



Godavari Fertilisers And Chemicals Limited




Annual Report
2004 - 05

Touching the lives of Farmers
Everyday - Everywhere



Mr. K A Nair, President & Whole Time Director, receiving the FAI Award for Overall Best Performance among Phosphatic Fertiliser Producers for 2003-04



DET NORSKE VERITAS
MANAGEMENT SYSTEM CERTIFICATE

Certificate No. 00201-2004-AE-BOM-RvA

*This is to certify that
the Environmental Management System
of*

GODAVARI FERTILISERS AND CHEMICALS LTD.,

at
Plant : Beach Road, Kakinda-533003, East Godavari District, A.P., INDIA

*has been found to conform to the Environmental Management System Standard:
ISO 14001:1996*


This Certificate is valid concerning all activities related to:

**MANUFACTURE AND DESPATCH OF PHOSPHATIC FERTILISERS INCLUDING
WHARF ACTIVITIES**

Original Certification date:
2004-10-26

Place and date:
Chennai, 2004-11-29

This Certificate is valid until:
2007-10-26



for the Accredited Unit:
DNV CERTIFICATION B.V.,
THE NETHERLANDS

*Compliance to the Standard in respect to the indicated scope
is verified by the DNV approved registered Team Leader:*

Signature:

S. Ravi Shankar
Lead Auditor

Krishnakumar N.R.
Management Representative

Lack of fulfillment of conditions as set out in the Appendix may render this Certificate invalid.

DNV NORSKE VERITAS

DNV CERTIFICATION B.V., Huisvesterslaan 7, 3079 DC Rotterdam, The Netherlands. TEL: INT +31 10 2922 088, FAX: +31 10 4790 768

ISO 14001 Certificate received by GFCL for its
Environment Management System

Annual Report - 2004-05

Our Vision

To be a leader in the phosphatic industry, producing high quality fertilisers at low cost and giving satisfaction to all stakeholders.

Our Mission

To enhance the prosperity of the farmer through supply of quality farm inputs and related services to ensure value for money.

Report

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Contents

Board of Directors	3
Performance Highlights	4
Notice	5
Directors' Report	8
Management Discussion and Analysis	12
Report on Corporate Governance	17
Auditors' Report	23
Balance Sheet	26
Profit & Loss Account	27
Schedules	28
Cash Flow Statement	42
Balance Sheet Abstract	43
List of Promoters	44



Godavari Fertilisers And Chemicals Limited

Management Team

K A Nair

President & Whole Time Director

Dr G Ravi Prasad

Vice President (Marketing)

S V Raghavendra

Chief Financial Officer

V C Rao

G M (Technical)

D S Ravindra Raju

Head-Manufacturing

P. Varadarajan

Company Secretary

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Registered Office

Coromandel House,
1-2-10, S.P. Road,
Secunderabad - 500 003.

Factory

Beach Road, Kakinada - 533 001
Andhra Pradesh.

