

BHARAT FERTILISER INDUSTRIES LTD.

MUMBAI



**19th. ANNUAL REPORT
(2003 - 2004)**

BHARAT FERTILISER INDUSTRIES LTD.

BOARD OF DIRECTORS

Shri Yogendra D. Patel
Chairman & Managing Director

Smt. Anjni Y. Patel
Joint Managing Director

Shri Kantilal N. Jethwa
Director

Shri Ashwin M. Patel
Director

Shri Suresh M. Bhadrecha
Director

COMPANY SECRETARY

Shri A. J. Chakote

AUDITORS

M/s. Chandulal M. Shah & Co.
304, Maker Bhavan No. 3,
21, New Marine Lines,
Mumbai - 400 020

BANKER

Oriental Bank of Commerce

PLANT

Village : Kharivali,
Taluka : Wada,
Dist. : Thane

REGISTERED OFFICE

Bharat Fertiliser House,
12, Nanabhai Lane, Fort,
Mumbai : 400 023

**REGISTRARS FOR SHARE TRANSFERS
AND DEMATERIALISATION**

M/s. Intime Spectrum Registry Pvt. Ltd.
260, A, Shanti Industrial Estate,
Sarojini Naidu Road, Mulund (W),
Mumbai : 400 080

Annual General Meeting on Thursday, the 30th September, 2004 at 3.30 p.m.
at Sardar Patel Baug, Shri Vile Parle Patidar Mandal, Parleshwar Road,
Vile Parle (East), Mumbai - 400 057.

19th ANNUAL REPORT 2003-2004**NOTICE**

Notice is hereby given that the Nineteenth Annual General Meeting of the Company will be held as detailed below :

Day	:	Thursday
Date	:	30 th September 2004
Venue	:	Sardar Patel Baug Shri Vile Parle Patidar Mandal Parleshwar Road Vile Parle (East) Mumbai 400 057
Time	:	3.30 P.M.

The Agenda will be as under :

ORDINARY BUSINESS :

1. To receive, consider and adopt the Audited Balance Sheet as at 31st March 2004 Profit and Loss Account for the Accounting year from 1st April, 2003 to 31st March, 2004, Directors' Report and the Auditors' Report thereon.
2. To appoint a Director in place of Shri Suresh M. Bhadrecha who retires by rotation and being eligible, offers himself for reappointment.
3. 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.

SPECIAL BUSINESS :

4. To consider and if thought fit, to pass with or without modifications the following resolution as an ordinary resolution :-

"RESOLVED THAT pursuant to Section 23 and other applicable provisions of the Sick Industries Companies (Special Provisions) Act, 1985, the Company does hereby note that the network of the company consisting of paid up share capital of Rs.3,41,35,110/- and the Reserves of the company stood at Rs.2,39,63,265/- as at 31st March 2004, while the accumulated losses incurred up to the year ended 31st March 2004 amounted to Rs.3,75,06,057/- thereby eroding the 65% network of the company."

"RESOLVED FURTHER THAT this fact of erosion of the network be reported to the BIFR under the provisions of Section 23 of SICA Act be and is hereby taken on record and that the company take note of the reasons for this erosion as examined and analysed by the Board of Directors of the Company and spelt out in the explanatory statement attached with the Notice."

"RESOLVED FURTHER THAT the act of the Board of Directors of the Company to deal with this matter as they deem fit in the best interest of the Company and present any proposal/scheme before the BIFR/institutions /banks or any other concerned authorities and for the purpose of giving effect to all or any of the foregoing, and the Board of Directors, be and is hereby authorised in its absolute discretion as they deem fit and from time to time make or carryout any alterations or modifications to the above and give effect to such alterations as may be suggested or directed by the BIFR or any other authority or institution connected therewith without requiring any further approval of the Members and to do all such acts, deeds, matters and things as they may in their absolute discretion consider necessary, expedient usual or proper and/or settle any question or remove any difficulty or the doubt that may arise in this connection and that all or any powers conferred on the Board of Directors vide this resolution may be exercised by the Board or such committee thereof as the Board may constitute in this behalf."

By Order of the Board

Place : Mumbai

Dated : 13th August, 2004

**A.J.CHAKOTE
COMPANY SECRETARY.**

BHARAT FERTILISER INDUSTRIES LTD.**NOTES :**

- 1) A member entitled to attend and vote at the meeting is entitled to appoint proxy to attend and vote instead of himself and the proxy need not be a member of the Company.
- 2) The register of Member and Share Transfer Books of the Company will remain closed from Monday, the 20th September, 2004 to Thursday, the 30th September, 2004 (both days inclusive),
- 3) Members are requested to bring copy of the Annual Report along with them while attending the meeting.
- 4) Members are requested to immediately notify the Company, Change in their registered address, if any.
- 5) In terms of the directive from Stock Exchange, Mumbai, the company has appointed common agent for share registry work and dematerialisation work. The name and address of the Registrars are as under :

INTIME SPECTRUM REGISTRY LIMITED
 Registrars for share transfers and Dematerialisation
 C-13 Pannalal Silk Mills Compound
 LBS Marg, Bhandup (West),
 Mumbai 400078.

