. Lalbhai
A. K. Srivastava
P. N. Kapadia
R. Sankaran
S. M. Kulkarni
Directors

Consolidated Profit and Loss account for the year ended 31st March, 2010

(Rupees in lacs)

	Schedule	Year ended 31st March, 2010	Year ended 31st March, 2009
INCOME			
Turnover (gross)		44,148.36	43,728.35
less, excise duty		1,230.97	2,169.27
Turnover (net)		42,917.39	41,559.08
Other Operation Charges		15.12	228.99
		42,932.51	41,788.07
Other income	12	818.54	503.00
(Decrease)/ Increase in stocks of finished goods and process stocks	13	(521.81)	(872.42)
Total		**43,229.24**	**41,418.65**
EXPENDITURE			
Purchase of trading goods		261.78	63.00
Manufacturing and Other expenses	14	27,796.24	30,925.84
Excise duty		22.05	(220.84)
Depreciation		1,135.91	1,277.56
Depreciation on immovable properties		0.03	0.03
Impairment		–	469.73
Additional amount paid for settlement of secured term liabilities of Mafatlal Industries Limited		–	151.60
Interest	15	249.57	864.67
Total		**29,465.58**	**33,531.59**
Profit before exceptional items and tax		**13,763.66**	**7,887.06**
Exceptional items			
Compensation under Voluntary Retirement Scheme		–	(174.71)
CWIP written off		–	(582.58)
Profit before tax		**13,763.66**	**7,129.77**
Provision for tax			
Current tax (including wealth-tax, Rs. 1.64 lacs, previous year, Rs. 1.48 lacs)		(4,414.71)	(2,505.06)
Deferred tax		(385.07)	(250.00)
Fringe benefit tax		–	(29.00)
		(4,799.78)	(2,784.06)
Profit after tax		**8,963.88**	**4,345.71**
Current year's share of losses in associate		(718.01)	–
Minority interest		0.03	0.04
		8,245.90	**4,345.75**
Surplus brought forward from previous year		3,426.54	1,078.32
Amount available for appropriation		**11,672.44**	**5,424.07**
Appropriations			
Transferred to General reserve		744.00	453.00
Transfer to Debenture Redemption Reserve		80.50	112.00
Transferred to Contingency reserve (refer note 6.b.ii of schedule 17)		–	250.00
Interim dividend		656.49	505.00
Proposed dividend		757.49	505.00
Corporate dividend tax thereon		240.31	172.53
		2,478.79	1,997.53
Surplus carried to Balance sheet		**9,193.65**	**3,426.54**
Earnings per share (refer note 14 of schedule 17):			
basic - Rs.		81.64	43.03
diluted - Rs.		81.64	43.03
Significant accounting policies	16		
Notes on accounts	17		

As per our attached Report of even date

For **Deloitte Haskins & Sells**
Chartered Accountants

(R. Salivati)
Partner
(Membership No. 34004)

H. A. Mafatlal
Chairman

S. D. Kakade
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T. M. M. Nambiar
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S. S. Lalbhai
A. K. Srivastava
P. N. Kapadia
R. Sankaran
Directors

N. B. Mankad
Company Secretary

S. M. Kulkarni

Mumbai, dated, 28th April, 2010

Consolidated cash flow statement for the year ended 31st March, 2010

(Rupees in lacs)

	Year ended 31st March, 2010	Year ended 31st March, 2009
A. CASH FLOW FROM OPERATING ACTIVITIES		
Profit before tax	**13,763.66**	**7,129.77**
adjustments for,		
Depreciation	1,135.94	1,277.59
Impairment	–	469.73
CWIP written off	–	582.58
Loss on sale of fixed assets (net)	45.54	30.23
Provision for doubtful debts/ advances written back	(5.53)	(18.37)
Additional amount paid for settlement of secured term liabilities of Mafatlal Industries Limited	–	151.60
Interest expense	249.57	864.67
Interest income	(459.25)	(329.33)
Foreign exchange (gain)/ loss on year end revaluation	(85.43)	46.33
Dividend on long-term investments (non-trade)	(43.34)	(28.90)
Excess provision of earlier years written back (net)	–	(6.27)
Provision for doubtful debts/ advances	20.36	8.96
Operating profit before working capital changes	**14,621.52**	**10,178.59**
(Increase)/ decrease in trade receivables	2,112.25	1,144.30
(Increase) in inventories	1,369.91	714.83
Decrease/ (increase) in loans and advances	(216.05)	74.88
Increase/ (Decrease) in trade and other payables	360.17	(1,710.04)
	3,626.28	**223.97**
Cash generated from Operations	18,247.80	10,402.56
Direct taxes and fringe benefit tax paid	(4,819.28)	(2,511.85)
Net cash generated from operating activities	**13,428.52**	**7,890.71**
B. CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of fixed assets	(1,933.37)	(1,407.55)
Buy-back of investments	(12.74)	–
Amounts paid for acquiring MIL debts from KMBL on assignment basis	(311.04)	(1,846.64)
Sale of fixed assets	383.38	19.43
Dividend income	43.34	28.90
Interest income	124.44	169.23
Net cash (used in) investing activities	**(1,705.99)**	**(3,036.63)**