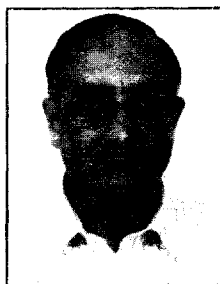
Auditors

M. Bhaskara Rao & Co.,
Chartered Accountants
5-D, "Kautilya"
Somajiguda
Hyderabad - 500 082.

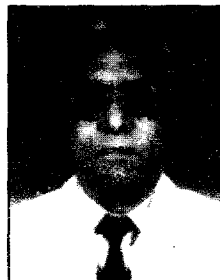
Bankers

State Bank of India
Andhra Bank
ICICI Bank Ltd
UTI Bank Ltd

BOARD OF DIRECTORS



Surinder Kumar Jakhar



M H Avadhani



B V R Mohan Reddy



U S Awasthi



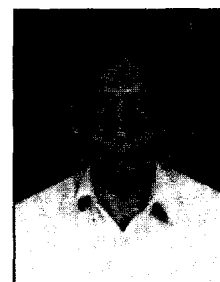
A. Vellayan
Chairman



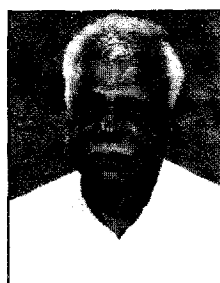
Santosh Reddy



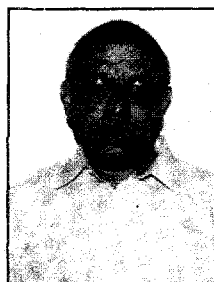
Rakesh Kapur *



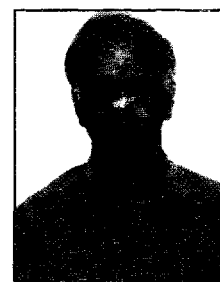
Partho S Datta



Sheesh Pal Singh *



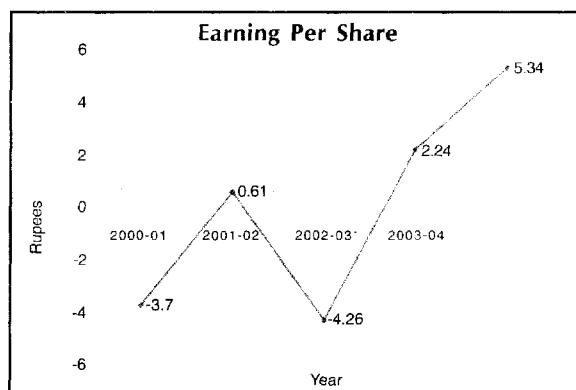
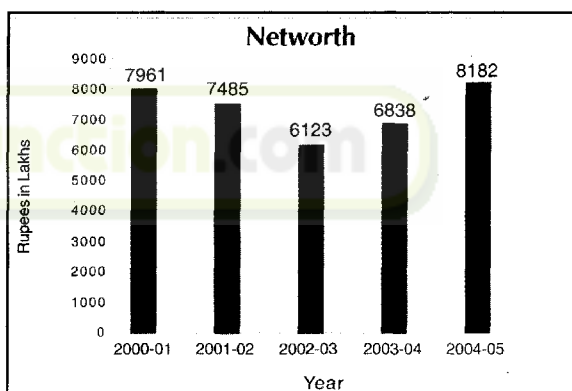
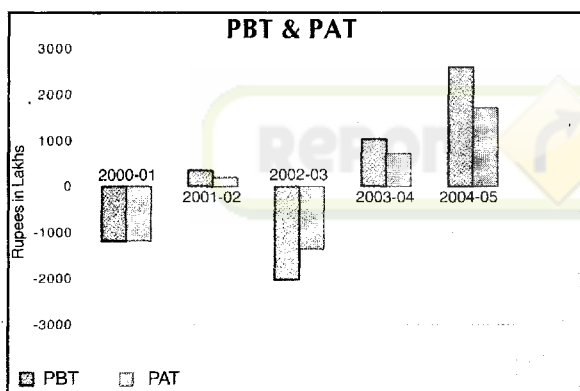
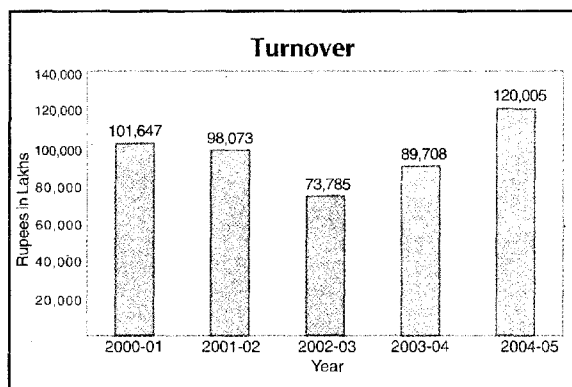
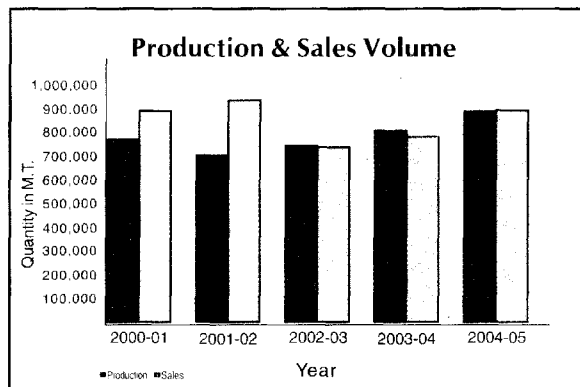
K A Nair
President & Whole Time Director