The shareholders are requested to contact the Registrars for necessary assistance in the matter of share transfers and dematerialisation.

- 6) Shareholders are requested to send their queries in respect of Financial Accounts of the Company for the year ended 31st March, 2004 atleast a week in advance so as to enable the management to keep the information ready at the time of Annual General Meeting.

ANNEXURE TO THE NOTICE:

Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956.

The following explanatory statement relating to Item No.4 of the accompanying Notice sets out all Material facts as required under section 173 of the Act :

Item No.4:

The loss of the Company as at the end of the year ended 31.03.2004 had resulted in the erosion of 65% net- worth of the company.

Section 23 of SICA Act requires the Company to report this fact to the shareholders to consider and note the erosion of the 65% net worth of the Company. The main reasons of erosion of network are as under:-

- 1) Due to continuous drought conditions in the state of Maharashtra during last 3 years, the company is unable to market its fertilizers. Similarly, ours being a port based fertilizer unit, the company is having disadvantage of location of marketing its products particularly during drought conditions.
- 2) A large number number of SSI units have cropped up in the last 4 to 5 years in the manufacture of SSP/GSSP which has resulted in cut-throat competition by way of unreasonable discount, concessional credit period etc.
- 3) The SSI units are manufacturing fertilizers from Spent Sulphuric Acid whereas our company is manufacturing fertilizers from 98% Pure Sulphuric Acid from imported Sulphur.

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- 4) For the last several years the Govt. of Maharashtra and Govt. of India have not revised the selling prices of SSP and GSSP fertilizers inspite of overall increase more than 20 to 22% in raw material cost, power tariff, Diesel & Furnace Oil etc. Similarly, the eligible subsidy is also not released in time. The bankers are not granting additional working capital limits against subsidy receivable thereby forcing the company to restrict its production activities.
- 5) The prices of imported raw materials such as Rock Phosphate & Sulphur have increased by 50 to 60% thereby limiting the purchasing capacity of our company in the available working capital limits sanctioned by our bankers. Similarly, the Exchange Rate of Re. V/s. US\$ has gone up.
- 6) The Ocean freight has also increased substantially by 30 to 35% thereby increasing the prices of Rock Phosphate and Sulphur raw materials for manufacturer of SSP/GSSP fertilizer.
- 7) The selling prices of other fertilizers viz. NPK, Urea, DAP, MOP etc. are revised regularly, unfortunately, SSP/GSSP Fertilizer prices are not revised for last several years.

The members are requested to authorise the Board of Directors or its committee for making reference to BIFR and further taking all necessary, desirable, proper and expedient steps or actions and to execute such deeds, documents, agreements etc., as may be required in this regards.

None of the Directors is concerned or interested in this resolution.

By Order of the Board



(A. J. CHAKOTE)
COMPANY SECRETARY.

Place: Mumbai.

Dated: 13th August 2004.

BHARAT FERTILISER INDUSTRIES LTD.**DIRECTORS' REPORT TO MEMBERS**

Your Directors submit herewith their Report along with the Audited Statement of Accounts for the year ended 31st March, 2004.

FINANCIAL RESULTS:

	2003-2004	2002-2003
	(Rs .in lacs)	(Rs .in Lacs)
Turnover	<u>572.94</u>	<u>1059.26</u>
Profit/Loss before interest and depreciation	3.47	(-) 47.00
Less; Interest	46.95	78.62
	-----	-----
Gross Profit/Loss before depreciation	(-) 43.4	(-) 125.62
Less: Depreciation	<u>23.36</u>	<u>18.73</u>
Operating Profit/Loss	(-) 66.84	(-) 144.35
	-----	-----
(a) Surplus/Deficit during the year	(-) 66.84	(-) 144.35
	-----	-----
Balance Carried to Balance Sheet	(-) 66.84	(-) 144.35
	=====	=====

The Accounting Year 2003-2004 has ended in a Profit of Rs.3.47 Lacs as compared to loss of Rs.47.00 Lacs during the corresponding period last year. After providing for interest amounting to Rs.46.95 Lacs and depreciation of Rs.23.36 Lacs, the Company has made a loss of Rs.66.84 Lacs as against the loss of Rs.144.35 Lacs during the last year. After taking into account the deficit brought forward during last year amounting to Rs.308.22 Lacs, the total loss of Rs.375.06 Lacs is carried to Balance Sheet.

