

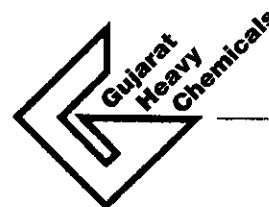
Gujarat Heavy Chemicals Ltd



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An ISO 9002 Company

**Annual Report
1999 - 2000**

Gujarat Heavy Chemicals Limited**BOARD OF DIRECTORS****Dr. R. Bannerji****Sanjay Dalmia****Anurag Dalmia****M.R. Gami****Dr. I.M. Pandey**

Nominee (IDBI)

H.H. Faruqi

Nominee (LIC)

S.H. Ruparell**Mahesh Kheria**

(Alternate director to S.H. Ruparell)

Dr. B.C. Jain**Naresh Chandra****S.K. Mukherjee**

Managing Director

P. Ramachandran

Whole time Director

R.K. Bhatnagar

Whole time Director

P. Sampath

Whole time Director

K.K. Ahuja

Whole time Director

N.S. Ramachandaran

Whole time Director

Tej Malhotra

Whole time Director

**General Manager (Finance)
& Company Secretary****J.P. Mehrotra****WORKS****1. SODA ASH**

Village-Sutrapada,
Near Veraval,
Distt. Junagadh-362 265
Gujarat

2. SALT

a) 713/B, Derl Road,
Opp. Arihant Apartment
Krishnanagar
Bhavnagar, Gujarat

b) Nemeli Road,
Thiruporur - 603 110
Kancheepuram Dist.
Tamil Nadu

c) Village Shelwali
Taluka Palghar
Dist. Thane,
Maharashtra

AUDITORS

Jayantilal Thakkar & Co.
Chandabhoy & Jassoobhoy

BANKERS

State Bank of India
State Bank of Bikaner & Jaipur
State Bank of Hyderabad
State Bank of Travancore
Bank of Baroda
Dena Bank
ANZ Grindlays Bank
Banque Nationale de Paris

SHARE TRANSFER AGENTS

Intime Spectrum Registry (P) Ltd.
260-A, Shanti Industrial Estate
Sarojini Naidu Road,
Mulund (W),
Mumbai - 400080

REGISTERED OFFICE

GHCL House
Near Punjabi Hall,
Navrangpura,
Ahmedabad-380 009

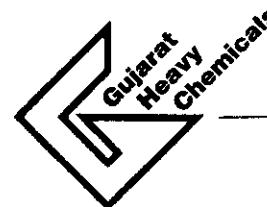
CORPORATE OFFICE

B -38,
Institutional Area,
Sector - 1
Noida (U.P.)

Gujarat Heavy Chemicals Limited**CONTENTS**

Notice	3
Directors' Report	8
Annexure I to the Directors' Report	11
Annexure II to the Directors' Report	12
Auditors' Report	13
Balance Sheet	16
Profit & Loss Account	17
Schedules Forming Part of the Balance Sheet	18
Schedules Forming Part of the Profit & Loss Account	23
Notes on Accounts	25
Cash Flow Statement	30

Gujarat Heavy Chemicals Limited



NOTICE

NOTICE is hereby given that the 17th Annual General Meeting of the members of Gujarat Heavy Chemicals Limited will be held at Gajjar Hall, The Gujarat Institute of Civil Engineers & Architects, Nirman Bhawan, Law College Road, Ellis Bridge, Ahmedabad - 380 006 on Wednesday, the 20th day of September, 2000 at 11.00 A.M. to transact the following business:

ORDINARY BUSINESS

1. To receive, consider and adopt the Audited Balance Sheet as at 31st March 2000, Profit and Loss Account for the year ended on that date and the Directors' and Auditors' reports thereon.
2. To declare dividend on Preference shares.
3. To declare dividend on Equity shares.
4. To appoint a Director in place of Mr Naresh Chandra who retires by rotation and being eligible offers himself for re-appointment.
5. To appoint a Director in place of Mr S H Ruparell who retires by rotation and being eligible offers himself for re-appointment.
6. To appoint Auditors to hold office from the conclusion of this Annual General Meeting to the conclusion of the next Annual General Meeting and to fix their remuneration. The retiring auditors are eligible for a reappointment. However, the Company has received special notice from a member to move the following resolution.

"RESOLVED that M/s Jayantilal Thakkar & Co., Chartered Accountants, the retiring auditor and M/s Rahul Gautam Divan & Associates, Chartered Accountants, be and are hereby appointed as Joint Auditors of the Company to hold office till the conclusion of the next Annual General Meeting at a remuneration to be fixed by the Board of Directors, plus out of pocket expenses as may be incurred by them for the performance of their duties".

