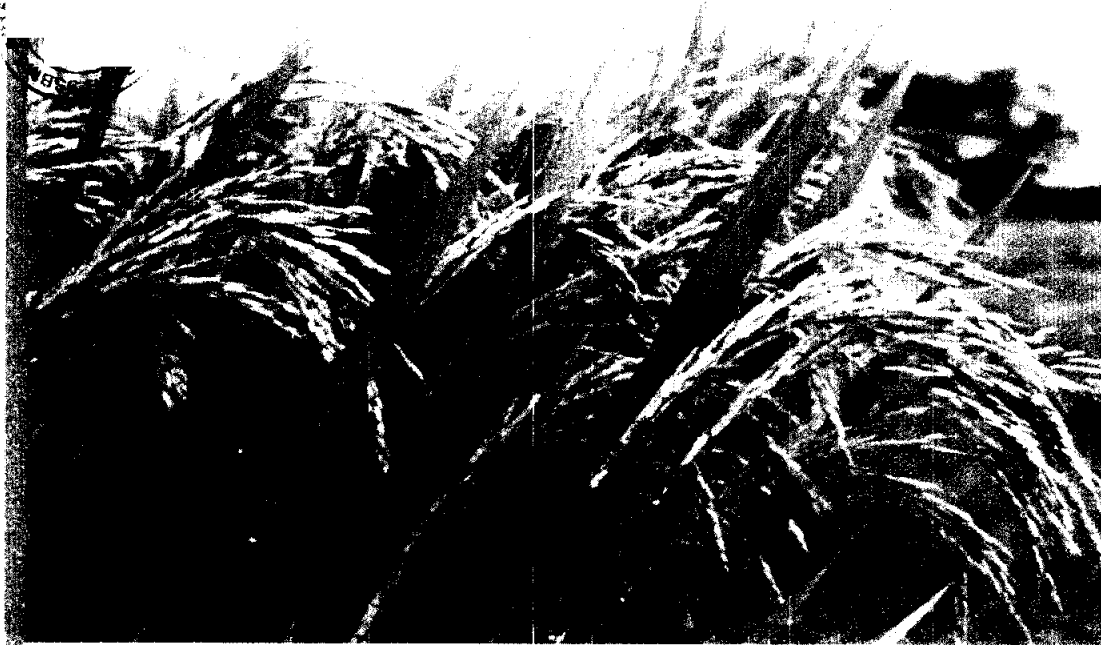




ANNUAL REPORT 2000-2001



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GODAVARI

GODAVARI FERTILISERS AND CHEMICALS LTD



Hon'ble Chief Minister Shri Nara Chandrababu Naidu receiving
1999-2000 Dividend Cheque from
Shri P V Rao, IAS, Chairman & Shri P V Bhide, IAS, M.D.

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**BOARD OF DIRECTORS**

Chairman	Shri P.V. Rao, IAS
Director	Shri Surinder Kumar Jakhar
Alternate Director	Shri Rakesh Kapur (from 31.01.2001)
Alternate Director	Shri M.K. Tandon (upto 30.01.2001)
Director	Shri U.S. Awasthi
Director	Shri Ajeya Kallam, IAS
Director	Smt. Preeti Sudan, IAS
Director	Shri S. Gopalan
Director	Shri K.K. Pillai
Director	Shri T. Panduranga Rao
Managing Director	Shri P.V. Bhide, IAS

SENIOR EXECUTIVES

Shri M.M.A. Siddiqui OSD (Finance & Accounts)
Shri V.S. Rao General Manager (Legal) & Company Secretary
Shri S.J. Naidu General Manager (Projects)
Shri K.V. Nayak General Manager (Marketing)
Shri V.C. Rao General Manager (Works)
Shri G. Kishan General Manager (P & A)
Shri A. Tatalu O.S.D.(O&M)
Shri C.V.N. Sastry Dy. General Manager (FO)
Shri V. Kutumba Rao Dy. General Manager (T.S. & Q.C.)
Shri P. Devendra Kumar Adviser (Transportation)

AUDITORS

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

BANKERS

State Bank of India
State Bank of Hyderabad
Andhra Bank
IDBI Bank Limited

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. 091-040-7701541
E-mail : gfcl@hd1.vsnl.net.in

FACTORY

Beach Road, Kakinada 533 001.
Andhra Pradesh
Tel Nos. 372341, 372342, 372343,
372344, 372345, 379046
Tlx. No. 0473-272. Fax No. 0884-361069.