DIVIDEND:

In view of the operating loss sustained during the year under report, the Directors are unable to recommend any dividend for the year.

REVIEW OF OPERATIONS:

During the year under Report, your company has achieved a turnover of Rs.572.94 Lacs as compared to Rs.1059.26 Lacs during the previous year. Your company has experienced working capital constraints due to company's bankers reducing the facility.

The company was not able to market its product of Sulphuric Acid, as same was available at throw away price from Smelter Plants and also due to giant manufacturers producing Sulphuric Acid in large volumes whereby our company could not compete with them.

The prices of imported raw material like Rock Phosphate and Sulphur had increased substantially by 60% in the international market thereby limiting the purchase of Rock Phosphate and Sulphur in the available working capital limits sanctioned by the Company's bankers. The Exchange Rate of US\$ also increased by 8 to 10%.

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There was overall increase by almost 20 to 22% in raw material cost, power tariff, diesel, furnace oil, salary & wages, but the Government has not revised the selling prices of SSP & GSSP fertilizers for the last several years due to which the company is required to sell its product at un-remunerative price.

REFERENCE TO BIFR:

It is observed that net worth of the company has eroded to the extent of 65% over the years and it has become necessary to report the erosion in the net worth of the company to BIFR under Section 23 of Sick Industries Companies (Special Provisions) Act 1985 as examined and analysed by the Board of Directors and spelt out in the explanatory statement attached with the Notice.

Necessary Resolution authorising the Board of Directors to present any proposal/scheme before the BIFR/Banks for the purpose of giving effect to such scheme is included in the Notice convening the annual general meeting of the company.

CURRENT YEAR'S WORKING:

You are aware that the State of Maharashtra is experiencing severe drought conditions for the last 2/3 years thereby restricting the marketing of company's fertilizers. Due to non-remunerative prices of our product the sales turnover has reduced considerably.

During the first week of August 2004, there was heavy rains in and around our factory premises thereby causing disruption in the working of the plant.

DIRECTORS:

During the year under report, Shri Suresh M. Bhadrecha, Director, retires by rotation and being eligible offers himself for re-appointment. Necessary item has been included in the Notice convening the 19th Annual General Meeting and the re-appointment of Shri Suresh M. Bhadrecha, is recommended for approval of members.

CORPORATE GOVERNANCE:

A Report on the Corporate Governance for the period commencing 01.04.2003 to 31.03.2004 is annexed hereto.

AUDITORS' REPORT:

Report of Auditors is self explanatory and replies to observations of the Auditors have been sufficiently covered in the notes forming part of accounts.

FIXED DEPOSITS:

As on 31st March 2004, the Fixed Deposits amounted to Rs.33,69,500/-. There was no instance of any unclaimed or overdue deposit during the year (Previous year: Rs.37,90,163/-)

BHARAT FERTILISER INDUSTRIES LTD.**ANNEXURE TO DIRECTORS' REPORT:**

Pursuant to Section 217(1) (c) of the Companies Act, 1956 read with the companies (Disclosures of particulars in Directors Report) Rules 1988 the relevant information is given in the Annexure to "A" forming part of this report.

PARTICULARS OF EMPLOYEES UNDER SECTION 217 (2A) OF THE COMPANIES ACT 1956 READ WITH THE COMPANIES (PARTICULARS OF EMPLOYEES) RULES, 1975.

There are no employees of the company who are in receipt of remuneration in excess of the limits prescribed under Section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules 1975 as amended to date.

DIRECTORS' RESPONSIBILITY STATEMENT:

The Directors confirm that:

- (a) In the preparation of the Annual Accounts, the applicable accounting standards have been followed; except accounting of Gratuity on Cash basis and not providing liability on actuarial valuation.
- (b) Appropriate accounting policies have been selected and applied consistently and judgements and estimates made are reasonable and prudent so as to give a true and fair view of the state affairs of the Company for the year ended 31st March 2004.
- (c) Proper and sufficient care has been taken for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities.
- (d) The annual accounts have been prepared on a going concern basis.

AUDITORS;

M/S. Chandulal M. Shah & Company, Chartered Accountants are retiring at the ensuing Annual General Meeting of the Company and being eligible offer themselves for reappointment for the year 2004-2005. The appointment of M/s. Chandulal M. Shah & Company, Chartered Accountants is recommended..