Since more than 25% of the subscribed capital of the Company is held by the Financial institutions and Gujarat Industrial Investment Corporation Ltd (GIIC), a Government Company, appointment of the auditors is to be made by a Special Resolution as required u/s 224A of The Companies Act, 1956. The resolution will accordingly had to be passed with or without modification as **Special Resolution**.



SPECIAL BUSINESS

7. To consider and if thought fit, to pass, with or without modification, the following resolution as a **Ordinary Resolution**:

"RESOLVED THAT in accordance with the provisions of Sections 198, 269, 309, 310, Schedule XIII and other applicable provisions of the Companies Act 1956 or such other approvals as may be required and in supercession of the approval received from the members earlier be and is hereby accorded to the remuneration payable to Wholetime Directors (including Managing Director) of the Company as per the revised Uniform Remuneration package as detailed in explanatory statement with effect from April 1, 2000 in accordance with Schedule XIII of the Companies Act, 1956 or any amendment, modifications, variation, re-enactment thereof:

Resolved further that the Board of Directors be and are hereby authorised to fix the individual remuneration as per the uniform Remuneration package".

8. To consider and if thought fit, to pass, with or without modification, the following resolution as an **Ordinary Resolution**:

"RESOLVED THAT Mr S K Mukherjee who was appointed as an Additional Director of the company under Article 131 & 138 of the Article of Association of the company and who holds office till the date of this Annual General Meeting pursuant to section 260 of the Companies Act, 1956 and in respect of whom the Company has received a notice under section 257 of the Companies Act, 1956, be and is hereby appointed as a Director of the company designated as Managing Director for a period of 5 years with effect from 5th May 2000 on the terms and conditions including remuneration as stated in the explanatory statement annexed to the notice, pursuant to the provisions of section 198, 269, 309, 310, Schedule XIII and other applicable provisions, if any, of the companies Act, 1956 or any amendment, modification, variation or re-enactment thereof and subject to such other approvals as may be required."

"Resolved further that in the event of any loss, absence or inadequacy of profits in any financial year, during the term of office the remuneration payable by way of salary, allowances, commission and perquisites shall not without the approval the Central Government (if required) exceed the limits prescribed under the Companies Act, 1956, or any amendment, modification, variation or re-enactment thereof .

9. To consider and if thought fit, to pass, with or without modification, the following resolution as an **Ordinary Resolution**:

"RESOLVED THAT Mr Tej Malhotra who was appointed as an Additional Director of the company under Article 131 & 138 of the Article of Association of the company and who holds office till the date of this Annual General Meeting pursuant to section 260 of the Companies Act, 1956 and in respect of whom the Company has received a notice under section 257 of the Companies Act, 1956, be and is hereby appointed as a Director of the company designated as Executive Director(Works) for a period of 5 years with effect from 5th May 2000 on the terms and conditions including remuneration as stated in the explanatory statement annexed to the notice, pursuant to the provisions of section 198, 269, 309, 310, Schedule XIII and other applicable provisions, if any, of the

Gujarat Heavy Chemicals Limited



companies Act, 1956 or any amendment, modification, variation or re-enactment thereof and subject to such other approvals as may be required."

"Resolved further that in the event of any loss, absence or inadequacy of profits in any financial year, during the term of office the remuneration payable by way of salary, allowances, commission and perquisites shall not without the approval the Central Government (if required) exceed the limits prescribed under the Companies Act, 1956, or any amendment, modification, variation or re-enactment thereof .

10. To consider and if thought fit, to pass, with or without modification, the following resolution as an **Ordinary Resolution**:

"RESOLVED THAT Mr N S Ramachandran who was appointed as an Additional Director of the company under Article 131 & 138 of the Article of Association of the company and who holds office till the date of this Annual General Meeting pursuant to section 260 of the Companies Act, 1956 and in respect of whom the Company has received a notice under section 257 of the Companies Act, 1956, be and is hereby appointed as a Director of the company designated as Executive Director(Marketing) for a period of 5 years with effect from 5th May 2000 on the terms and conditions including remuneration as stated in the explanatory statement annexed to the notice, pursuant to the provisions of section 198,269,309,310, Schedule XIII and other applicable provisions, if any, of the companies Act, 1956 or any amendment, modification, variation or re-enactment thereof and subject to such other approvals as may be required."

"Resolved further that in the event of any loss, absence or inadequacy of profits in any financial year, during the term of office the remuneration payable by way of salary, allowances, commission and perquisites shall not without the approval the Central Government (if required) exceed the limits prescribed under the Companies Act, 1956, or any amendment, modification, variation or re-enactment thereof .

