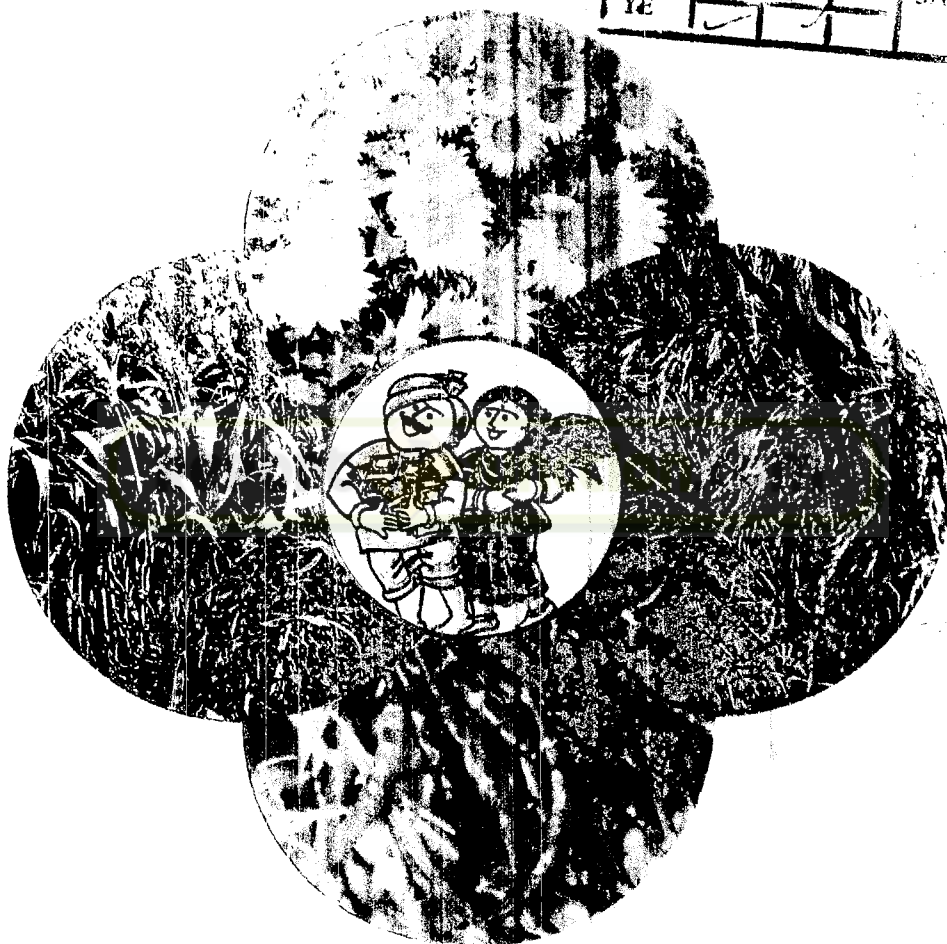


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CS	<input checked="" type="checkbox"/>		DPY	<input checked="" type="checkbox"/>
RO	<input checked="" type="checkbox"/>		DIV	<input checked="" type="checkbox"/>
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AGM	<input checked="" type="checkbox"/>		SHI	<input checked="" type="checkbox"/>
YE	<input checked="" type="checkbox"/>			<input checked="" type="checkbox"/>



**GODAVARI FERTILISERS
AND CHEMICALS LIMITED**



Sri P.V. Bhide, IAS, Managing Director, GFCL Presenting dividend cheque to Sri N. Chandrababu Naidu, Hon'ble Chief Minister of A.P. on 24th October, 1997. Sri K. Madhava Rao, IAS Chief Secretary to Govt. of A.P. and Sri V. S. Sampath, IAS, Secretary, Energy, Govt. of A.P., Ex-MD, GFCL are also present.

Hon'ble Chief Minister of A.P., Sri N. Chandrababu Naidu visited Exhibition Stall of GFCL at Rythu Sadassu held at Nizamabad, A.P. in July, 1997.



