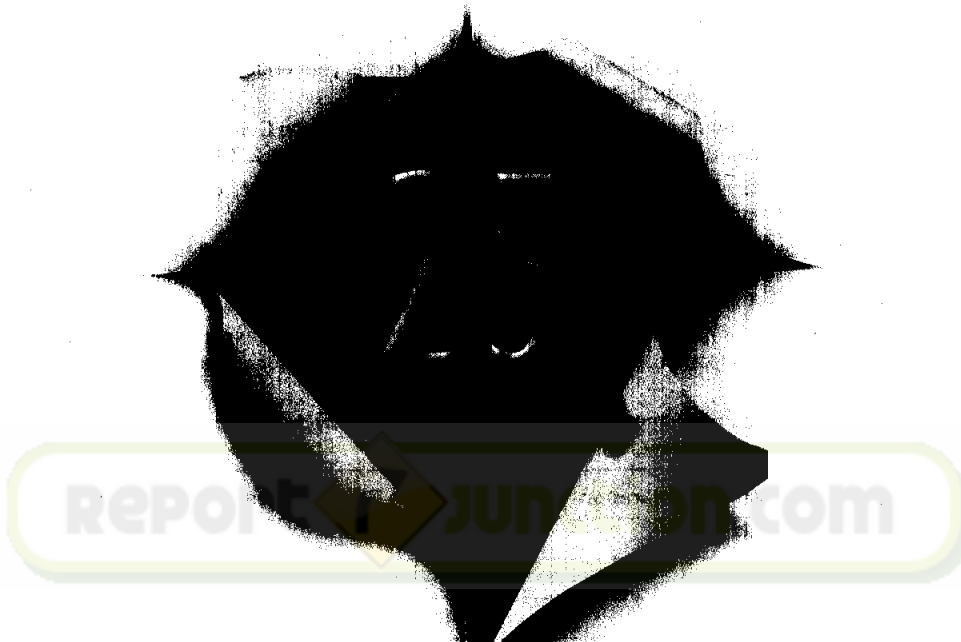


## **25TH Annual Report 2000-2001**



**GUJARAT NARMADA VALLEY  
FERTILIZERS COMPANY LIMITED**



**GUJARAT NARMADA VALLEY FERTILIZERS COMPANY LIMITED**  
**FOR MEMBERS' ATTENTION**

**I SOME IMPORTANT NOTES**

1. Members desiring information as regards the accounts are requested to send their queries at least fifteen (15) days before the date of the Meeting, so as to enable the Company to make the information available at the Meeting.
2. Under the provisions of Section 109A and 109B of the Companies Act, 1956, every individual member is entitled to nominate in the prescribed manner a person to whom his/her shares in the Company, shall vest in the event of his/her death. Members who are interested in availing this nomination facility are requested to write to the Company Secretary.
3. Members holding shares in the Dematerialised Form are requested to intimate changes, if any, in respect of their Bank details, Mandate Instructions, Nomination, Power of Attorney, Change of Address, Change of Name, etc., to their Depository Participant (DP).

**II REGARDING PAYMENT OF DIVIDEND/UNCLAIMED DIVIDEND**

1. The Company has already notified closure of the Register of Members and the Share Transfer Books from Wednesday, the 1st August, 2001 to Tuesday, the 14th August, 2001 (both days inclusive) for payment of dividend on equity shares.
2. The dividend on equity shares as recommended by the Directors for the year ended 31st March, 2001, when declared at the meeting will be paid from 15th October, 2001,
  - (i) to those members whose name appear on the Register of Members of the Company, after giving effect to all valid share transfer in physical form, lodged with the Company on or before 31st July, 2001, or
  - (ii) in respect of the shares held in electronic form, to those beneficial owners (deemed members) as per the details furnished by the depositories for the purpose.
3. The Company has already transferred unclaimed dividend declared upto the financial year 1993-94 to the General Revenue Account of the Central Government, as required by the Companies Unpaid Dividend (Transfer to General Revenue Account of the Central Government) Rules, 1978.  
Those members who have so far not claimed/encashed their dividend for the aforesaid years may now submit their claims of dividend to the Registrar of Companies, (Gujarat), CGO Complex, Opposite Rupal Park, Near Ankur Bus-Stop, Naranpura, Ahmedabad-380 013.
4. In view of the amendments to the Companies Act, 1956, the Unpaid Dividend that are due for transfer to the "Investor Education and Protection Fund" are as follows :

Dividend No.	Date of Declaration	For the Financial Year	Due for Transfer on
12th	29-9-1995	1994-95	9-11-2002
13th	24-9-1996	1995-96	4-11-2003
14th	25-9-1997	1996-97	5-11-2004
15th	24-9-1998	1997-98	4-11-2005
16th	23-9-1999	1998-99	3-11-2006
17th Interim	30-3-2000	1999-2000	10-5-2007
17th Final	28-9-2000	1999-2000	8-11-2007

5. Members who have not encashed their dividend warrants for the year 1994-95 onwards, are requested to make their claims to the Company Secretary, at the Registered Office of the Company, for obtaining duplicate warrants.  
**Once the unclaimed dividend is transferred to the Investor Education and Protection Fund as above, no claim shall lie in respect thereof.**
6. A Mandate Form for payment of dividend through Electronic Clearing Service (ECS) is enclosed at Page No. 56.

**III REGARDING ANNUAL GENERAL MEETING**

1. Arrangements for buses from ST Depot, Bharuch to the place of meeting will be made by the Company on the day of the meeting.
2. Members/Proxies are requested to detach the "Entrance Pass" from this report and hand over at the Entrance duly signed by them.
3. Relevancy of question(s) and the order of Speaker at the Meeting will be decided by the Chairman.
4. Kindly bring your copy of this Annual Report alongwith you for the Annual General Meeting.
5. Only Members and in their absence, duly appointed proxies will be allowed for the meeting. Please avoid bringing non-members/children to the meeting.