V Ravichandran

* Alternate Directors

Performance Highlights



Annual Report - 2004-05

NOTICE TO THE SHAREHOLDERS

NOTICE is hereby given that the **Twenty third Annual General Meeting** of the Members of Godavari Fertilisers And Chemicals Limited will be held at 10.00 AM on Tuesday, the 19th July, 2005 at KLN Prasad Auditorium, The Federation of Andhra Pradesh Chambers of Commerce & Industry (FAPCCI), Federation House, 11-6-841, Red Hills, Hyderabad - 500004 to transact the following business:

Ordinary Business

1. To receive, consider and adopt the audited Balance Sheet of the Company as at 31st March, 2005 and the Profit and Loss Account for the year ended as on that date and the Reports of the Directors and the Auditors thereon.
2. To declare a Dividend.
3. To appoint a Director in place of Mr. V Ravichandran who retires by rotation and being eligible offers himself for re-appointment.
4. To appoint a Director in place of Mr. Partho S Datta who retires by rotation and being eligible offers himself for re-appointment.
5. To appoint Auditors and fix their remuneration. M/s.M. Bhaskara Rao & Co., Chartered Accountants, the retiring auditors, have informed the Company that they do not wish to be considered for re-appointment. Company has received a special notice from a member proposing the appointment of M/s.Deloitte Haskins & Sells, Chartered Accountants, as Auditors of the Company.

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

"RESOLVED THAT M/s. Deloitte Haskins & Sells, Chartered Accountants, be and are hereby appointed as Auditors of the Company to hold office from the conclusion of this Annual General Meeting till the conclusion of the next Annual General Meeting and the Board of Directors, be and are hereby authorised to finalise the remuneration payable to the Auditors".

Special Business:

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

"RESOLVED THAT pursuant to the provisions of Sections 198, 309(4), 310 and other applicable provisions, if any, of the Companies Act, 1956, the Directors of the Company [including Alternate Directors but excluding the Managing Director (s) and Whole-time Director(s)] be paid remuneration by way of commission not exceeding 1% of the net profits of the Company, computed in the manner provided in Section 198 of the said Act, for each of the five financial years of the Company commencing from 1st April 2004; the proportion and manner of such payment and distribution to be as the Board of Directors may decide, from time to time.

RESOLVED FURTHER THAT the payment of commission, as aforesaid, shall be exclusive of the fees payable to such directors for attending the meetings of the Board and Committees thereof"

By Order of the Board

Place : Hyderabad
Date : 21st April, 2005

P. Varadarajan
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. Explanatory Statement under Section 173 of the Companies Act, 1956 is annexed hereto.
4. The Register of Members of the Company and Share Transfer books will remain closed from 1st July, 2005 to 19th July, 2005 (both days inclusive).
5. Members are requested to intimate to the Company, changes, if any, in their address along with Pincode numbers. Members whose shareholdings are in the



Godavari Fertilisers And Chemicals Limited

electronic mode are requested to send the intimation for change of address to their respective Depository Participants.

6. Members can avail of the Nomination facility by filing Form 2B with the Company. Blank forms will be supplied on request.
7. M/s. Karvy Computershare Private Limited, Hyderabad are the Registrars and Share Transfer Agents of the Company. Members are requested to send their communications pertaining to their shares to the Registrars whose address is given below.

M/s. Karvy Computershare Private Limited
Karvy House, 46, Avenue 4, Street No.1
Banjara Hills, Hyderabad – 500034
Telephone Nos: 91-040-23312454, 23320751
Fax Nos: 91-040-23311968, 23323049
Email: mailmanager@karvy.com
8. 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 M/s. Karvy Computershare Private Limited for consolidation of the entire holding in one Folio. The Certificates after consolidation will be returned by Registered Post.
9. The Company has declared dividends for the years 1996-97 to 1999-2000. As on 31st March, 2005 following amounts remained unclaimed and are lying in the un-paid dividend accounts.