11. To consider and if thought fit, to pass, with or without modification, the following resolution as an **Ordinary Resolution**:

"RESOLVED THAT Mr K K Ahuja who was appointed as an Additional Director of the company under Article 131 & 138 of the Article of Association of the company and who holds office till the date of this Annual General Meeting pursuant to section 260 of the Companies Act, 1956 and in respect of whom the Company has received a notice under section 257 of the Companies Act, 1956, be and is hereby appointed as a Director of the company designated as Executive Director(HR) for a period of 5 years with effect from 5th May 2000 on the terms and conditions including remuneration as stated in the explanatory statement annexed to the notice, pursuant to the provisions of section 198,269,309,310, Schedule XIII and other applicable provisions, if any, of the companies Act, 1956 or any amendment, modification, variation or re-enactment thereof and subject to such other approvals as may be required."

"Resolved further that in the event of any loss, absence or inadequacy of profits in any financial year, during the term of office the remuneration payable by way of salary, allowances, commission and perquisites shall not without the approval the Central Government (if required) exceed the limits prescribed under the Companies Act, 1956, or any amendment, modification, variation or re-enactment thereof .

12. To consider and if thought fit, to pass, with or without modification, the following resolution as an **Ordinary Resolution**:

"RESOLVED that the consent of the Company be and is hereby accorded in terms of section 293(1)(a) and other applicable provisions, if any, of the Companies Act, 1956 to mortgaging and/or charging by the Board of Directors of the Company of all the immovable and movable properties of the Company at Ahmedabad and Noida, present and future in addition to the mortgage/charge already created on the immovable and movable property of the Soda Ash Division of the Company and/or conferring power to enter upon and to take possession of assets of the Company in certain events, to or in favour of

A) Debenture Trustee to secure the following:

Non-Convertible Debentures (NCD's) for an aggregate value of Rs. 25 crores issued on private placement basis to Unit Trust of India (UTI), Life Insurance Corporation of India (LIC), General Insurance Corporation of India (GIC) and its subsidiaries.

Non-Convertible Debentures (NCD's) for an aggregate value of Rs. 10 crores issued on private placement basis to Central Bank of India and LIC Mutual Fund.

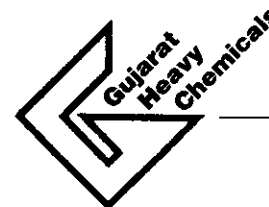
Non-Convertible Debentures (NCD's) for an aggregate value of Rs.30 crores issued on private placement basis to Deutsche Bank, Dena Bank and Unit Trust of India.

Non-Convertible Debentures (NCD's) for an aggregate value of Rs.30 crores issued on private placement basis to Industrial Development Bank of India, LIC Mutual Fund, IDBI Bank Ltd and State Bank Of India.

B) Industrial Development Bank of India (IDBI) to secure the following:

Rupee Term Loan of Rs. 60 crores together with interest thereon at the respective agreed rates, compound interest, additional interest, liquidated damages, premia on prepayment or on redemption, remuneration payable to the Trustees, costs, charges, expenses and other monies payable by the Company to Debenture trustees/IDBI under Letters of sanction/Memorandum of Terms and Conditions entered into/to be entered into by the Company in respect of the said debentures and Loan Agreements/ Letters of Sanction/Memorandum of Terms and Conditions entered into/to be entered into by the Company in respect of the said term loan".

"RESOLVED FURTHER that the Board of Directors of the Company be and is hereby authorised to finalise with debenture trustees the documents for creating aforesaid mortgage and/or the charge and to do all such acts and things as may be necessary for giving effect to the above resolution".

Gujarat Heavy Chemicals Limited

13. To consider and if thought fit, to pass, with or without modification, the following resolution as an **Ordinary Resolution**:

"RESOLVED that the consent of the Company be and is hereby accorded in terms of section 293(1)(a) and other applicable provisions, if any, of the Companies Act, 1956 to mortgaging and/or charging by the Board of Directors of the Company of all the immovable and movable properties of the Company's at Ahmedabad, Noida and Soda Ash Division wherever situate, present and future and/or conferring power to enter upon and to take possession of assets of the Company in certain events, to or in favour of Debenture Trustees to secure Non-Convertible Debentures (NCDs) for an aggregate value of Rs. 50 crores issued/to be issued on private placement basis to Life Insurance Corporation of India (LIC), Unit Trust of India (UTI) and General Insurance Corporation of India (GIC) and its subsidiaries together with interest thereon at the respective agreed rates, compound interest, additional interest, liquidated damages, premia on prepayment or on redemption, remuneration payable to the Trustees, costs, charges, expenses and other monies payable by the Company to Debenture trustees under Letters of sanction/Memorandum of Terms and Conditions entered into/to be entered into by the Company in respect of the said debentures."

