

Annual Report 1998-99



Godavari Fertilisers and Chemicals Limited

GODAVARI FERTILISERS AND CHEMICALS LIMITED**BOARD OF DIRECTORS**

Chairman

Shri V. Anandaraou, IAS (from 01-11-1998 onwards)
Shri K. Madhava Rao, IAS (upto 31.10.1998)

Director

Shri Surinder Kumar Jakhar

Director

Shri U.S. Awasthi

Director

Shri M. Sahoo, IAS

Director

Shri Ajeya Kallam, 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 P.V. Bhide, IAS

Company Secretary

Shri V.S. Rao**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 G. Kishan
 General Manager (P & A)

Shri P. Ranadhir Reddy
 Adviser (Transportation)

Shri A. Tatalu
 Dy. General Manager (Maint.)

Shri C.V.N. Sastry
 Dy. General Manager (FO)

Shri V. Kutumba Rao
 Dy. General Manager (T.S. & Q.C.)

AUDITORS

M. Bhaskara Rao & Co.,
 Chartered Accountants,
 5-D, Fifth Floor,
 "Kautilya", 6-3-652,
 Somajiguda,
 Hyderabad 500 082,
 Andhra Pradesh,
 Tel. No. 3311245

REGISTERED OFFICE

"Vani Nilayam"
 50, Sebastian Road,
 Secunderabad 500 003,
 Andhra Pradesh
 Tel. Nos. 7701871, 7702399,
 7702446, 7702522,
 7703396, 7704219
 Tlx. No. 0425-6335
 Fax No. 040-7701541

BANKERS

State Bank of India
 State Bank of Hyderabad
 State Bank of Mysore
 Andhra Bank
 Bank of India
 Punjab National Bank

FACTORY

Beach Road
 Kakinada 533 001.
 Andhra Pradesh
 Tel Nos. 372341, 372342
 372343, 372344, 372345
 Tlx. No. 0473-272
 Fax No. 0884-61069

ANNUAL REPORT 1998 - 99**NOTICE TO THE SHAREHOLDERS**

Notice is hereby given that the SEVENTEENTH ANNUAL GENERAL MEETING of the Members of Godavari Fertilisers And Chemicals Limited will be held on Friday, the 23rd July, 1999 at 4.15 P.M. at Padmashali Kalyana 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, 1999 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 T Panduranga Rao who retires by rotation and being eligible, offers himself for reappointment.
4. To appoint a Director in place of Shri C B Mouli who retires by rotation and being eligible, offers himself for reappointment.
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 Shri M Sahoo, IAS be and is hereby appointed as Director of the Company, liable to retire by rotation".

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

"RESOLVED THAT Shri Ajeya Kallam, IAS be and is hereby appointed as Director of the Company, liable to retire by rotation".

By order of the Board

Registered Office

Vani Nilayam
50, Sebastian Raod
Secunderabad - 500 003

V S RAO
General Manager (L) &
Company Secretary

Date : 28.05.1999

GODAVARI FERTILISERS AND CHEMICALS LIMITED



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 **Friday, the 16th July, 1999 to Friday, the 23rd July, 1999 (both days inclusive)**.
4. Payment of Dividend on shares, on approval by Members, will be made on or after Friday, the 23rd July, 1999 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, 6 and 7 set out above is annexed hereto.

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ANNUAL REPORT 1998 - 99**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

During the year Shri M Sahoo, IAS was appointed as Director on the Board of Directors of the Company by the Government of Andhra Pradesh in accordance with Article 94(B) of the Articles of Association of the Company. Pursuant to Section 260 of the Companies Act, 1956, he holds office upto the forthcoming Annual General Meeting. As required U/s 257 of the Companies Act, 1956 Notice together with a deposit of Rs.500/- has been received from a Share holder proposing Shri M Sahoo, IAS for the office of Director of the Company.

Shri M Sahoo, is a Senior IAS Officer and is presently the Secretary, Finance Department, Government of Andhra Pradesh. He held many important positions in the Government of Andhra Pradesh in the capacity of Addl. Secretary of Finance Department and District Collector. The Board considers that it would be in the interest of the Company to

appoint Shri M Sahoo, IAS as Director and commends the resolution for his appointment.

None of the Directors except Shri M Sahoo, IAS is interested or concerned in the said resolution.

ITEM NO. 7

During the year Shri Ajeya Kallam, IAS was appointed as Director on the Board of Directors of the Company by the Government of Andhra Pradesh in accordance with Article 94(B) of the Articles of Association of the Company. Pursuant to Section 260 of the Companies Act, 1956, he holds office upto the forthcoming Annual General Meeting. As required U/s 257 of the Companies Act, 1956 Notice together with a deposit of Rs.500/- has been received from a Share holder proposing Shri Ajeya Kallam, IAS for the office of Director of the Company.