Sl.No	Year	Un-claimed Dividend in Rs.
1	1997-98	16,36,500
2	1998-99	14,33,229
3	1999-2000	13,99,100

In terms of Section 205A of the Companies Act, 1956 the amounts in the un-paid dividend accounts of the Company which have remained unclaimed and unpaid for a period of 7 years is required to be credited to the "Investor Education and Protection Fund (IEPF)" constituted by Central Government. Accordingly, the Company has transferred an amount of Rs.9,66,000/- being the unclaimed dividend for the year 1996-97 pertaining to 5938 shareholders on 3rd November, 2004. The unclaimed dividend amount pertaining to 1997-98 will be transferred to the Investor Education and Protection Fund in the first week of November 2005. Members who have not encashed their dividend warrants are requested to contact the Company immediately.

10. Members attending the Meeting are requested to complete and bring the attendance slip enclosed with the Annual Report and hand over the same at the entrance of the meeting hall, duly signed.
11. Registered Office of the Company has been shifted from 50, Sebastian Road, Secunderabad – 500003 to Coromandel House, 1-2-10, Sardar Patel Road, Secunderabad – 500 003 w.e.f. 28th February, 2005.

EXPLANATORY STATEMENT

Item No.3 - Appointment of Mr. V Ravichandran as Director of the Company

Mr. V Ravichandran was appointed as Director of the Company in the casual vacancy caused by the resignation of Mr. R S Nanda, with effect from 14th July 2004. Under the provisions of Sections 262 read with Section 256 of the Companies Act, 1956 (Act), he retires by rotation. Company has received a notice under Section 257 of the Act, along with prescribed deposit, proposing the appointment of Mr. V Ravichandran as a Director of the Company.

Mr. V Ravichandran is a Graduate in Engineering and did his Post Graduate Diploma from Indian Institute of Management, Ahmedabad. He is also a Cost Accountant and a Company Secretary. He worked with M/s Ashok Leyland Limited for a period of 5 years. Presently he is

with Coromandel Fertilisers Limited as its President & Whole Time Director. He is also on the Board of Parry Agrochem Export Limited, Parry Chemicals Limited and The Fertiliser Association of India.

None of the Directors of the Company except Mr. V Ravichandran is concerned or interested in the said resolution.

Item No.4 - Appointment of Mr. Partho S Datta as Director of the Company

Mr. Partho S Datta was appointed as Director of the Company in the casual vacancy caused by the resignation of Mr. P Nagarajan, with effect from 17th September 2003. Under the provisions of Sections 262 read with Section 256 of the Companies Act, 1956 (Act), he retires by rotation. Company has received a notice under Section

Annual Report - 2004-05

257 of the Act, along with the prescribed deposit, proposing the appointment of Mr. Partho S Datta as a Director of the Company.

Mr. Partho S Datta is a finance professional having wide and rich experience in corporate finance. He was associated with Indian Aluminium Company Limited (INDAL) in various functions like audit, tax and treasury and held the positions of Chief Financial Officer and Director Finance. He is a Director on the Board of Carborundum Universal Limited, Net Access (I) Private Limited and Cholamandalam Investments & Finance Company Limited.

None of the Directors of the Company except Mr. Partho S Datta is concerned or interested in the said resolution.

Item No.6 - Payment of commission to non whole time Directors

The non-whole time Directors of the Company have made valuable contribution in improving the overall performance of the Company. The Company has improved its performance under the able guidance of the Board of Directors. The non-whole time Directors are required to devote considerable quality time and

effort in providing valuable guidance and counsel to the management team. It is therefore, considered desirable to pay the Non Whole-Time Directors (including Alternate Directors) remuneration by way of commission not exceeding 1% of the net profits of the Company for each of the five financial years commencing from 1st April 2004 in the manner set out in the text of the Special Resolution at item 6 of the Notice.