Dr. Thieman, MD UHDE and Sri P.V. Bhide, IAS, MD GFCL signing agreement for setting up Ammonia Storage and Pipeline System at Kakinada on 6th April, 1998.

GODAVARI FERTILISERS AND CHEMICALS LIMITED



BOARD OF DIRECTORS

Chairman

Shri K. Madhava Rao, IAS (from 30.06.1997 onwards)

Dr. M.S. Rajajee, IAS (upto 30.06.1997)

Director

Shri Surinder Kumar Jakhia

Director

Shri U.S. Awasthi

Director

Shri M. Sahoo, IAS

Director

Shri K.R. Kishore, IAS

Director

Shri S. Gopalan

Director

Shri C.B. Mouli

Director

Shri K.K. Pillai

Director

Shri T. Panduranga Rao

Alternate Director

Shri M.K. Tandon

Managing Director

Shri V.S. Sampath, IAS (upto 21.07.97)

Shri P.V. Bhide, IAS (from 21.07.97 onwards)

Company Secretary

Shri V.S. Rao

REGISTERED OFFICE

"Vani Nilayam"

50, Sebastian Road,

SECUNDERABAD 500 003,

Andhra Pradesh

Tel. Nos. 7701871, 7702399

7702446, 7702522,

7703396, 7704219

7704379

Tlx. No. 0425-6335

Fax No. 040-7701541

AUDITORS

M. Bhaskara Rao & Co.,

Chartered Accountants,

5-D, Fifth Floor,

"Kautilya", 6-3-652,

Somajiguda,

Hyderabad 500 082,

Andhra Pradesh.

Tel. No. 3311245

FACTORY

Beach Road

Kakinada 500 001.

Andhra Pradesh

Tel Nos. 372341, 372342

372343, 372344, 372345

Tlx. No. 0473-272

Fax No. 0884-61069

BANKERS

State Bank of India

State Bank of Hyderabad

State Bank of Mysore

Andhra Bank

Bank of India

Punjab National Bank

SENIOR EXECUTIVES

Shri M.M.A. Siddiqui

Vice President (Finance)

Shri V.S. Rao

General Manager (Legal)
& Company Secretary

Shri S.J. Naidu

General Manager (Projects)

Shri C.R. Rao

General Manager (Marketing)

Shri V. C. Rao

General Manager (Works)

Shri A. Tatalu

Dy General Manager (Maint.)

Shri C.V.N. Sastry

Dy. General Manager (FO)

Shri M.L.N. Acharyulu

Dy. General Manager (CF)

ANNUAL REPORT 1997 - 98**NOTICE TO THE SHAREHOLDERS**

Notice is hereby given that the SIXTEENTH ANNUAL GENERAL MEETING of the Members of **Godavari Fertilisers and Chemicals Limited** will be held on **Tuesday, the 22nd September, 1998 at 4.00 P.M. at Padmashali Kalayana Mandapam, 2-12-66, West Marredpally, Secunderabad - 500 026** to transact the following business.

ORDINARY BUSINESS

1. To receive, consider and adopt the audited Balance sheet of the Company, as at 31st March, 1998 and the Profit and Loss Account for the year ended as on that date and the Reports of the Board of Directors and of the Company's Auditors.
2. To declare a Dividend.
3. To appoint a Director in place of Shri K R Kishore, IAS, who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint a Director in place of Shri U.S. Awasthi, who retires by rotation and being eligible, offers himself for re-appointment.
5. To appoint Auditors and fix their remuneration and for this purpose to consider and, if thought fit, to pass the following resolution with or without modification, as a SPECIAL RESOLUTION.

"RESOLVED that the retiring Auditors, M/s. M. Bhaskara Rao & Co., Chartered Accountants be and are hereby reappointed as Auditors of the Company to hold office from the conclusion of this Annual General Meeting till the conclusion of next Annual General Meeting of the Company on a remuneration of Rs.80,000/- (Rupees Eighty Thousand Only)

and reimbursement of out of pocket expenses incurred in connection with Company's audit."