Shri Ajeya Kallam is a Senior IAS Officer and is presently the Commissioner and Director of Agriculture heading the Department of Agriculture for the State of Andhra Pradesh. He is technically qualified Agricultural Administrator and has widely travelled and gained experience in the fields of agriculture and horticulture. He held many important positions in the Government of Andhra Pradesh in the capacity of Director of Horticulture, District Collector and Magistrate and Chief Rationing Officer. The Board considers that it would be in the interest of the Company to appoint Shri Ajeya Kallam, IAS as Director and commends the Resolution for his appointment.

None of the Directors except Shri Ajeya Kallam, IAS is interested or concerned in the said resolution.

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DIRECTORS' REPORT TO THE MEMBERS

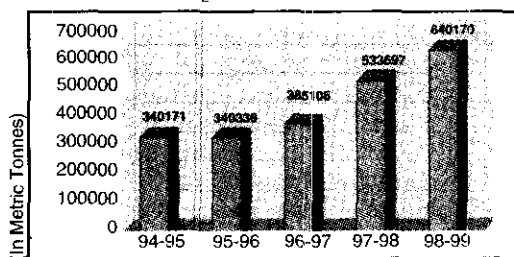
1.0.0 Your Directors have pleasure in presenting the Seventeenth Annual Report and the Audited Accounts of the Company for the year ended 31st March, 1999 along with the Auditors' Report thereon.

2.0.0 PRODUCTION

2.1.0 Your Directors are happy to report that the year under report has been highly satisfactory and there was further improvement in the overall performance of your Company. Your Company has achieved excellent results for the third consecutive year. Your Directors are confident that the Company would maintain the commendable performance and profitability of the last three years in the years to come also.

2.2.0 During the financial year 1998-99, the overall production, turnover and gross profit were the highest ever achieved by your Company since inception. In fact, the performance of your Company is significantly better than the previous year. This was possible on account of efficient management of resources that resulted both, in an improvement in productivity and appreciable growth in the volume of operations.

Production during the last five Financial Years



SHRI V. ANANDARAU, IAS
Chairman

2.3.0 Your Directors are glad to report that your Company achieved a production of 6,40,170 MTs of fertilisers consisting of 6,13,409 MTs of DAP and 26,761 MTs of 20:20:0:15 as against the previous year's production of 5,31,796 MTs of DAP and 1,901 MTs of 20:20:0:15. The year under report witnessed an increase in production of the order of 1,06,473 MTs in absolute terms which indicates a growth of 20 per cent over the previous year.

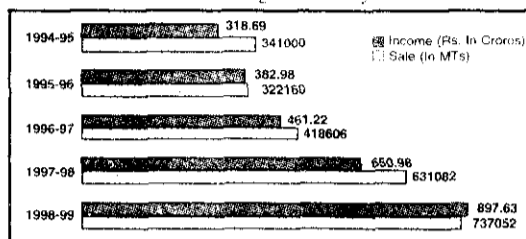
2.4.0 As members are aware, the previous two years witnessed considerable improvement in procurement, receipt and transportation of raw materials so that the plant not only did not have to shut down for want of raw materials, but also saw improvements in terms of availability of stream hours. In view of the above, the installed capacity of the plant was revised from 4,72,500 MTs to 5,67,000 MTs. By maintaining the efficiencies gained in procurement and transportation of material, and by carefully and meticulously monitoring preventive maintenance activities at the plant, substantial improvements in efficiency of plant operations could be achieved during the year under report. The cumulative result of all these improvements was that the plant could achieve a capacity utilisation of 113% against the revised installed capacity.

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3.0.0 MARKETING

- 3.1.0 The year under review witnessed a path breaking sales performance due to the excellent efforts put forth by your Company's marketing staff. The year 1998-99 witnessed a record sales performance of 7,37,052 MTs of fertilisers consisting of 6,09,741 MTs

Sale of All Fertilisers-Quantity & Turnover-during last five years



of manufactured DAP, 22,560 MTs of 20:20:0:15, 66,285 MTs of imported DAP, 17,968 MTs of traded DAP and 20,498 MTs of pool Urea. During the previous year your Company sold a total quantity of 6,31,082 MTs of fertilisers and the increase in sales during the year 1998-99 over the previous year was 1,05,970 MTs in absolute terms which represents a growth of 17 percent.