The proposed payment of remuneration by way of commission to Non Whole-Time Directors requires the approval of the Company in General Meeting by a Special Resolution. Hence the Special Resolution as set out at item 6 of the Notice.

All the Directors, other than Mr. K A Nair, President & Whole Time Director, are interested in the Special Resolution to the extent of the remuneration by way of commission that may be received by them.

By Order of the Board

Place : Hyderabad
Date : 21st April, 2005

P. Varadarajan
Company Secretary



Godavari Fertilisers And Chemicals Limited

DIRECTORS' REPORT

To the Members

Your Directors have pleasure in presenting the Twenty Third Annual Report of the Company, together with the audited accounts for the financial year ended 31st March, 2005.

Financial Results (Rs. in crore)

	2004-05	2003-04
Net sales and operating revenue	1200.05	897.08
Other Income	11.41	6.43
Profit before Interest, Depreciation and Tax	50.27	36.69
Less: Interest	16.86	18.91
Depreciation	7.50	7.50
Profit Before Tax	25.91	10.28
Less: Provision for Tax [including Deferred Tax]	8.82	3.13
Profit After Tax	17.09	7.15

The net sales and operating revenue of the Company, including subsidy, for the year 2004-05 was Rs.1200.05 crores, representing a growth of 34% over the previous year.

During the year, the Company earned a Profit Before Tax of Rs.25.91 crores as against Rs.10.28 crores in the previous year, representing an increase of 152%, after making a provision of Rs.5.03 crores towards doubtful debts, Rs.1.53 crores towards doubtful claims and Rs.3.68 crores towards VRS expenses. The Profit After Tax was Rs.17.09 crores as against Rs.7.15 crores in the previous year.

The average interest cost has come down from 8.2% to 6.5%, by judicious mix of working capital management and short-term borrowings from banks, optimum use of buyer's credit and replacing high cost borrowings with fresh low cost borrowings.

Operations

The Company achieved an all time high production of 8.88 lakh tonnes (including tolling manufacture a/c IFFCO), recording a growth of 10% over the previous year. Shortage of phos acid, a key raw material for production of phosphatic fertilisers, adversely affected most industry players and only companies with long term supply arrangements through JVs managed to get supplies

to meet their production. In view of the shortage of phos acid, the Company has substantially changed the product mix and by producing and selling more complex fertilisers, has maximized production and contribution. Your Company has been ranked third largest producer in the country in terms of P_2O_5 [nutrient content].

Your Company has achieved an average DAP through-put of 63.5 MT per hour as against the design rate of 57.5 MT per hour and average of 58.25 MT per hour achieved during the previous year. This was achieved by making some modifications to the equipments and de-bottlenecking in certain areas of operations.

Your Company has also received the Award for Overall Best Performance among phosphatic fertiliser producers for 2003-04 from Fertiliser Association of India.

Safety, Health and Environment

The operations at the Plant at Kakinada and the Storage Terminal at Visakhapatnam were in conformity with the safety and environmental standards and regulations prescribed by the statutory authorities. During the year, your Company has obtained ISO -14001 certification for its environmental management system. The Company has also started implementing Process Safety Management System (PSMS) and is expected to complete implementation by September 05. The Company has achieved a continuous accident free record of 2.5 million man-hours.

Marketing

During the year under review, your Company has recorded highest sales of manufactured products of 8.71 lakh tonnes, including 2.46 lakh tonnes of complex fertilisers, achieving overall growth of 28.5% in volume over the previous year's sales, the growth in complex fertilisers being 203.5%. The market share of Company's DAP was around 10.5% on all India basis and 64% in Andhra Pradesh. During the year the market and retailer network was widened, resulting in wider distribution of products in the addressable markets. This has also lead to reduced credit exposure. The year- end closing stock was lowest in the last five years. The Company has carried out various activities to educate the farmer on the benefits of increased and balanced use of P_2O_5 as nutrient. The Company has launched a Rural Girl Child Education program in 6 districts of Andhra Pradesh, under which financial assistance will be provided to girl children with good academic record at class 10 level, to complete intermediate education.