NOTICE TO THE SHAREHOLDERS

NOTICE is hereby given that the NINETEENTH ANNUAL GENERAL MEETING of the Members of Godavari Fertilisers and Chemicals Limited will be held on Friday, the 17th August, 2001 at 4.00 P.M. at Hari Hara Kala Bhavan, Sardar Patel Road, Secunderabad - 500 003 to transact the following business.

ORDINARY BUSINESS

1. To receive, consider and adopt the audited Balance Sheet of the Company as at 31st March, 2001 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 appoint a Director in place of Shri T Panduranga Rao, who retires by rotation and being eligible, offers himself for reappointment.
3. To appoint a Director in place of Shri Ajeya Kallam, IAS, who retires by rotation and being eligible, offers himself for reappointment.
4. 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.1,50,000/- (Rupees One Lakh Fifty thousand only) and reimbursement of out of pocket expenses incurred in connection with Company's audit."

SPECIAL BUSINESS

5. To consider and, if thought fit, to pass with or without modification the following Resolution as an ORDINARY RESOLUTION.

"RESOLVED THAT, subject to the provisions of Sections 198, 269 read with Schedule XIII and other applicable Provisions, if any, of the Companies Act, 1956 and pursuant to the terms of the Loan Agreements entered into by the Company with the Financial Institutions, the Company hereby accord its approval and consent for re-appointment of Shri P V Bhide, IAS as Managing Director of the Company with effect from 30th March, 2001 to 31st March, 2002 on terms and conditions set out in the Agreement submitted to the Meeting and for identification initialled by the Chairman of the Meeting which agreement is specifically approved with authority to the Directors to alter and vary without further reference to the Company in general meeting the said



terms and conditions of appointment or agreement in such a manner as the Board of Directors may decide and may be acceptable to Shri P V Bhide, IAS."

also be paid as the minimum remuneration by the Company in the event of inadequate or no profits."

By order of the Board

"RESOLVED FURTHER THAT subject to the provisions of Section 198, and other applicable provisions, if any, of the Companies Act, 1956 the remuneration payable to Shri P V Bhide, IAS as per the terms and conditions of the aforesaid agreement as far as salary is concerned shall

Registered Office

Vani Nilayam
50, Sebastian Road
Secunderabad - 500 003

V. S. RAO

General Manager (Legal) &
Company Secretary

Date: 28th June, 2001

NOTE

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 8th August, 2001 to Friday, the 17th August, 2001.**
4. Members are requested to intimate to the Company, changes, if any, in their Registered address along with Pin code numbers. Members whose shareholdings are in the
- Electronic mode are requested to send the intimation for change of address to their respective Depository Participants.
5. Members can avail of the Nomination facility by filing Form 2B with the Company. Blank forms will be supplied on request.
6. Members who are holding shares under more than one Folio under name(s) in the same order are requested to send the relative Share Certificates to the Company for consolidation of the entire holdings in one Folio. The Certificates after consolidation will be returned by Registered Post.
7. Explanatory Statement as required Under Section 173(2) of the Companies Act, 1956 in respect of items 4 & 5 set-out above is annexed hereto.



ANNEXURE TO THE NOTICE

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

ITEM NO.4

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.5

Members are aware that Shri P V Bhide, IAS was appointed as Managing Director of the Company for a period of 3 years with effect from 21-07-1997. His term of appointment as Managing Director of the Company was extended

for the period from 21st July, 2000 to 29th March, 2001 in the 18th Annual General Meeting held on 11th August, 2000. His tenure of appointment was to expire on 29th March, 2001. However, the Government of Andhra Pradesh vide G.O Rt. No.1463, dated 22nd March, 2001 and G.O. Rt. No.1735, dated 18th April, 2001 have extended the term of deputation of Shri P V Bhide, IAS as Managing Director of M/s Godavari Fertilisers and Chemicals Limited for a further period from 30-03-2001 to 31-03-2002.

Your Directors recommend extension of tenure by re-appointing Shri P V Bhide, IAS as Managing Director of the Company from 30-03-2001 to 31-03-2002. The above said G.O.Rt. No. 1463, dated 22nd March, 2001 and G.O. Rt. No.1735, dated 18th April, 2001 received from Government of Andhra Pradesh concerning his deputation and the resolution of the Board approving the appointment are available for perusal at the Registered Office between 11.00 A.M. and 1.00 P.M. on any working day prior to the Meeting.