- 3.2.0 Your Company continued to maintain its primacy in DAP sales in the State of Andhra Pradesh (its primary market area) for the 12th consecutive year by selling 3.99 lakh MTs of Godavari DAP. This constituted over 64 percent of the DAP market share. This was a sizeable improvement over the market share of DAP sales of 59 percent achieved during 1997-98. Besides maintaining its primacy in Andhra Pradesh, the Company was able to achieve substantial growth in the States of Maharashtra, Uttar Pradesh,

Bihar and West Bengal. Your Directors are happy to report that your Company commenced marketing your Company's products in the State of Karnataka during the year under review.

- 3.3.0 During the year, your Company sold Pesticides worth Rs.702.81 lakhs as against Rs.695.00 lakhs during the previous year.

4.0.0 FINANCIAL PERFORMANCE

- 4.1.0 The financial performance of your Company during the year 1998-99 continued to be impressive. Your Company recorded a turnover of Rs.905.46 crores as against Rs.740.53 crores, the previous year, i.e. an increase of Rs.164.93 crores in absolute terms or 22 per cent. The total income of your Company including sales, subsidy and other income less rebates and discounts was Rs.897.63 crores as against Rs.650.98 crores during the previous year, which represents 38 per cent increase over the previous year.

- 4.2.0 Your Company earned a Gross Profit of Rs.58.50 crores before charging interest and depreciation as compared to the Gross Profit of Rs.50.43 crores during the previous year. This constituted an increase of Rs.8.07 crores in absolute terms or 16 per cent growth over the previous year.

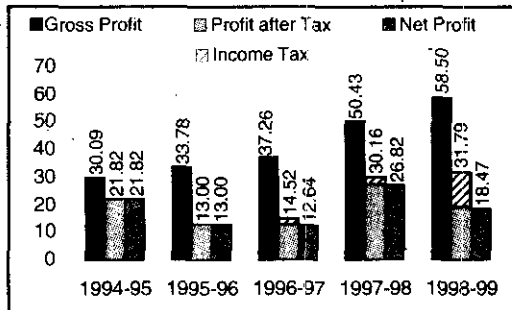
- 4.3.0 The net profit of the Company for the year 1998-99 after charging interest and depreciation but before making provision for Income Tax was Rs.31.79 crores as against the corresponding net profit of Rs.30.16 crores of the previous year. The profit of the Company after making provision

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for Income Tax of Rs.13.32 crores was Rs.18.47 crores as against Rs.26.82 crores of the previous year.

Gross Profit, Profit before Tax & Net Profit Since 1994-95
(Rs. in Crores)



The non availability of tax set off in terms of investment allowance and unabsorbed depreciation led to your Company having to incur a higher Income Tax liability during the year under report.

4.4.0 SETTLEMENT OF RIGHT OF RECOMPENSE TO FINANCIAL INSTITUTIONS AND COMMERCIAL BANKS

4.4.1 Members may be aware that the financial institutions and commercial banks extended a package of reliefs and concessions to your Company under a Rehabilitation Package finalised in 1994-95. In the context of the above, the IDBI had requested the Company to recompense it in terms of the compensation stipulated under the Rehabilitation Scheme. Against their claim of Rs.15.80 crores covering the value of sacrifices purported to have been made by the financial institutions, your Company negotiated and arrived at a one time settlement of recompense at Rs.6.00 crores and payment of the same has also been made during the year 1998-99.

4.4.2 Similarly, negotiations are under way with commercial banks in respect of their claim of Rs.84.10 lakhs towards their right of recompense and pending finalisation of the same, necessary provision has been made in the books of accounts.

4.5.0 DIVIDEND AND APPROPRIATIONS

4.5.1 Your Directors have continued their prudent and cautious approach and have created a Contingency Reserve of Rs.2.00 crores towards exchange fluctuations, other contingencies etc. Your Directors also recommended for transfer of Rs.2.00 crores to General Reserve from the current year's profit under the provisions of Companies (Transfer of Profits to Reserve) Rules, 1975. After making such provision, your Directors are further of the view that in view of the increase in profits witnessed during the year under report it should be feasible to maintain the dividend at 15 per cent i.e., Rs. 1.50 per share and accordingly recommend a dividend of 15 per cent for the year ended 31st March, 1999. Consequent to the above, the appropriations recommended by your Board are as hereunder.

	Rs. in Lakhs
Profit before Tax	3179.12
Less: Provision for Income Tax	1331.66
Profit after tax	1847.46
Add: Balance brought forward	
from previous year	3004.76
Amount available for appropriation	4852.22
Less: Proposed Dividend	480.00
Less: Provision for Dividend Tax	48.00
Less: Transfer to General Reserve	200.00
Less: Transfer to Contingency Reserve	200.00
Balance carried to Balance Sheet	3924.22

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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 Visakhapatnam Storage Terminal were operated in compliance with safety standards and no accidents were reported during the year. Your Company has entered a settlement for payment of Production Incentive to workmen which came into force with effect from 1st April, 1999.