SPECIAL BUSINESS

6. 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 for creation of second charge by way of mortgage by the Board of Directors of the Company of all the immovable properties of the Company where so ever situate, present and future in favour of the following, viz;

- 1) State Bank of India (SBI)
- 2) State Bank of Mysore (SBM)
- 3) State Bank of Hyderabad (SBH)
- 4) Andhra Bank (AB)
- 5) Bank of India (BOI)
- 6) Punjab National Bank (PNB)

to secure comprehensive working capital limits from the above consortium of banks for amounts indicated against each of the Banks as hereunder;

Sl. No.	Name of the Bank	(Rs. in Crores)		
		Fund Limits	Non-Fund LC	Limits BG
1.	State Bank of India	18.40	8.00	1.00
2.	State Bank of Hyderabad	6.14	6.07	0.40
3.	State Bank of Mysore	5.00	5.30	0.40
4.	Andhra Bank	7.75	6.06	0.40
5.	Bank of India	6.15	5.30	0.40
6.	Punjab National Bank	7.75	6.06	0.40
		51.19	36.79	3.00

GODAVARI FERTILISERS AND CHEMICALS LIMITED



lent/advanced/ agreed to be lent/ advanced by the above Banks to the Company, together with interest thereon at the respective agreed rates, compound interest, additional interest, liquidated damages, commitment charges, premia on pre-payment or on redemption, costs, charges, expenses and other moneys payable by the Company to SBI, SBH, SBM, AB, BOI and PNB under their respective loan agreements / letter of sanction entered into by the Company in respect of the said Working Capital Loans.

"FURTHER RESOLVED THAT the Board of Directors of the Company be and are

hereby authorised to finalise with SBI, SBH, SBM, AB, BOI and PNB the documents for creating the aforesaid mortgage and / or charge and to do all such acts and things as may be necessary for giving effect to the above Resolution."

By order of the Board

Registered Office
Vani Nilayam,
50, Sebastian Road,
Secunderabad - 500 003
Date : 26th June, 1998

V S RAO
G M (Legal) &
Company
Secretary

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 and such a proxy need not be a member of the Company.
2. Instruments of proxies in order to be effective must be deposited with the Company at its Registered Office not less than 48 hours before the commencement of the meeting.
3. The Register of Members of the Company and Share Transfer books will remain closed from **Wednesday, the 2nd September, 1998 to Tuesday, the 22nd September, 1998 (both days inclusive).**
4. Payment of Dividend on shares, if declared at the Meeting, will be made on or after 22nd September, 1998 to those shareholders whose names will appear as Members in the Books of the Company as on the date of Annual General Meeting.
5. Intimation of change of address, **mandate for payment of Dividend, Bank Account with address of the Bank** may please be forwarded to the Company's Registered Office on or before the date of Annual General Meeting.
6. Explanatory Statement as required under Section 173(2) of the Companies Act, 1956 in respect of items 5 and 6 setout about is annexed hereto.

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Annexure to the Notice

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

ITEM NO.5

The resolution for appointment of retiring Auditors will be proposed as Special Resolution in view of the provisions contained in Section 224A of the Companies Act, 1956. Hence explanatory statement is being given. The Auditors have forwarded a certificate to the Company as required by Section 224 stating that their re-appointment, if made, will be within the limits specified in Sub-Section (1B) of the above Section. The resolution is accordingly commended for your acceptance.

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

ITEM NO.6

The Company is availing comprehensive Working Capital limits from the Consortium of Banks consisting of Working Capital Demand

Loan, Cash Credit facilities apart from non-fund limits for Letter of Credit and Bank Guarantees. The break-up of Working Capital Limits from the Consortium of Banks is as indicated in the Resolution. The Banks are insisting for second charge on the fixed assets both present and future. The Company has obtained consent from IDBI, the lead financial institution for creation of second charge on fixed assets in favour of the Banks for Working Capital needs. Creation of Charge on the immovable properties of the Company as aforesaid in favour of the Consortium of Banks can be done only with the consent and approval of Shareholders. Hence it is necessary for the members to pass the Resolution.