"RESOLVED FURTHER that the Board of Directors of the Company be and is hereby authorised to finalise with debenture trustees the documents for creating aforesaid mortgage and/or the charge and to do all such acts and things as may be necessary for giving effect to the above resolution".

14. To consider and if thought fit, to pass with or without modification, the following resolution as a **Special Resolution**:

"RESOLVED that the approval of the members of the Company be and is hereby accorded pursuant to Section 149(2A) and other applicable provisions, if any, of the Companies Act, 1956, for commencing or carrying on all or any of the business and activities specified in Clause 63 and Clause 84 of the Object Clauses of the Memorandum of Association of the Company at any such time as may be deemed fit by the Board of Directors."

By Order of the Board
for **Gujarat Heavy Chemicals Limited**
P. Sampath
Executive Director (Finance)

Registered Office:

GHCL HOUSE

Near Punjabi Hall,

Navrangpura, Ahmedabad-380 009

Date: 31st July, 2000

**EXPLANATORY STATEMENT PURSUANT TO SECTION 173(2) OF THE COMPANIES ACT, 1956****Item no. 6**

M/s Chandabhoy & Jassoobhoy, Chartered Accountants and M/s Jayantial Thakkar & Co. Chartered Accountants were appointed as joint auditors of the company in the last Annual General Meeting till the conclusion of this Annual General Meeting. They are eligible for reappointment.

However, the company has received a special notice from a member for moving a resolution to appoint M/s Rahul Gautam Divan & Associates, Chartered Accountants in place of retiring auditor M/s Chandabhoy & Jassoobhoy & Co., Chartered Accountants, to whom a copy of the said notice has been sent as required by the provisions of the Companies Act, 1956. The retiring auditors and M/s Rahul Gautam Divan & Associates, Chartered Accountants have confirmed that if appointed their appointment will be in order as per the provisions of Section 224(1)(1B) of the Companies Act, 1956.

Since more than 25% of the subscribed capital of the Company is held by the Financial institutions and Gujarat Industrial Investment Corporation Ltd (GIIC), a Government Company, appointment of the auditors is to be made by a Special Resolution as required u/s 224A of The Companies Act, 1956. None of the directors are interested or concerned in this resolution.

Item No. 7,8,9,10,11

The members in their meeting held on 26th September 1996 had approved a uniform remuneration package which was modified by members on 12th September 1997 and on 8th September 1999 in accordance with which the Wholetime Directors (including Managing Director) of the Company were being compensated for their services. In line with the current provisions of Schedule XIII of the Companies Act, 1956 it is proposed to approve a new uniform remuneration package for the Whole Time Directors (including Managing Director).

The abstract of the Uniform Remuneration Package is as follows:

- (i) Salary payable to each of the Wholetime Director (including Managing Director) shall not exceed Rs 1,25,000 per month.
- (ii) Perquisites to each of the Wholetime Director shall be equivalent to their respective annual salaries. (Individual break up to be decided by the Board.)
- (iii) Commission of 1% p.a of Net Profits be payable to the Managing Director and 3% p.a of Net Profits to all other Wholetime Directors or Special Allowance which shall not exceed twice the annual salary, to be decided by the Board.
- (iv) Retiral Benefits shall include Provident Fund, Gratuity, Leave Encashment and Superannuation.
- (v) Other benefits include use of Car (with driver) and telephone at residence for official purposes.

Gujarat Heavy Chemicals Limited

(vi) In the event of any loss, absence or inadequacy of profits in any financial year, minimum remuneration shall be paid as per Schedule XIII of the Companies Act 1956.

The remuneration shall be within the overall ceiling as given in Schedule XIII of the Companies Act 1956 and shall not without the approval of the Central Government exceed the limits prescribed under the Companies Act 1956.

Mr S.K.Mukherjee, Mr N S Ramachandran, Mr Tej Malhotra, and Mr K K Ahuja were appointed by the Board of Directors as Additional Director at its meeting held on May 5, 2000 as per Article 131 and 138 of the Articles of Association of the Company with effect from May 5, 2000. Pursuant to Section 260 of the Companies Act, 1956, the above mentioned directors will hold office as Additional Director upto the date of the ensuing Annual General Meeting. The Company has received notice in writing from members proposing the candidature of the above mentioned directors for the office of Director of the Company under the provisions of section 257 of the Companies Act, 1956.

Mr S.K.Mukherjee is having to his credit several years of varied experience in various capacities covering all the functions of management. Keeping in view his experience in the field of management the Board of Directors at its meeting held on May 5, 2000 appointed him as a Wholtime Director of the Company designated as "Managing Director" for a period of five years with effect from May 5, 2000 subject to the approval of the shareholders at the Annual General Meeting. Mr S.K.Mukherjee fulfills the eligibility criteria set out under Part I of Schedule XIII to the Companies Act, 1956.