Consolidated cash flow statement*(Contd.)* for the year ended 31st March, 2010

(Rupees in lacs)

	Year ended 31st March, 2010	Year ended 31st March, 2009
C. CASH FLOW FROM FINANCING ACTIVITIES		
Calls in arrears received during the year (including share premium)	0.04	0.02
Repayments of debenture	(143.00)	(588.05)
Repayments of long-term borrowings	(1,676.04)	(2,089.29)
(Repayments)/ proceeds from other borrowings (net)	(2,309.60)	(1,121.88)
Compensation received pursuant to Montreal Protocol for phasing out production of Ozone Depleting Substances - Capital reserve no. 2	414.58	316.51
Dividend paid (including Corporate dividend tax thereon)	(1,335.58)	(1,045.62)
Additional amount paid for settlement of secured term liabilities of Mafatlal Industries Limited (refer note no. 5.f.i of schedule 17)	–	(151.60)
Interest paid	(259.29)	(938.55)
Net cash (used in)/ generated from financing activities	**(5,308.89)**	**(5,618.46)**
Net (decrease)/ increase in cash and cash equivalents	**6,413.65**	**(764.38)**
Cash and cash equivalents at the beginning of the year	1,466.82	2,231.35
Cash and cash equivalents at the end of the year	**7,880.47**	**1,466.97**
Notes,		
1. **Reconciliation of cash and cash equivalents**		
As per Balance sheet - schedule 8	8,077.92	1,512.59
less, interest accrued on bank deposits	197.65	45.19
Foreign exchange (gains) and losses	0.20	(0.43)
As per Cash-flow statement	**7,880.47**	**1,466.97**
2. **The following has been treated as non-cash transactions:**		
Interest aggregating to Rs. nil (previous year, Rs. 26.56 lacs) capitalised during the year.		

As per our attached Report of even date

For **Deloitte Haskins & Sells**
Chartered Accountants

(R. Salivati)
Partner
(Membership No. 34004)

Mumbai, dated, 28th April, 2010

H. A. Mafatlal
Chairman

S. D. Kakade
Managing Director

N. B. Mankad
Company Secretary

T. M. M. Nambiar
V. P. Mafatlal
S. S. Lalbhai
A. K. Srivastava
P. N. Kapadia
R. Sankaran
S. M. Kulkarni
Directors

Schedules forming part of the consolidated accounts

(Rupees in lacs)

	As at 31st March, 2010	As at 31st March, 2009
Schedule 1 SHARE CAPITAL		
Authorised		
3,50,00,000 equity shares of Rs.10/- each	3,500.00	3,500.00
Issued and subscribed		
1,00,99,889 equity shares of Rs. 10/- each, fully paid-up *	1,009.99	1,009.99
less, Calls in arrears	0.44	0.45
Total	**1,009.55**	**1,009.54**

* 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.

	As at 31st March, 2010	As at 31st March, 2009
Schedule 2 RESERVES AND SURPLUS		
Capital reserve No. 1		
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
Capital reserve no. 2		
Compensation received by the parent company pursuant to the Montreal		
Protocol for phasing out production of Ozone Depleting Substances		
As per last Balance sheet	5,866.98	5,550.47
add, received during the year	414.58	316.51
	6,281.56	5,866.98
Share premium account		
As per last Balance sheet	2,374.08	2,374.08
add, amount in arrears (net of receipts during the year, Rs. 0.03 lacs; previous year, Rs. 0.02 lacs)	2.20	2.23
	2,371.88	2,371.85
Contingency reserve		
Reserve created in terms of a corporate guarantee given by the parent company		
As per last Balance sheet	1,000.00	750.00
add, transferred from profit and loss account during the year	–	250.00
	1,000.00	1,000.00
Debenture Redemption Reserve		
As per Last Balance Sheet	292.00	261.35
add, transferred from profit and loss account during the year	80.50	112.00
less, transferred to General reserve	143.00	81.35
	229.50	292.00
General reserve		
As per last Balance sheet	781.22	246.87
add, transferred from Profit and Loss account during the year	744.00	453.00
add, transferred from Debenture redemption reserve	143.00	81.35
	1,668.22	781.22
Surplus in Profit and Loss account	9,193.65	3,426.54
Total	**28,779.98**	**21,773.76**

Schedules forming part of the consolidated accounts

(Rupees in lacs)

	Notes	As at 31st March, 2010	As at 31st March, 2009
Schedule 3 SECURED LOANS			
Debentures			
280,000 Zero Coupon Secured Redeemable at par Non-convertible Debenture of Rs. 100/- each. (Redeemable in two equal annual instalments on 6th August, 2010 and 6th August, 2011)	1	280.00	423.00
Loans and advances from Banks			
Rupee term loan accounts	2	800.93	2,476.96
Cash credit accounts	3	54.71	2,364.31
		855.64	4,841.27
Total		**1,135.64**	**5,264.27**

Notes,

1. Secured by first mortgage on the parent company's immovable property at first floor of Kalpataru Point, Sion, Mumbai.
2. Secured by charges created/ to be created on all the fixed assets at Bhestan and certain fixed assets at Dewas, both present and future (excluding land under development at Bhestan).
3. 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).