None of the Directors except Shri P V Bhide, IAS, is interested or concerned in the said Resolution.



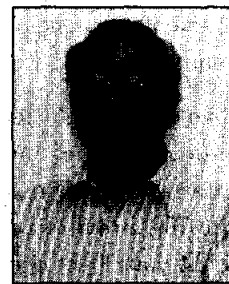
DIRECTORS' REPORT

TO THE MEMBERS

1.0.0 Your Directors have pleasure in presenting the Nineteenth Annual Report and the Audited Accounts of the Company for the year ended 31st March, 2001 along with the Auditors' Report thereon.

2.0.0 PRODUCTION

2.1.0 Your Directors are happy to report that production in the year under report showed improvement compared to that of the previous year. Your Directors are glad to report that your Company achieved its highest annual production of 7,69,500 MTs of Fertilisers, consisting of 6,66,845 MTs of DAP and 1,02,655 MTs of NPK 20:20:0:15 this year, as against the previous year's production of 7,01,120 MTs of Fertilisers consisting of 6,28,969 MTs of DAP and 72,151 MTs of NPK 20:20:0:15, an increase of 68,380 MTs in absolute terms which represents a growth of 9.75% over the previous year. This said performance was achieved with efficient monitoring of raw-material availability, minimising down-time hours and optimising the throughput of the Plant. While achieving the improved performance, your Company was also successful in controlling emissions at the plant within the permissible norms.



Shri P.V. Rao, IAS
Chairman

2.2.0 With the revamping activity of the Plant that commenced during the previous year and has been completed this year, your Directors are confident that your Company would be able to further improve its production capability and bring in more efficiency in its operations. With the recent commissioning of the retrofitted production trains, your Company would be able to achieve one million tonnes of fertiliser production from 2002 onwards.

2.3.0 As Members are aware, during the previous three years, there has been considerable improvement in procurement practices of your Company to ensure ready availability of raw-materials. Not only was no difficulty experienced by your Company in procurement of raw-materials but it was also able to achieve considerable savings of over Rs.11.20 crores in the cost of raw-materials by strengthening its supply



arrangements for receipt of Phosphoric Acid and Ammonia.

2.4.0 By upholding the efficiencies gained in the procurement of raw-material and transportation, and by carefully monitoring preventive maintenance activities, your Plant operations showed substantial efficiency improvements during the year under report. In view of the cumulative results of the above, the Plant with a revised installed capacity of 5,67,000 MTs achieved the highest capacity utilisation of 135.71% for the year 2000-2001.

2.5.0 The Edible Oil tanks constructed for commercial operation at Visakhapatnam Terminal have been unutilised during the previous two years due to lack of demand. Therefore, during the year under report, the tanks were dismantled and then re-erected at Kakinada for receipt and storage of Sulphuric Acid. The investment of Rs.1.15 crores made on the shifting of tanks is estimated to have a pay-back period of less than one year. The tanks were in fact recommissioned in February, 2001 and a saving of Rs 3.53 lakhs has already accrued on account of reduced storage rents and transportation charges on 8,588 MTs of Sulphuric Acid.

3.0.0 MARKETING

3.1.0 The sales performance of your Company during the year under review has been

quite satisfactory in spite of stiff competition and increase in domestic availability of DAP. The cumulative sale of phosphatic fertilisers of your Company during the year under report was 8,90,226 MTs as against the previous year's sale of 8,85,264 MTs. During the year, your Company sold 6,90,253 MTs of manufactured DAP; 1,07,290 MTs of NPK 20:20:0:15; 33,627 MTs of traded DAP; and 59,056 MTs of traded Urea. During the previous year, your Company had sold a total quantity of 8,85,264 MTs Fertilisers consisting of 5,67,983 MTs of manufactured DAP; 63,485 MTs of NPK 20:20:0:15; 2,05,222 MTs of imported DAP; 48,518 MTs of Pool Urea; and 56 MTs of traded DAP. However, there has been a decrease of about 5,600 MTs in total product sale of DAP and NPK 20:20:0:15 when compared to last year.

3.2.0 The primary factor responsible for the decrease in sale was the existence of stiff competition in the domestic market coupled with adverse seasonal conditions. The fertiliser market also experienced prevalence of huge discounts on DAP sales. Despite the existence of a volatile market, your Company performed well by selling 8,31,170 MTs of DAP and 20:20:0:15 when compared to 8,36,746 MTs the previous year.