ACKNOWLEDGEMENTS:

Your Directors wish to place on record their sincere thanks to the Central Government, State Government, Agricultural Department, Company's Banker, Oriental Bank of Commerce, Shareholders, Customers and business consultants for their valued co-operation and support at all times. Your Directors also place on record the untiring efforts of the employees at all levels during the difficult periods faced by the company.

Place: Mumbai.

For and on behalf of the Board

Date: 13th August 2004.

Registered Office :

Bharat Fertiliser House,
12, Nanabhai Lane, Fort,
Mumbai - 400 023.

(YOGENDRA D. PATEL)

CHAIRMAN & MG. DIRECTOR.

19th ANNUAL REPORT 2003-2004**ANNEXURE TO THE DIRECTORS' REPORT****ANNEXURE "A"**

Information under Section 217(1) (e) of the Companies Act, 1956.

A. CONSERVATION OF ENERGY

Your company has taken effective steps to achieve maximum conservation of energy. Some measures taken by your company for energy conservation are:

- (a) Installation of imported STEAM DRIVEN TURBO BLOWER,
Utilises surplus steam for generating electricity, Resulting in saving of Power.
- (b) Installation of specially designed burner nozzles and furnaces to reduce oil consumption in granulating process.

FORM "A"**DISCLOSURE OF PARTICULARS WITH RESPECT TO CONSERVATION OF ENERGY.**

A. POWER & FUEL CONSUMPTION	April-2003 to March-2004	April-2002 to March-2003
(a) Purchased Units rate per unit	4.83	4.79
(b) Own generation through Diesel, Company has installed two nos. of imported 860KVA SKODA Diesel Generating Sets.		
Units per Liter of Diesel oil	2.69	2.78
Furnace Oil KL	60.00	170.00
Average cost per liter	13.62	12.14

B. CONSUMPTION PER UNIT OF PRODUCTION

	Units	Units
(a) Sulphuric Acid per ton	62	60
(b) Super Phosphate per ton	26	25
(c) Granulated super Phosphate per ton (After taking into account the steam generated by the Steam Turbine)	20	20

FORM B**A. ABSORPTION OF TECHNOLOGY**

Absorption of technology does not arise.

B. RESEARCH AND DEVELOPMENT (R. & D.)

Company has no separate R & D Department. The company has well equipped laboratory for testing raw materials & finished goods.

BHARAT FERTILISER INDUSTRIES LTD.**REPORT ON CORPORATE GOVERNANCE****1. COMPANY'S PHILOSOPHY ON CODE OF GOVERNANCE:**

The company's Philosophy on Corporate Governance envisages the attainment of the high level of transparency and accountability in the functioning of the Company and the conduct of its business internally and externally, including its interaction with employees, shareholders, creditors, consumers, institutional and other term lenders and places due emphasis on regulatory compliance.

2. BOARD OF DIRECTORS:

The present strength of Board of Directors is FIVE. Mr. Yogendra D. Patel, is CHAIRMAN & MG. DIRECTOR., Mrs. ANJNI Y. PATEL, Jt. Mg. Director. Out of 5 Directors, 3 Directors are non Executive and Independent. The position of the Board of Directors thus meets with the stipulated requirements.

During the financial year ended on 31/3/2004, 7 board meetings were held on 30/04/2003, 30/7/2003, 23/08/2003, 30/10/2003, 14/11/2003, 27/01/2004 and 12/03/2004.

The Company's Last Annual General Meeting was held on 30/09/2003.

The Board's composition and categories as on 31/03/2004 and the attendance of each Director at Board Meeting and Last Annual General Meeting are as under:-

Name of Director	Category	No. Of Directorship In other Cos.	No. Of Board/ Committee For which Chairperson	No. Of Board Meetings Attended	Whether Attended Last A.G.M.
Shri Yogendra D. Patel	Chairman & Mg. Director	7	7	7	Yes
Smt. Anjni Y. Patel	Joint Mg. Director	7	Nil	7	Yes
Shri Ashwin M. Patel.	Non-Executive Director	Nil	Nil	7	Yes
Shri Kantilal N. Jethwa	Non-Executive Director	1	Nil	7	Yes
Shri Suresh M. Bhadrecha	Non-Executive Director	Nil	Nil	7	No

3. COMMITTEES OF THE BOARD:-**A. AUDIT COMMITTEE****BROAD TERMS OF REFERENCE**

The Audit Committee of the Board was constituted in the meeting of the Board of Directors held on 02/01/2003 in conformity with the requirements of Clause 49 of the Listing Agreement, as well as Section 292A of the Companies Act, 1956. The terms of reference and the role of Audit Committee are set out in the Listing Agreement and Section 292A of the Companies Act, 1956.