Schedule 4 FIXED ASSETS

(Rupees in lacs)

Asset category	Gross block				Depreciation				Impairment	Net Block	
	As at 1st April, 2009	Additions	Deductions/ adjustments	As at 31st March, 2010	Upto 31st March, 2009	For the year	Deductions/ adjustments	Upto 31st March, 2010		As at 31st March, 2010	As at 31st March, 2009
Land	11.56	–	–	11.56	–	–	–	–	–	11.56	11.56
Buildings	3,391.07	9.16	–	3,400.23	359.51	66.39	–	425.90	–	2,974.33	3,031.56
Plant and machinery	17,379.33	2,222.81	50.20	19,551.94	5,792.82	982.89	12.98	6,762.73	11.33	12,777.88	11,575.18
Furniture, fittings and office equipment	337.88	29.61	8.46	359.03	162.84	15.82	0.80	177.86	–	181.17	175.04
Vehicles	292.93	68.31	16.90	344.34	90.83	24.75	13.76	101.82	7.69	234.83	194.41
Assets retired from active use *											
Buildings	316.31	–	–	316.31	128.35	–	–	128.35	140.05	47.91	47.91
Plant and machinery	3,843.49	–	2,169.84	1,673.65	2,259.76	36.88	1,336.54	960.10	300.16	413.39	1,283.57
Furniture, fittings and office equipment	37.41	–	–	37.41	26.45	–	–	26.45	10.50	0.46	0.46
Vehicles	13.11		13.11	–	5.00	–	5.00	–	–	–	8.11
Total	**25,623.09**	**2,329.89**	**2,258.51**	**25,694.41**	**8,825.56**	**1,126.73**	**1,369.08**	**8,583.21**	**469.73**	**16,641.53**	**16,327.80**
Intangible											
Computer Softwares	–	97.53	–	97.53	–	9.18	–	9.18	–	88.35	–
Total	**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**	**16,327.80**
As at and for the year ended 31st March, 2009	24,751.92	941.84	70.67	25,623.09	7,569.01	1,277.56	21.01	8,825.56	469.73	16,327.80	
Capital work-in-progress (including capital advances)										2,614.88	2,648.42

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

Schedules forming part of the consolidated accounts

(Rupees in lacs)

	As at 31st March, 2010	As at 31st March, 2009
Schedule 5 INVESTMENTS (long term)		
(a) Other investments		
1,77,47,072* equity shares of Mafatlal Denim Limited of Rs. 10/- each, fully paid-up	718.01	718.01
less, share of current year's loss (refer note 3.a.iii of schedule 17)	718.01	–
	–	718.01
9,300 equity shares of Mafatlal Services Limited of Rs. 100/- each, fully paid-up	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
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	6,728.54
less, provision for diminution in value	5,940.00	5,940.00
	83.27	788.54
(b) Immovable properties		
As per last Balance sheet	2.58	2.58
less, depreciation		
(i) As per last Balance sheet	2.06	2.03
(ii) for the year	0.03	0.03
	2.09	2.06
	0.49	0.52
Total	**83.76**	**789.06**

Note,

Immovable properties charged in connection with loan taken by another company.

* pledged in connection with loan taken by another company.

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

	As at 31st March, 2010	As at 31st March, 2009
Schedule 6 INVENTORIES		
Stores and spares	625.77	611.24
Stock-in-trade		
Raw materials	2,632.74	3,495.37
Process stocks	53.20	132.91
Finished goods	1,397.47	1,848.20
Trading goods	8.63	–
	4,092.04	5,476.48
Total	**4,717.81**	**6,087.72**

Schedules forming part of the consolidated accounts

(Rupees in lacs)

	As at 31st March, 2010	As at 31st March, 2009
Schedule 7 SUNDRY DEBTORS		
(Unsecured)		
Debts outstanding for a period exceeding six months	62.89	199.05
Other debts	3,853.94	5,953.18
	3,916.83	6,152.23
less, provision	20.58	75.77
Total	**3,896.25**	**6,076.46**
Note,		
Considered good	3,896.25	6,076.46
Considered doubtful	20.58	75.77
	3,916.83	**6,152.23**

Schedule 8 CASH AND BANK BALANCES		
Cash on hand	8.85	8.28
Balances with scheduled banks		
– in current accounts (refer note 2 below)	467.13	224.89
– in fixed deposit accounts (including interest accrued Rs. 197.65 lacs; as at 31st March, 2009, Rs. 45.19 lacs) (on fixed deposit receipts of Rs. 4,630.00 lacs, banks have lien; as at 31st March, 2009, Rs. 46.00 lacs)	7,601.88	1,279.36
	8,069.01	1,504.25
Post Office savings bank account (security deposit) (maximum amount Rs. 0.06 lac; as at 31st March, 2009, Rs. 0.06 lac)	0.06	0.06
Total	**8,077.92**	**1,512.59**

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. Out of the above, unutilised monies out of the first and final call on equity shares made by the parent company in an earlier year aggregate to Rs. 0.07 lacs (as at 31st March, 2009, Rs. 1.62 lacs).