3.3.0 Your Company continues to maintain its primacy in DAP sales in the State of Andhra Pradesh by selling 4,04,861 MTs of Godavari DAP. This constituted 64% of the DAP market share up from 62% last year. Your Company was also able to achieve growth in sales in Madhya Pradesh, Maharastra and maintain its market share in Uttar Pradesh. Your Company was also able to establish its product brand image into the newly penetrated marketing territory of Karnataka.

3.4.0 During the year, your Company sold Pesticides worth Rs.567.47 lakhs as against Rs.648.30 lakhs in the previous year.

4.0.0 FINANCIAL PERFORMANCE

4.1.0 Your Directors are happy to report that your Company has surpassed the previous year's turnover of Rs.1041.24 crores by improving its performance to the turnover of Rs.1056.24 crores during 2000-2001. The increase in turnover was about Rs.15.00 crores, a growth of 1.44% over the previous year. While there has been an increase in the volume of turnover by Rs.15 crores, your Company's operations, however, ended with a net loss of Rs.11.85 crores as against the net profit of Rs.7.99 crores during the previous year.

4.2.0 The huge quantities of DAP imported during Rabi 1999-2000 and early Kharif 2000-2001 coupled with adverse seasonal conditions in some major markets and imbalanced competition resulted during the year under report in price wars in most markets. Also, some of the major markets experienced dry spells late in the Kharif season while a few markets suffered due to inadequate rain-fall during Rabi. This necessitated extending of considerable rebates and discounts on sales. The discounts extended during the year were to the tune of Rs.39.77 crores as compared to Rs.35.12 crores during the previous year, an increase of Rs.4.65 crores. In some of the States, the extended discounts and rebates ranged between Rs.600 to Rs.700 per MT.

4.3.0 The normative fixation of rate of ad-hoc concession on DAP for every quarter is presently finalized by Govt. of India based on the previous quarter's C&F prices of Phosphoric Acid and Ammonia. However, supplies of Phosphoric Acid are received under 150-days supplier's credit. The above would imply that the effective price of Phosphoric Acid, as an input in the manufacture of DAP/other Phosphatic Fertilisers, would for manufacturers in July and August be the price applicable to the supplies of Phosphoric Acid received in the months



of February and March of the calendar year concerned. This would be so because payments of supplies received in February and March would become due in July and August respectively. Effectively, therefore, the input cost of Phosphoric Acid as raw material remains the same as during the previous year, i.e. US \$ 412 per tonne. However, the rate finalized under the Govt. of India ad-hoc concession scheme for this period was at the reduced rate of US \$ 359.50 per tonne leading to under-recovery of actual cost of Phosphoric Acid used in the manufacture of DAP/other Phosphatic Fertilisers in the months of July and August 2000 respectively. The above under-provision was roughly Rs.764/- per tonne of DAP and Rs.474/- per tonne of 20:20:0:15 during the two months viz., July and August, 2000. In GFCL's case, a quantity of 2,32,387 tonnes of manufactured DAP and 55,790 tonnes of 20:20:0:15 was sold in this period and the cumulative adverse financial impact on the above volume on account of under-recovery of raw material cost was Rs.20.40 crores. This had a serious adverse impact on the financial performance of the Company during the year 2000-2001.

4.4.0 During the year, the outstandings of Govt. of India subsidy on monthly averages stood at Rs.120.70 crores. The average working capital interest rate @ 13.87%

per annum applied on the above average of the outstanding subsidy, resulted in an interest cost of Rs.16.74 crores to the Company thereby causing adverse financial implications for your Company in the year under report.

4.5.0 There has also been a fall in the Company's "Other Income" when compared to the previous year due to less handling of Ammonia for other customers at Visakhapatnam Storage Terminal. Further, while there has been reduction in the average C&F rate for procurement of Phosphoric Acid, the Rupee depreciation from Rs.43.81 per US Dollar-Rs.46.46 per US Dollar during the year off-set the savings accruing from the former. Also the average price of Ammonia was higher during the year at US \$ 196.58 per MT as against US \$ 152.65 per MT assumed under the Company's budget estimates. The impact of the latter in the year's higher production, coupled with Rupee depreciation experienced over the year, resulted in an additional cost of Rs.56.65 crores. During the year under report, the Company has, as a consequence of wage revision, absorbed an additional expenditure of Rs.2.49 crores towards wage arrears for the period 1.1.1998 to 31.3.2000.

4.6.0 As a consequence of the above, your Company experienced a loss of Rs.11.85