6.0.0 ENVIRONMENT PROTECTION

6.1.0 Your Company continued to operate the plant at Kakinada, and the Storage Installation at Visakhapatnam within the prescribed environmental standards/regulations. The Company has been able to maintain liquid/gaseous emissions at Kakinada plant and the Visakhapatnam Storage Terminal well within the prescribed norms. The table below depicts the gaseous emission levels observed at the Kakinada Plant.

	Ammonia	Sulphur Dioxide	Suspended 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	56.0	0.07	43.59

6.2.0 Your Company is maintaining a green belt cover in and around the plant in conformity with pollution control laws.

7.0.0 ENERGY CONSERVATION

7.1.0 As required by the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules 1988 the relevant data pertaining to Conservation of Energy, Technology absorption and Foreign Exchange Earnings and Outgo are given in Annexure forming part of this Report.

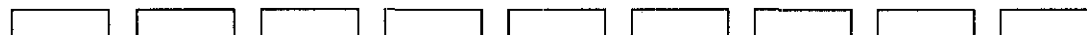
8.0.0 CORPORATE PLANS

8.1.0 Members would recall that in the previous Annual General Meeting it was informed that your Company had initiated action for execution of the following project activities in the plant at Kakinada.

- (a) Construction of 2 x 5000 MTs Ammonia Storage Tanks and laying of pipeline for about 2.5 Kilometers connecting Kakinada Port to Plant to receive Ammonia directly at Kakinada Plant at a cost of Rs.31.02 crores.
- (b) Construction of 2 x 12000 MTs Phos Acid Storage Tanks at DAP Plant Kakinada at a cost of Rs.7.13 crores.

Your Directors are pleased to inform that the Company had taken up the above projects and the execution of these projects is progressing as per the estimated time schedule and cost estimates.

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8.2.0 Laying of SS Pipe line for about 2.5 Kms length connecting Kakinada Port to DAP Plant to receive Phos Acid

8.2.1 Your Directors approved laying of a SS pipe line for about 2.5 Kms length connecting Kakinada port to DAP Plant which would enable your Company to receive Phos Acid from the Port. The execution of the work was entrusted to M/s. Hindustan Dorr-Oliver Limited (HDO) and the work is expected to be completed by June 1999. Your Company would be incurring an expenditure of Rs.4.67 crores on the project.

8.3.0 Setting up of 300 TPD Sulphuric Acid Plant with cogeneration facilities at DAP Plant, Kakinada

8.3.1 Your Directors have also approved the setting up of 300 TPD Sulphuric Acid plant with cogeneration facilities at DAP Plant, Kakinada for utilising DAP correction and also for manufacture of 20:20:0:15 at a cost in excess of Rs.34.00 crores.

8.4.0 Retrofitting 'B' Train of DAP plant with Pipe Reactor System and Balancing facilities

8.4.1 Your Directors have approved Retrofitting 'B' Train of DAP Plant with Pipe Reactor System along with balancing facilities at a cost of Rs.44.00 crores to achieve higher production capacities while simultaneously broad-basing the product range.

9.0.0 DIRECTORS

9.1.0 Shri V.Anandarau, IAS was appointed as the Chief Secretary to the

Government of Andhra Pradesh with effect from 1st November, 1998 and he became the Chairman of the Company in accordance with the provisions of the Articles of Association of the Company in place of Shri K.Madhava Rao, IAS who retired on superannuation. Your Directors place on record their appreciation of the valuable services rendered by Shri K.Madhava Rao, IAS during his tenure as Chairman of the Company.

9.2.0 During the year Shri M.Sahoo, IAS, Secretary, Finance Department, Government of Andhra Pradesh was nominated as Director by Government of Andhra Pradesh in place of Smt. Sheela Bhide, IAS. Your Directors place on record their appreciation of the services rendered by Smt. Sheela Bhide, IAS during her tenure as Director of the Company. Shri M.Sahoo, IAS holds office as an Additional Director upto the ensuing Annual General Meeting and notice under Section 257 of the Companies Act, 1956 has been received from a Member proposing the appointment of Shri M Sahoo, IAS at the forthcoming Annual General Meeting. An item proposing his name as Director is included in the notice of the Annual General Meeting for your approval.

9.3.0 Shri Ajeya Kallam, IAS, Commissioner of Agriculture, Government of Andhra Pradesh was nominated as Director to represent the Government of Andhra Pradesh in place of Shri K.R. Kishore, IAS w.e.f. 10-10-98. Your Directors place on record their appreciation of the services rendered by Shri K.R.Kishore, IAS during his tenure as Director of the Company. Shri Ajeya