Schedules forming part of the consolidated accounts

(Rupees in lacs)

	As at 31st March, 2010	As at 31st March, 2009
Schedule 9 LOANS AND ADVANCES		
(unsecured)		
Advances recoverable in cash or in kind or for value to be received	8,115.71	7,406.13
(including secured Rs. 3,015.99 lacs; previous year Rs. 2,865.61 lacs) (refer note 7 of schedule 17)		
Balances with Central Excise	5.05	5.19
Iraq Project work-in-progress	162.70	162.70
Advance tax (net of provision)	765.31	374.77
Fringe benefit tax (net)	12.25	1.37
	9,061.02	7,950.16
less, provision	47.79	66.14
Total	**9,013.23**	**7,884.02**
Note,		
Considered good	9,013.23	7,884.02
Considered doubtful	47.79	66.14
	9,061.02	**7,950.16**

	As at 31st March, 2010	As at 31st March, 2009
Schedule 10 CURRENT LIABILITIES		
Sundry creditors		
– total outstanding dues of micro and small enterprises	–	–
– total outstanding dues of creditors other than micro and small enterprises	10,999.52	10,545.83
	10,999.52	10,545.83
Other liabilities *	1,053.99	1,243.55
Advances from customers	61.45	68.58
Advance against project contracts	303.24	303.24
Interest accrued but not due on loans	2.45	12.17
Total	**12,420.65**	**12,173.37**

* includes Rs. 958.33 lacs (previous year Rs. 1,119.00 lacs) secured by pledge of investments of a group company.

	As at 31st March, 2010	As at 31st March, 2009
Schedule 11 PROVISIONS		
For tax (net of advance tax)	7.45	10.60
Provision for gratuity	36.98	51.32
Provision for leave encashment	248.34	228.49
Proposed dividend	757.49	505.00
Corporate dividend tax	128.74	85.85
Total	**1,179.00**	**881.26**

Schedules forming part of the consolidated accounts

(Rupees in lacs)

	Year ended 31st March, 2010	Year ended 31st March, 2009
Schedule 12 OTHER INCOME		
Interest		
– on bank deposits, etc. (TDS, Rs. 12.64 lacs; previous year, Rs. 17.44 lacs)	254.12	121.37
– on advances (TDS, Rs. 20.26 lacs; previous year, Rs. 46.05 lacs)	205.13	207.96
	459.25	329.33
Dividend on long-term investments (non-trade)	43.34	28.90
Rent from property	45.03	42.99
Air-conditioning charges and other receipts	12.00	14.98
Insurance claims	18.19	16.93
Provision for doubtful debts/ advances written back	5.53	18.37
Excess provision of earlier years written back (net)	–	6.27
Miscellaneous income	235.20	45.23
Total	**818.54**	**503.00**

Schedule 13 (DECREASE) IN STOCKS OF FINISHED GOODS AND PROCESS STOCKS

Stocks as at 31st March, 2010		
Finished goods	1,397.47	1,848.20
Trading goods	8.63	–
Process stocks	53.20	132.91
	1,459.30	**1,981.11**
less,		
Stocks as at 1st April, 2009		
Finished goods	1,848.20	2,597.94
Trading goods	–	1.90
Process stocks	132.91	253.69
	1,981.11	2,853.53
Decrease	**(521.81)**	**(872.42)**

Schedules forming part of the consolidated accounts

(Rupees in lacs)

		Year ended 31st March, 2010	Year ended 31st March, 2009
Schedule 14 MANUFACTURING AND OTHER EXPENSES			
Raw materials consumed		14,314.20	20,314.23
Payments to and provisions for employees			
Salaries, wages and bonus		2,078.64	1,821.46
Contribution to provident fund and other funds		241.64	240.48
Welfare expenses		136.22	128.54
		2,456.50	2,190.48
Operating and Other expenses			
Stores, spares and packing materials consumed		1,790.03	1,506.26
Power and fuel		2,076.75	2,193.75
Processing charges		31.34	2.36
Rent		77.29	58.31
Rates and taxes		118.36	174.24
Repairs to buildings		38.10	14.55
Repairs to machinery		211.88	196.08
Property maintenance expenses		19.12	19.98
Insurance		52.83	74.41
Communication expenses		70.54	73.85
Commission and discount		347.51	379.16
Transport and freight charges (net)		1,732.50	1,422.54
Loss on sale of fixed assets (net)		45.54	30.23
Provision for doubtful debts/ advances		20.36	8.96
Bad debts/ advances written off	88.39		
less, provision for doubtful debts/ advances	(88.39)		
Donations		16.75	15.00
Directors sitting fees		7.10	6.90
Legal and professional fees*		3,119.13	657.77
Miscellaneous expenses		1,250.41	1,586.78
		11,025.54	8,421.13
Total		**27,796.24**	**30,925.84**

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

Schedule 15 INTEREST		
On fixed loans	162.51	341.50
On cash credit accounts	77.75	486.37
On secured term liabilities of MIL	–	1.31
On Others	9.31	35.49
Total	**249.57**	**864.67**

Schedules forming part of the consolidated accounts

Schedule 16 SIGNIFICANT ACCOUNTING POLICIES

1. **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.