Shri N.S.Ramachandaran, Shri K.K.Ahuja and Shri Tej Malhotra have to their credit several years of varied experience in various capacities in the Company and elsewhere covering their specialised fields of Marketing HR and Works. Keeping in view their experience the Board of Directors at its meeting held on May 5, 2000 appointed them as Wholtime Directors of the Company designated as Executive Director - Marketing, Executive Director - HR and Executive Director - Works respectively for a period of five years with effect from May 5, 2000 subject to the approval of the shareholders at the Annual General Meeting. Shri N.S.Ramachandaran, Shri K.K.Ahuja and Shri Tej Malhotra fulfill the eligibility criteria set out under Part I of Schedule XIII to the Companies Act, 1956.

The remuneration payable to Shi S K Mukherjee, Shri N.S.Ramachandaran, Shri K.K.Ahuja and Shri Tej Malhotra would be in the form of Basic Salary of Rs 80000, Rs 45000, Rs 45000 and Rs 45000 respectively and other perquisites allowances and commission would be in line with the Uniform remuneration package approved by the Board of Directors and placed in item no 7 of the notice for the shareholders approval. The terms and conditions including remuneration in respect of appointment of the above mentioned Directors are in accordance with the Schedule XIII of the Companies Act 1956.

The terms and conditions as set out above may be altered and varied from time to time by the Board of Directors of the Company as it may, at its discretion deem fit, in line with uniform remuneration package so as not to exceed the limits specified in Schedule XIII to the Companies Act, 1956 or any amendments made thereto.

Your Directors commend the resolutions for your approval.

All the Wholtime Directors are concerned or interested in the said Resolution.

This explanation together with accompanying notice is and should be treated as abstract u/s 302 of the Companies Act, in respect of the appointments/changes in the remuneration to Managing Director/Whole-time Directors.

Item No. 12

Section 293(1)(a) of the Companies Act, 1956, provides inter alia that the Board of Directors shall not without the consent of such public limited company in general meeting sell, lease or otherwise dispose of the whole or substantially the whole of the undertaking of the whole or substantially the whole of any such undertaking.

Since the mortgaging by the Company of its immovable properties as aforesaid in favour of the debenture trustees/financial institutions may be regarded as the disposal of Company's properties/undertaking, it is necessary for the members to pass a resolution u/s 293 (1)(a) of the Companies Act, 1956 before creation of said mortgage/charges.

Copies of common subscription agreements/Loan Agreements signed with the Institutions and Banks other relevant documents/ correspondence with these Institutions and the Company are open for inspection at the registered office of the Company between 11.00 A.M. and 1.00 P.M. on any working day prior to the date of meeting.

The financial assistance along with all other existing borrowings is within overall limit as was approved by the ordinary resolution passed pursuant to section 293(1)(d) of the Act at the Annual General Meeting held on 19th September 1992.

Your Directors commend the resolution for your approval.

None of the directors of the Company are interested in the resolution except Shri I.M.Pandey who is a director nominated by IDBI..

Item no 13

Section 293(1)(a) of the Companies Act, 1956, provides inter alia that the Board of Directors shall not without the consent of such public limited company in general meeting sell, lease or otherwise dispose of the whole or substantially the whole of the undertaking of the whole or substantially the whole of any such undertaking.

Since the mortgaging by the Company of its immovable properties as aforesaid in favour of the debenture trustees may be regarded as the disposal of Company's properties/undertaking, it is necessary for the members to pass a resolution u/s 293 (1)(a) of the Companies Act, 1956 before creation of said mortgage/charges.

Gujarat Heavy Chemicals Limited

Copies of subscription agreements signed with the Institutions and other relevant documents/correspondence with these institutions and the Company are open for inspection at the registered office of the Company between 11.00 A.M. and 1.00 P.M. on any working day prior to the date of meeting.

The financial assistance along with all other existing borrowings is within overall limit as was approved by the ordinary resolution passed pursuant to section 293(1)(d) of the Act at the Annual General Meeting held on 19th September 1992.

Your Directors commend the resolution for your approval.

None of the directors of the Company are interested in the resolution except Dr. I.M.Pandey who is a director nominated by IDBI.

Item no 14

To enable the company to diversify its business risk and to enlarge its area of operations, certain new lines of business relating to food processing and information technology were included in the Object clause of the Memorandum of Association duly approved by the shareholders in the 16th Annual General Meeting. It is now considered necessary to obtain enabling authority from the members so that the company can consider the new lines of activities, whenever required.

Your Directors commend the resolution for your approval.

None of the directors of the Company is in any way concerned or interested in the resolution.