Copies of documents executed/to be executed in favour of the Consortium of Banks are open for inspection at the Registered Office of the Company between 11.00 A.M. to 1.00 P.M. on any working day prior to the Meeting.

None of the Directors of the Company is interested or concerned in the Resolution.

GODAVARI FERTILISERS AND CHEMICALS LIMITED



DIRECTORS' REPORT

TO THE MEMBERS

1.0.0 Your Directors have pleasure in presenting the Sixteenth Annual Report and the Audited Accounts of the Company for the year ended 31st March, 1998 alongwith the Auditors Report thereon.

2.0.0 PRODUCTION

2.1.0 Your Directors are happy to report that there was substantial improvement in the overall performance of your Company during the year under report. During the financial year 1997-98, the overall production, turnover and profits were the highest ever achieved by your Company in any one year since its inception. This was possible on account of efficient management that resulted both, in an increase in productivity, and a substantial growth in the volume of operations.

2.2.0 Your Company achieved its highest ever production of 5,33,697 MTs of fertiliser, comprising of 5,31,796 MTs of DAP and 1,901 MTs of 20:20:0:15. During the previous year, your Company produced 3,85,105 MTs of fertiliser consisting of 3,67,941 MTs of manufactured DAP and 17,164 MTs of 20:20:0:15. The year under



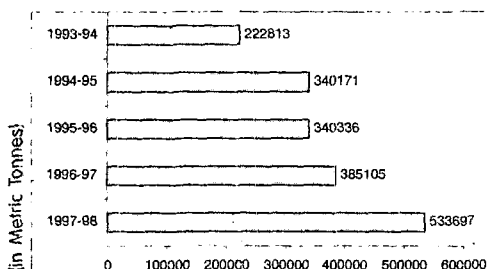
SHRI K. MADHAVA RAO, IAS
CHAIRMAN

review, therefore, witnessed an increase in production of 1,48,592 MTs or 39 percent over last year.

2.3.0 As members are aware, the raw materials used by the Company for manufacture of its products are fully imported. However, improvements in procurement, receipt and transportation of raw material to the Plant at Kakinada ensured that the plant was not shut down for want of raw materials. During the year under report, only 25 mandays were lost on account of non-availability of raw materials, when compared to 150 mandays in the previous year. This factor coupled with overall improvement in operational maintenance of the plant, resulted in an achievement of capacity utilisation of 113 percent with the installed capacity being 4,72,500 MTs.

2.4.0 It may be recalled that members, on occasions in the past, had expressed doubts as to whether the Kakinada Plant would be able to achieve 100 percent utilisation of installed capacity subsequent to the installation of the Pipe Reactor in one of its production trains. The achievement in capacity utilisation of 113 percent only justifies and reconfirms the faith expressed by your Directors in the past in the technical soundness of the technology adopted, and should further re-assure

Production During the
last Five Financial Years



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members that the choice made in the past was the right one.

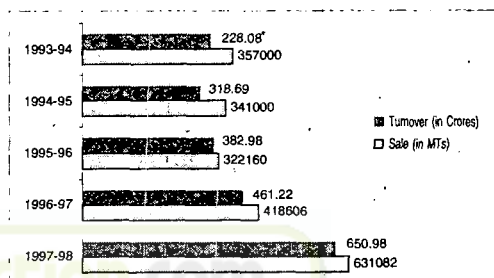
- 2.5.0 One of the major problems faced by your Plant at Kakinada had been the interruptions in production occasioned by frequent power cuts. Members will be glad to know that, your Company has made an investment of Rs.7.5 crores towards purchase of shares of Andhra Pradesh Gas Power Corporation Limited (APGPCL). Consequent to such purchase, your Company is able to draw upto 5 M.W. of power from the State Grid on an uninterrupted basis and at a considerable discount as compared to the Andhra Pradesh State Electricity Board (APSEB) tariff applicable to High Tension Consumers. Consequently, the above investment, besides improving production performance, also helps in reducing operational costs.