2. **Depreciation**

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

3. **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.

4. **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.

5. **Inventories**

   Items of inventory are valued at cost or net realizable value, which ever 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

6. **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 as required 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.

7. **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 realization/ 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 amortized 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.

8. **Borrowing costs**

   Borrowing costs that are attributable to the acquisition, construction or production of qualifying assets are capitalized 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.

9. **Revenue recognition**

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

10. **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.

11. **Provisions and contingencies**

    A provision is recognized 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 recognized nor disclosed.

Schedules forming part of the consolidated accounts

Schedule 16 SIGNIFICANT ACCOUNTING POLICIES *(Contd.)*

12. 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 amortized 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.

13. 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, 2010	As at 31st March, 2009
1. Estimated amount of contracts remaining to be executed on capital account and not provided for	**770.37**	**292.00**
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)	91.48	91.93
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)	207.14	174.13
c. **Claims against the Group not acknowledged as debts** Labour matters involving issues like regularization of employment, termination of employment, compensation against severance, etc.	23.34	23.34
Disputed bills of vendors not accounted for	–	8.84
d. **Income tax matters disputed in appeal**	689.47	431.37
In all the above matters, the Group is hopeful of succeeding and as such does not expect any significant liability to crystallize.		
e. Corporate guarantees given by the parent company for settlement of Mafatlal Industries Limited (MIL) dues (refer note 5.b)	1,000.00	1,000.00

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, 2010
Urvija Associates (a partnership firm in India)	80.00	31st March, 2010
Associate – a company incorporated in India		
Mafatlal Denim Limited – MDL	49.99	31st March, 2009

Notes,

(i) There has been no change in the percentage holding of NFIL in any of the above

(ii) Previous year financial statements are for the year ended 31st March, 2009.

(iii) MDL has not drawn up accounts for the year ended 31st March, 2010.

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

b. In respect of MDL:

(Rupees in lacs)

	Year ended 31st March, 2010	Year ended 31st March, 2009
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 (see Note 3.a.iii above)	(1,552.73)	(834.72)
Carrying amount of investment as at the year end	–	718.01

4. During the year, the parent company has successfully bid through an open tender process, for a commercial property admeasuring 53,214 sq. ft. at Lower Parel, Mumbai. This investment will entail a cash outflow of Rs. 4,506 lacs. As per the terms of the bid document, necessary bank guarantee worth Rs. 4,377.10 lacs has been furnished.

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 Plants, Fluoroaniline Plants, Research & Development Plant and Captive Power Plant depreciation has been provided for at the rate applicable to continuous process plants.

6. 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 the appointed date (1st March, 2002), as a going concern, and effect given to in the accounts in the relevant financial year;

   (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 6(a)(ii) above:

   (i) the parent company advanced monies, from time to time, and issued debentures aggregating to Rs. 2,794.07 lacs (previous year Rs. 2,778.07 lacs) (interest free) at year end.

   (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.

   c. SSL completed repayment of the term loan liabilities taken over from MIL in an earlier year. The settlement of monies advanced is dependent on the sale and realization of assets remaining with SSL as mentioned in 6(a)(ii) above.

7. 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:

   (i) Advanced monies to a group company aggregating to Rs. 2,412.48 lacs (previous year Rs. 2,230.13 lacs) including interest, at year end to enable settlement of loan liabilities of MIL.

   (ii) Taken over loan liabilities of MIL of Rs. 6,534.12 lacs, at a value of Rs 3,015.99 lacs (previous year Rs. 2,865.61 lacs) (at year end).

   The Modified Rehabilitation Scheme of MIL, which inter alia includes settlement of the loan liabilities at the acquisition cost, has been approved by the BIFR during the year after receiving the consent of the secured creditors. MIL presently is in the last leg of implementation of the Modified Rehabilitation Scheme. The settlement of the amounts in (a) and (b) above is dependent on the successful implementation of the modified rehabilitation scheme.

8. a. As mentioned in Note 7 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.

Schedules forming part of the consolidated accounts

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

9. As mentioned in note 8 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, 2010, 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.