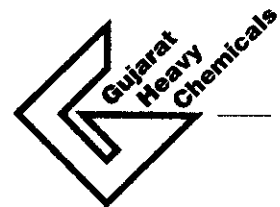
By Order of the Board
for **Gujarat Heavy Chemicals Limited**
P. Sampath
Executive Director (Finance)

Registered Office:
GHCL HOUSE
Near Punjabi Hall,
Navrangpura, Ahmedabad-380 009
Date: 31st July, 2000

**NOTES**

- (1) A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF. A PROXY NEED NOT BE A MEMBER. Proxies in order to be effective must be deposited at the Registered office of the Company not less than 48 hours before the commencement of the Meeting.
- (2) The Register of Members and Share Transfer Books of the Company will remain closed from 11th September, 2000 to 20th September, 2000 (both days inclusive).
- (3) The Explanatory Statement pursuant to Section 173(2) of The Companies Act, 1956 in respect of the Special Business is annexed hereto.
- (4) Members are requested to send their queries, if any, at least seven days in advance of the meeting so that the information can be made available at the meeting.
- (5) All documents referred to in the Notice and Explanatory Statement are available for inspection at the Registered Office of the Company during the business hours on all working days of the Company up to the date of the Annual General meeting.
- (6) The instruments of share transfer in respect of equity shares complete in all respects should be sent to the Company's Share Transfer Agents M/s Intime Share Registry Private Limited, A 260 Shanti Industrial Estate, Sarojini Naidu Road, Mulund (W), Mumbai - 400080 well in advance so as to reach prior to book closing. Shares with any defective transfer (unless the defect is removed prior to book closing) and/or instruments of transfer received during the period of book closing shall be considered after re-opening of the books.
- (7) Members are requested to intimate the Company's Share Transfer Agents at Bombay at the above address for changes if any in the registered address including pin code number.
- (8) Members holding more than one share certificate in the same name but under different ledger folios are requested to apply for consolidation of such folios and send the relevant share certificate to the Company's Share Transfer Agents at Bombay as stated in Note no. 6 above.
- (9) Members attending the Meeting are requested to complete the enclosed slip and deliver the same at the entrance of the meeting hall.
- (10) Persons attending the Annual General Meeting are requested to bring their copies of Annual Reports as the practice of distribution of copies of the report at the meeting has been discontinued.
- (10) Members attending the Meeting are requested to complete the enclosed slip and deliver the same at the entrance of the meeting hall.
- (11) Persons attending the Annual General Meeting are requested to bring their copies of Annual Reports as the practice of distribution of copies of the report at the meeting has been discontinued.

Gujarat Heavy Chemicals Limited



DIRECTORS' REPORT

Your Directors have pleasure in presenting to you the 17th Annual Report of the Company together with Audited Accounts of the company for the year ended 31st March, 2000.

OPERATIONAL RESULTS

Despite the increase in sales volume of soda ash by 10% during the year, the Turnover and the Margins were under pressure. The year 1999-2000 has been a year of challenges for the soda ash industry. The soda ash price during the year was under considerable pressure due to lowering of the domestic prices to match the import price. The Gross Profit of the Company is lower at Rs.80 Crore compared to Rs.98 Crore in the previous year.

	(Rs. in Crores)	
Financial Performance	1999-00	1998-99
Turnover	383.93	403.42
Gross Profit before interest and depreciation	80.03	97.99
Interest	29.05	29.08
Profit before depreciation and preliminary expenses—(cash profit)	50.97	68.91
Depreciation/Preliminary Expenses written off	25.77	22.30
Profit before tax	25.20	46.61
MAT Liability for the year	2.92	4.76
Profit after tax	22.28	41.85
Appropriations:		
Debt Redemption Reserve	10.34	7.63
General Reserve	1.00	5.00
Dividend	11.83	18.65
Tax on dividend	1.30	2.05
Balance Carried to Balance Sheet	53.03	55.23

DIVIDEND

Your Directors had declared an interim dividend of Rs. 1.25 per share on 9,32,50,400 equity shares of Rs. 10 each for the financial year ended March 31, 2000 which has been paid on May 25, 2000. The total outflow on this account was Rs. 12.94 crores including dividend tax.

Your directors have also declared pro-rata interim dividend on 10.75% - 1,00,00,000 Cumulative Redeemable Preference Shares of Rs. 10 each for the financial year ended March 31, 2000 which has been paid on March 25, 2000. The total outflow on this account was Rs. 0.19 crores including dividend tax.

In view of the lower profitability no final dividend has been recommended on the Equity and Preference shares of the Company, and the interim dividend already paid shall be fully adjusted as final dividend for the financial year ended 31st March 2000.