3.0.0 MARKETING

- 3.1.0 Sustained efforts by your Company's marketing staff resulted in a vastly improved sales performance as compared to the previous. During 1997-98, total sales of fertilisers and other products were 6,31,082 MTs as compared to last year's performance of 4,18,606 MTs, an increase of about 51 percent.
- 3.2.0 Your Company was able to maintain its primacy in DAP sales in Andhra Pradesh, its primary market area by selling 3.53 lakh MTs of Godavari DAP. This constituted over 59 percent of the market share and though this represented a decrease in percentage terms when compared to the 62 percent market share in 1996-97, the latter was primarily attributable to the enhanced availability of imported DAP during the year under report. In fact, Andhra Pradesh witnessed an increase

in sale of imported DAP from 0.38 lakh MTs in 1996-97 to 1.30 lakh MTs in 1997-98. In terms of indigenously manufactured DAP, your Company's sales rose from 2.07 lakh MTs in 1996-97 to 3.45 lakh MTs in 1997-98 or from 67.72 percent of share to 73.32 percent of share.

Sale of All Fertilizers Quantity & Turnover during last five years



- 3.3.0 Besides maintaining its primacy in Andhra Pradesh, the Company was able to achieve substantial growth in sales in Madhya Pradesh, Uttar Pradesh, Maharashtra and West Bengal.
- 3.4.0 During the year, your Company also sold Pesticides worth Rs.6.95 crores as against Rs.11.35 crores during the previous year 1996-97. This decline was mainly attributable to the prevalence of a sluggish market and the huge build-up of stocks with dealers, dampening demand.

4.0.0 FINANCIAL PERFORMANCE

- 4.1.0 Your Company's financial performance during 1997-98 has indeed been impressive. The turnover rose to Rs.650.98 crores from Rs.461.22 crores the previous year, an increase of Rs.189.76 crores or 41 percent.
- 4.2.0 During the year under review, the Company earned a Gross Profit of Rs.50.43 crores before charging

GODAVARI FERTILISERS AND CHEMICALS LIMITED



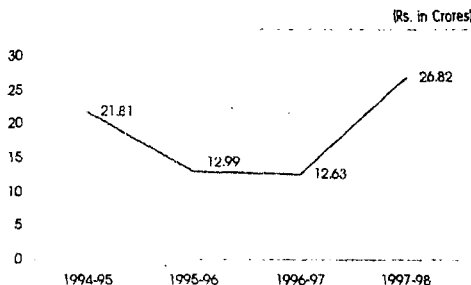
interest and depreciation as compared to the Gross Profit of Rs.37.26 crores recorded the previous year. This constituted increase of 35 percent.

- 4.3.0 The Profit of the Company for the year 1997-98 after charging interest and depreciation, but before making a provision for Income Tax was Rs.30.16 crores against Rs.14.52 crores recorded the previous year. This represents a growth of 108 percent. The Profit of the Company after making a provision of Rs.3.34 crores towards Income Tax is Rs.26.82 crores as compared to Rs.12.63 crores the previous year, a growth of 112 percent.

4.4.0 Dividend and Appropriations

- 4.4.1. The recent past has witnessed severe uncertainty with respect to the cost of imported ammonia. Simultaneously there has been severe depreciation in

Net Profit Since 1994-95



rupee value. Both these factors raise concerns in relation to confirmed profitability in future operation. Bearing this in mind, your Directors have adopted a prudent and cautious approach and have created a Contingency Reserve of Rs.2.00 crores to offset further unanticipated adversities. However, even after making such provision, your Directors are of the view that, in view of the

substantial increase in profits witnessed during the year under report, it should be feasible to increase dividend beyond the 10 percent declared during the last year and therefore recommend a Dividend of 15 percent i.e. Rs.1.50 per share during the year under report. The financial commitment to meet such provision would work out to Rs.4.80 crores, excluding tax. Consequently, the appropriations recommended by your Board are as hereunder:

	(Rs. in lakhs)
Profit before Tax	3016.13
Less: Provision for Income Tax	334.05
Profit After Tax	2682.08
Add: Balance brought forward from previous year	1250.68
Amount available for Appropriation	3932.76
Less: Proposed Dividend	480.00
	3452.76
Less: Provision for Dividend Tax	48.00
Balance carried to Balance Sheet	3404.76

5.0.0 INDUSTRIAL RELATIONS

- 5.1.0 Industrial Relations between the Management and Employees remained cordial during the year under review. There has been no loss of production on account of Industrial Relations problems. The Plant at Kakinada and the Visakhapatnam Storage Terminal were operated in compliance with safety standards and no accidents were reported during the year.

6.0.0 ENVIRONMENT PROTECTION

- 6.1.0 Your Company continued to undertake Plant operations in conformity with

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prescribed environmental standards/regulations. There was no discharge of liquid pollutants. The Company has been able to maintain gaseous emissions from the Plant well within prescribed norms. The table below depicts gaseous emission levels observed at the Kakinada Plant:

	Ammonia	Sulphur	Suspended
	Dioxide	Particulate	matter
(In Micrograms per normal cubic Metre Gaseous emission)			
Max. limits stipulated by Pollution Control Authority	759	80	200
Average Annual ambient air quality achieved inside GFCL	73.42	0.27	68.36

- 6.1.1. The Company is maintaining an excellent green belt cover in and around the Plant as required under Pollution Control laws.

7.0.0 ENERGY CONSERVATION

- 7.1.0 Your Company maintained its production operations with optimal conservation of energy. Consumption of power was also well within the budgeted norm.
- 7.2.0 During the year under report, your Directors approved the installation of a Solar Water Heating System of 1,20,000 ltr/day capacity at the DAP Plant. Besides securing energy conservation, the above investment also provides a major fillip to industrial application of Renewable Non-conventional energy sources in a financially viable manner. This Solar system will also strengthen the efficiency of Boiler operations and reduce stack emissions. Additionally, there will be a reduction in boiler fuel consumption, thereby reducing fuel costs. The above Solar Water Heating

System was fully commissioned during the year and capitalised as on 31st March, 1998.

8.0.0 FOREIGN EXCHANGE, EARNINGS AND OUTGO

- 8.1.0 An amount of Rs.430.54 crores was spent in Foreign Exchange by your Company for import of raw material, spare parts, etc, during the year 1997-98.

9.0.0 CORPORATE PLANS

- 9.1.0 Construction of Ammonia Storages and laying of pipeline for about 2.5 Km length connecting Kakinada port to DAP Plant to receive Ammonia directly at Kakinada.
- 9.1.1. In the previous Annual General Meeting shareholders were informed that your Company was planning to take up construction of 2 X 1500 MTs Horton Spheres for storage of Ammonia alongwith a pipeline of 2.5. Km connecting Kakinada Port to DAP Plant for direct receipt of Ammonia ships. It was subsequently assured that, since price economies in ammonia purchase could be expected only if shipments in excess of 10,000 MTs of Ammonia were ordered, the above storage capacity may prove inadequate. Your Directors therefore approved the erection of 10,000 MTs capacity of atmospheric ammonia storage. Accordingly, the Company has awarded contracts for the construction of two Ammonia Storage Tanks of 5,000 MTs capacity each alongwith the connecting pipeline of 2.5. Km to connect Kakinada Port to DAP Plant. An unloading arm is also being erected at the liquid cargo berth. The entire project is expected to be completed in 22 months at an estimated total capital outlay of Rs.31.02 crores and on completion, would facilitate the direct receipt discharge and storage of ammonia from Kakinada Port.