10. 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 recognized in the profit and loss account is Rs. 77.29 lacs (Previous Year Rs. 58.31 lacs).

    b. Premises shown as investments by the parent company have been given on non-cancellable operating lease for a period of sixty months. The other details are as under (amounts in Rupees in lacs):

(Rupees in lacs)

Particulars	As at 31st March 2010	As at 31st March 2009
Gross block as at the year end	2.58	2.58
Accumulated depreciation as at the year end	2.08	2.06
Depreciation charged during the year	0.03	0.03

11. 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.

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

(Rupees in lacs)

Particulars	As at 31st March 2010	As at 31st March 2009
Difference between book and tax written down values of fixed assets	(2,886.69)	(2,629.90)
Provision for doubtful debts/ advances	152.53	177.52
Provision for diminution in value of investments	679.80	679.80
Others	(45.47)	57.82
Total	**(2099.83)**	**(1,714.76)**

13. Managerial remuneration:

(Rupees in lacs)

Particulars	Year ended 31st March 2010	Year ended 31st March 2009
Salaries	186.21	135.78
Contribution to provident and other funds	30.28	21.88
Perquisites	40.76	29.67
Commission	304.30	166.00
Total	**561.55**	**353.33**

Note,

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

(ii) Of the above, Rs. nil (Previous Year Rs. 244.13 lacs) is subject to approval of shareholders.

Schedules forming part of the consolidated accounts

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

14. 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	8,245.90	4,345.75
Weighted average number of equity shares outstanding during the year	10,099,889	10,099,889
Basic / Diluted earnings per share – Rupees	81.64	43.03
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.

15. Interest capitalized during the year, Rs. nil (previous year, Rs. 26.56 lacs)

16. Research and development expenditure debited to the Profit and Loss account by charge to relevant heads of account amount to Rs. 270.90 lacs (previous year, Rs. 188.97 lacs).

17. 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.

18. The parent company suspended its organic chemicals activities at Dewas in the previous year. Some of the assets of its Dewas unit are being transferred from Dewas and redeployed in other projects currently under implementation at Surat. The Dewas site is now being utilised to set up another state-of-the-art contract manufacturing facility. Accordingly, the company is of the view that it does not require any disclosure under AS 24 – Discontinuing Operations. Necessary provision for impairment wherever required has been made.

19. Before transfer of assets to SSL by MIL (refer note 6 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 the 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.

20. 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.

21. 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. 7.18 lacs has been withdrawn by them towards such demands and during the year a sum of Rs. 0.11 lac is further withdrawn by the Income tax department.

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

23. Employee Stock Option Scheme

a. The NFIL Employee Stock Option Scheme has been approved by the Board of Directors of the Company on 1st May 2007.

b. The vesting period is over four years from the date of grant, commencing after one year from the date of grant.

c. Exercise Period would commence one year from date of grant and will expire on completion of ten years from the date of vesting.

d. The options will be settled in equity shares of the company.

e. The company used the intrinsic value method to account for ESOPs.

f. The exercise price has been determined to be the market price on the days preceding the dates of grants.

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:

	As at 31st March, 2010	As at 31st March, 2009
Particulars	**Nos.**	**Nos.**
Options outstanding at the beginning of the year	36,300	56,100
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	19,800
Options outstanding at the end of the year	36,300	36,300

Schedules forming part of the consolidated accounts

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

i. Had fair value method been used, the compensation cost would have been higher by Rs. 17.33 lacs (previous year Rs 11.03 lacs), Profit after tax would have been lower by Rs. 11.77 lacs (previous year Rs. 7.26 lacs) and EPS – both basic and diluted - would have been Rs. 81.47 per share (previous year Rs. 42.96 per share).

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

24.a. Derivative instruments

The Group has entered 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	20.17
		(–)	(–)
US Dollars	Sell	–	–
		(–)	(–)

Note: Figures in brackets are for the previous year

b. Net exchange difference in respect of forward contracts to be debited in subsequent accounting year amounts to Rs. 27.83 lacs (as at 31st March, 2009, credited, Rs. nil)

c. Foreign currency exposure at the year end not hedged by derivative instruments

	As at 31st March, 2010	As at 31st March, 2009
Receivables against export of goods and services		
Rupees	1,286.06	3,416.13
US Dollars	20.22	33.05
Pound Sterlings	–	0.14
Euros	6.29	25.87
Advance received from customers		
Rupees	18.92	–
US Dollars	0.42	–
Payables against import of goods and services		
Rupees	3,498.81	2,187.15
US Dollars	78.07	42.80
Advance payment to suppliers		
Rupees	110.00	142.44
US Dollars	0.92	2.70
Euros	1.15	–
Yens	–	10.74

d. The net amount of exchange gain included in the Profit and Loss account for the year is Rs. 103.45 lacs (previous year loss, Rs. 338.96 lacs).

25. 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. 165.75 lacs (previous year, Rs. 135.47 lacs).

Schedules forming part of the consolidated accounts

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

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.