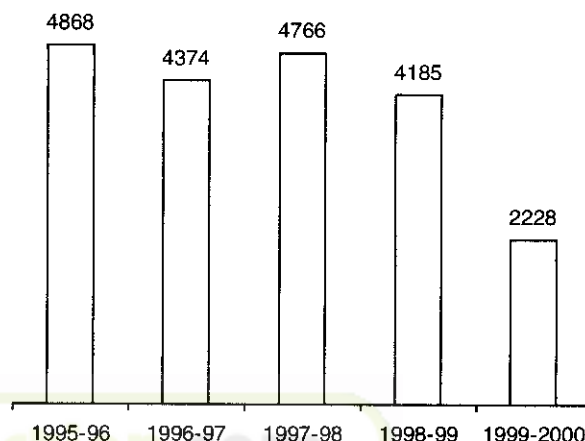
PLANT OPERATIONS

During the year ended 31st March 2000, your company has achieved an annual production of 4.63 lac tonnes, the highest so far by the Company, of Soda Ash as against 4.23 lacs Tonnes during the year ended March 31, 1999 and an annual production of 0.99 lac tonnes of Edible Salt as against 0.05 lac tonnes during the year ended March 31, 1999.

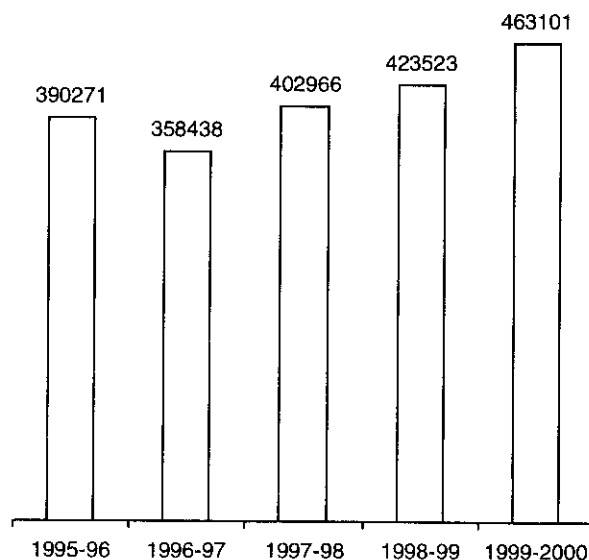
During the year the company faced shortage of water as there was practically no rain during the year. The Company was able to meet its requirements of water by Sea water processing and commissioning of a Reverse Osmosis Plant.

With the commissioning of the 4th Calciner, capacity addition programme of 1500 TPD of the soda ash plant has been completed. Efforts are being made to further enhance the capacity.

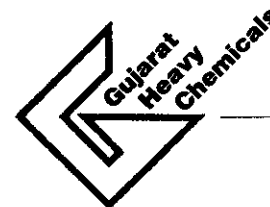
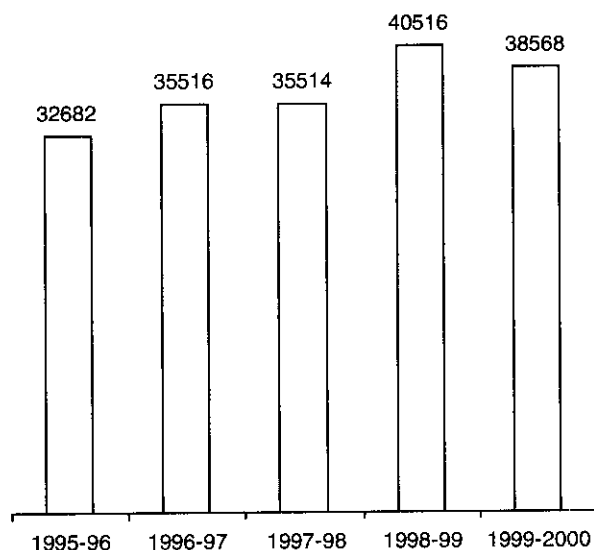
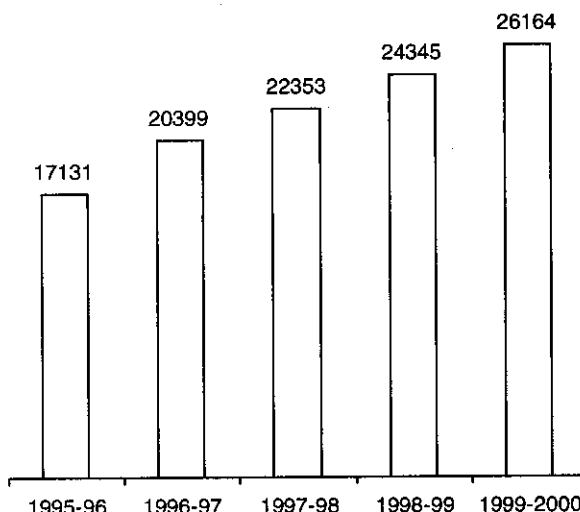
OPERATING PROFITS (Rs. lacs)