(Rupees in lacs)

	Current year	Previous year
Reconciliation of liability recognized in the Balance sheet		
Present value of commitments	(743.75)	(663.68)
Fair value of plan assets	706.77	612.36
Net liability in the Balance sheet	(36.98)	(51.32)
Movement in net liability recognized in the Balance sheet		
Net liability as at beginning of the year	(51.32)	(122.86)
Net expense recognized in the Profit and Loss account	(56.98)	(61.32)
Contribution during the year	71.32	132.86
Net liability as at end of the year	(36.98)	(51.32)
Expense recognized in the Profit and Loss account		
Current service cost	32.05	27.38
Interest cost	51.41	52.43
Expected return on plan assets	(53.88)	(51.04)
Actuarial (gains)/ losses	27.40	32.55
Expense charged to the Profit and Loss account	56.98	61.32
Return on plan assets		
Expected return on plan assets	53.88	51.04
Actuarial gains/ (losses)	(10.34)	(15.52)
Actual return on plan assets	43.54	35.52
Reconciliation of defined-benefit commitments		
Commitments as at beginning of the year	663.68	689.05
Current service cost	32.05	27.38
Interest cost	51.41	52.43
Paid benefits	(20.45)	(122.20)
Actuarial (gains)/ losses	17.06	17.03
Commitments as at end of the year	743.76	663.68
Reconciliation of plan assets		
Plan assets as at beginning of the year	612.36	566.19
Expected return on plan assets	53.88	51.04
Contributions during the year	71.32	132.86
Paid benefits	(20.45)	(122.20)
Actuarial gains/ (losses)	(10.34)	(15.52)
Plan assets as at end of the year	706.77	612.36

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	8.00%	7.50%
Expected return on plan assets	8.00%	8.00%
Expected rate of salary increase	5.50%	5.50%
Mortality	LIC (1994-96) Ultimate	

The fair value of the plan assets is distributed in the following manner:

– 60.30 % in deposits with a nationalized bank

– 39.70 % various debt instruments

26. 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)

	As at and for the year ended 31st March, 2010			As at and for the year ended 31st March, 2009		
Particulars	**Domestic**	**Exports**	**Total**	**Domestic**	**Exports**	**Total**
Revenues	17,012.95	27,135.41	44,148.36	19,665.30	24,063.05	43,728.35
	Within India	**Outside India**	**Total**	**Within India**	**Outside India**	**Total**
Segment assets	36,255.64	1,429.84	37,685.48	36,560.45	3,578.83	40,139.28
Cost incurred on acquisition of fixed assets	2,393.88	–	2,393.88	851.52	–	851.52

27. Payment to auditors:

(Rupees in lacs)

	Year ended 31st March 2010	Year ended 31st March 2009
Audit fees	11.11	9.20
Expenses and Incidentals	2.66	4.15
Payments for other Service	8.65	24.04
Total	22.42	37.39

The above payments include Rs. nil (Previous year Rs. 6.12 lacs) paid to a firm where a partner of the firm is a partner.

Schedule 17 NOTES ON ACCOUNTS *(Contd.)*

28. 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

Shri Shekhar Khanolkar

Relatives of key management personnel

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

Smt. Sushilaben A. Mafatlal

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

National Organic Chemical Industries 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

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
Sale of finished goods						
National Organic Chemical Industries Limited	5.05 *43.43*					5.05 *43.43*
Mafatlal Denim Limited		– *1.33*				– *1.33*
Mafatlal Industries Limited	0.03 –					0.03 –
Property Maintenance Expenses						
Mafatlal Industries Limited	19.12 *19.98*					19.12 *19.98*
Rental Income						
National Organic Chemical Industries Limited	31.77 *32.21*					31.77 *32.21*
Interest Income						
Sunanda Industrial Machinery Limited	202.60 *205.21*					202.60 *205.21*
Purchase of cloth for uniform						
Mafatlal Fabrics Private Limited	11.13 –					11.13 –
Managerial remuneration						
Shri Hrishikesh A. Mafatlal				244.22 *143.19*		244.22 *143.19*
Shri Vishad P.Mafatlal				5.00 *3.50*		5.00 *3.50*
Shri Atul K. Srivastava				111.89 *83.76*		111.89 *83.76*
Shri Vinesh Sadekar				– *17.27*		– *17.27*
Shri Satish Kakade				106.40 *43.34*		106.40 *43.34*
Shri Shekhar Khanolkar				69.04 *44.79*		69.04 *44.79*
Sitting fees						
Shri Vishad P. Mafatlal				0.80 *0.80*		0.80 *0.80*
Deposit given to						
Mafatlal Industries Limited	128.90 –					128.90 –
Advances given to						
Mafatlal Industries Limited	159.37 *2,874.80*					159.37 *2,874.80*
Repayment of Advance from						
Sunanda Industrial Machinery Limited	20.25 *171.74*					20.25 *171.74*
Dividend paid						
Mafatlal Impex Private Limited	124.8 *97.67*					124.80 *97.67*
National Organic Chemical Industries Limited	65.12 *50.96*					65.12 *50.96*
Surekha Holdings Private Limited	– *29.2*					– *29.20*
Others	175.48 *20.05*			36.73 *25.84*	26.32 *19.05*	238.53 *64.94*

Details of transactions with related parties during the year/ previous year *(Contd.)*

(Rupees in lacs)

Nature of transactions	1	2	3	4	5	Total
As at the year end						
Amounts due to						
Shri Hrishikesh A. Mafatlal				214.30 *115.00*		214.30 *115.00*
Shri Vishad P.Mafatlal				5.00 *3.50*		5.00 *3.50*
Shri Satish Kakade				30.00 *10.00*		30.00 *10.00*
Shri Atul K. Srivastava				30.00 *20.00*		30.00 *20.00*
Amounts due from						
Mafatlal Industries Limited	3,173.39 *2926.32*					3,173.39 *2,926.32*
Mafatlal Denim Limited		1.61 *1.61*				1.61 *1.61*
Sunanda Industrial Machinery Limited	2,412.48 *2,230.13*					2,412.48 *2,230.13*
National Organic Chemical Industries Limited	30.27 *5.20*					30.27 *5.20*
Charge has been created on immovable property of the Company for loan obtained by National Organic Chemical Industries Limited	Refer note in schedule 5					
Guarantees/ indemnity given for	refer notes 2.e of schedule 17					

1. Enterprises over which key management personnel and their relatives are able to exercise significant influence
2. Associate
3. Related parties where control exists
4. Key management personnel
5. Relatives of key management personnel

Notes,
1. There are no provision for doubtful debts or amounts written off or written back in respect of debts due from or to related parties.
2. Figures in italics are those as at and for the year ended 31st March, 2009

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

Signatures to schedule 1 to 17

As per our attached Report of even date

For **Deloitte Haskins & Sells**
Chartered Accountants

(R. Salivati)
Partner
(Membership No. 34004)

H. A. Mafatlal
Chairman

S. D. Kakade
Managing Director

N. B. Mankad
Company Secretary

T. M. M. Nambiar
V. P. Mafatlal
S. S. Lalbhai
A. K. Srivastava
P. N. Kapadia
R. Sankaran
S. M. Kulkarni
Directors

Mumbai, dated, 28th April, 2010

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FORM OF PROXY

NAVIN FLUORINE INTERNATIONAL LIMITED

Registered Office: 1st Floor, Kalpataru Point, Kamani Marg, Sion (East), Mumbai 400022.

(Folio Nos. DP ID*, Client ID* & Name of the Shareholder / Jointholders in BLOCK LETTERS to be furnished below)

DP ID*	Client ID*	Folio	No. of Shares held

I/We ____________________________________of ____________________________being a member / members of NAVIN FLUORINE INTERNATIONAL LIMITED hereby appoint____________________________________of ______________________ or failing him ____________________ of __________________________ as my/our proxy to vote for me/us and on my/our behalf at the Twelfth Annual General Meeting of the Company to be held on Monday the 21st June 2010 at 3.00 p.m. at Rama Watumull Auditorium, K.C. College, Dinshaw Wacha Road, Churchgate, Mumbai 400020 and at any adjournment thereof.

As witness my/our hand(s) this __________________ day of _______________________ 2010.

Please Affix 15 paise Revenue Stamp

Signature by the said ______________________________

Note:

The proxy must be returned so as to reach the Registered Office of the Company not less than 48 hours before the time for holding the aforesaid meeting.

* Applicable for investors holding shares in Electronic (Demat) Form.

NAVIN FLUORINE INTERNATIONAL LIMITED

Registered Office: 1st Floor, Kalpataru Point, Kamani Marg, Sion (East), Mumbai 400022.

ATTENDANCE SLIP

PLEASE COMPLETE THIS ATTENDANCE SLIP AND HAND IT OVER AT THE ENTRANCE OF THE MEETING HALL. Joint shareholders may obtain additional attendance slips on request. (Folio Nos., DP ID*, Client ID* & Name of the Shareholder / Jointholders / Proxy in BLOCK LETTERS to be furnished below).

Shareholder	DP ID*	Client ID*	Folio	No. of Shares held
Proxy				

I hereby record my presence at the Twelfth Annual General Meeting of the Company to be held on Monday the 21st June 2010 at 3.00 p.m. at Rama Watumull Auditorium, K.C. College, Dinshaw Wacha Road, Churchgate, Mumbai 400020.

Signature of the
Shareholder or Proxy __________________

Notes:

1) Shareholders/Proxy holders are requested to bring the Attendance Slip with them when they come to the Meeting and hand it over at the gate after affixing their signature on it.

2) Shareholders are requested to advise, indicating their Folio Nos. DP ID*, Client ID*, the change in their address, if any, to the Registrar & Share Transfer Agents, at Sharepro Services (India) Pvt. Ltd., Samhita Warehousing Complex, 2nd floor, Gala No.52-56, Building No.13A-B, Near Sakinaka Telephone Exchange, Andheri-Kurla Road, Sakinaka, Mumbai 400 072.

* Applicable for investors holding shares in Electronic (Demat) Form.

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