PRODUCTION MT

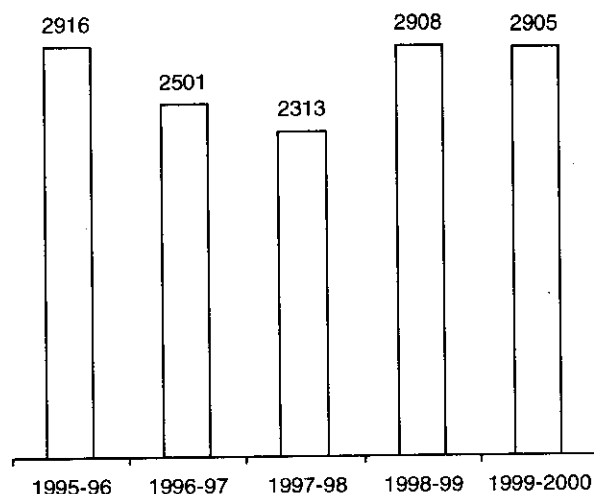


The Company was given ICMA award for the year 1998 for Excellence in Management of Safety/Health/Environment/At Source Reduction in Waste Generation. This award along with the 5-star status given by the British Safety Council for Safety, Health & Environment Management System has enabled the Company to apply for prestigious British Sword of Honour award for the year 1999.

Gujarat Heavy Chemicals Limited**SALES TURNOVER (Rs. lacs)****NET WORTH (Rs. lacs)****MARKETING**

The domestic demand of Soda Ash showed an increase of 4% from April - March 1999 (15.28 lac tonnes) to April-March 2000 (15.86 lac tonnes). Sales of domestic manufacturers during the same period increased from 13.69 lac tonnes to 15.35 lac tonnes. Sale by your Company in the domestic market during the same period increased by 10% i.e. from 3.99 lac tonnes to 4.42 lac tonnes. The increase in sales during the year is achieved despite lower sales to a major supplier during the year by focusing on other markets.

The significant impact at the market place was a sharp decline of prices of soda ash during the year due to adjustment of the domestic selling prices to match the import prices in line with the competition. The net realisation in the current year was Rs. 1100/- per tonne lower than last year. This loss in realisation has been partially made up through increased volume of sales. On account of severe competition at the market place the Receivables were under severe pressure, increasing the average credit period.

FINANCIAL EXPENSES (Rs. lacs)

In response to the application filed by the domestic soda ash manufacturers, the Ministry of Commerce has levied an Anti Dumping Duty on import of soda ash from China ranging from Rs.372 PMT to Rs.1036/- PMT based on interim findings. Recently Ministry of Finance has finalised the Anti Dumping Duty and has fixed the reference price in the range of \$193.10 to \$197.10 PMT for various sources of imports from China. During the year 1999-2000 import of soda ash was 0.51 lac MT as against 1.59 lac MT in 1998-99.

The first full year of operation of edible salt business was satisfactory though there were considerable pressures on the margin on account of price war amongst the national brands and severe competition from the low cost producers in Gujarat.

FINANCE

Your Company has placed 10.75% Cumulative Redeemable Preference Shares aggregating to Rs. 10 crores during the year.

Your Company enjoys MA+ rating as rated by ICRA for its fixed deposit schemes. The total amount of deposits due for repayment but not claimed by the depositors as on 31st March 2000 was Rs 79.14 lacs in respect of 593 depositors, out of which deposits amounting to Rs.44.88 lacs in respect of 357 depositors have since been paid/renewed.

Despite lower realisation and increase in credit period of Receivables, the management of Working Capital Funds has been handled efficiently controlling the Working Capital Interests cost at lower levels.

Your Company has contributed a sum of Rs 66.21 crores to the Exchequer by way of central excise and Income Tax.

CORPORATE GOVERNANCE

Your Company believes that good corporate paradigms and its effective implementation enable the board to direct and control the affairs of the company in an effective and efficient manner and to achieve its ultimate goal of maximising shareholders value. Your Company has as a measure of good Corporate Governance much before the guidelines on Corporate Governance issued by SEBI becomes effective, has constituted an Audit Sub Committee of the Board to specially look into aspects of compliances with Accounting Standards and various other guidelines. The Audit Sub Committee consists of representatives of the Financial Institutions and the Independent Directors on the Board. Besides the Audit Sub Committee the Company has already constituted Committees of Salary Compensation Review, Committee for Investments and