## GUJARAT NARMADA VALLEY FERTILIZERS COMPANY LIMITED

### 25TH ANNUAL GENERAL MEETING

Date : 21st September, 2001  
 Day : Friday  
 Time : 2.00 PM  
 Place : Near Jan Vikas Temple,  
 Narmadanagar Township,  
 P.O. Narmadanagar-392 015  
 District Bharuch.

### BOARD OF DIRECTORS

(As on 1st August, 2001)

Shri Pradipsinh B. Jadeja, *Chairman*

Shri Vijay Ranchan

Shri S. G. Mankad

Shri Manu Shroff

Shri N. R. Ranganathan

Dr. K. Kameswara Rao

Shri R.C. Sharma

Shri Rajnish Aggarwal

Shri Shirish C. Bengali

Shri A. D. Desai, *Managing Director*

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### Executive Directors

Shri A. L. Vidyasagar

Shri J. K. Shah (On deputation with NCPL)

Shri R. C. Desai

Shri K. D. Chatterjee

### Company Secretary

Shri R. B. Panchal

### Auditors

M/s C. C. Chokshi & Company,

Chartered Accountants,

Ahmedabad.

### Registered Office :

P.O. Narmadanagar – 392 015

District : Bharuch

Gujarat, INDIA.


**GUJARAT NARMADA VALLEY FERTILIZERS COMPANY LIMITED**
**NOTICE**

NOTICE IS HEREBY given that the **25th Annual General Meeting** of the Members of Gujarat Narmada Valley Fertilizers Company Limited will be held at the Registered Office of the Company, Near Janvikas Temple, Narmadanagar Township, P.O. Narmadanagar - 392 015 on Friday, the 21st September, 2001 at 2.00 P.M. to transact the following business :

**ORDINARY BUSINESS :**

1. To receive, consider and adopt the Audited Balance Sheet as at 31st March, 2001, the Profit & Loss Account for the year ended on that date and the Reports of the Board of Directors and the Auditors thereon.
2. To declare Dividend on Equity Shares.
3. To appoint a Director in place of Shri Manu Shroff who retires by rotation and, being eligible, offers himself for re-appointment.
4. To appoint a Director in place of Shri Vijay Ranchan who retires by rotation and, being eligible, offers himself for re-appointment.
5. To appoint Auditors of the Company to hold office until the conclusion of the next Annual General Meeting and to fix their remuneration and, if thought fit, to pass with or without modification(s), the following Resolution :

**As a Special Resolution :**

"RESOLVED that pursuant to the provisions of Section 224A(1) and other applicable provisions, if any, of the Companies Act, 1956, the retiring Auditors M/s. C. C. Chokshi & Co., Chartered Accountants be and are hereby re-appointed as Auditors of the Company to hold office from the conclusion of this Meeting until the conclusion of the next Annual General Meeting of the Company on such remuneration as may be determined by the Board of Directors and reasonable out-of-pocket expenses actually incurred by them in connection with the audit."

**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. THE INSTRUMENT APPOINTING PROXY SHOULD BE DEPOSITED AT THE REGISTERED OFFICE OF THE COMPANY NOT LESS THAN FORTY-EIGHT HOURS BEFORE THE COMMENCEMENT OF THE MEETING.
3. All documents referred to in this Notice are open for inspection at the Registered Office of the Company between 9:30 AM and 11:30 AM during working days of the Company.
4. Details under Clause 49 of the Listing Agreement with the Stock Exchanges in respect of Directors seeking reappointment at the Annual General Meeting are furnished in the Corporate Governance Report.
5. The holding of Gujarat State Investments Ltd, a Government of Gujarat undertaking as also of the Public Financial Institutions, Nationalised Banks and Insurance Companies is more than 25% of the subscribed share capital of the Company in aggregate and hence, the re-appointment of M/s. C. C. Chokshi & Co., Chartered Accountants, as Auditors of the Company has been proposed by a Special Resolution, as contemplated under Section 224A of the Companies Act, 1956.

**By Order of the Board of Directors,  
For Gujarat Narmada Valley Fertilizers Co. Ltd.**

**Registered Office :**  
P.O. Narmadanagar - 392 015  
Dist. Bharuch.  
Dated : 6th August, 2001

**R.B. Panchal**  
*Company Secretary*

**MANAGEMENT DISCUSSION AND ANALYSIS****Silver Jubilee Results**

The Company had a remarkable "Silver Jubilee Year" of operations in Financial Year 2000-2001. During the year, the Company excelled on all fronts and in its history of last 25 years achieved the highest ever Sales Turnover, Profit Before Tax and Profit After Tax. It completed its Silver Jubilee on 9.5.2001. It is indeed gratifying that the significant efforts of the Company have brought in distinguished financial results. The Company crossed many remarkable mile-stones in production and marketing activities. These were supplemented by the successful cost reduction measures in various areas with substantial financial implications. These are as follows :

**1 Operation Highlights for the Year**

During the year production and despatch/sales levels of almost all the products have been excellent. Few items worth reporting are as under :

**A) Production Highlights**

Highest ever yearly production levels were achieved in following plants :

Product	Production (MT)
Methanol - I	37,028
Methanol - II	145,585
Formic Acid	10,079
Acetic Acid	69,886
WNA	262,034
CNA	56,198
ANP	159,030
SGGU (KNM3)	247,633
S&PG (Steam)	5,076,788

All the plants except Ammonia, Urea, and CAN have produced their highest ever yearly production.

**B)** Monitoring of the critical equipments have resulted into timely corrective actions for preventive maintenance of the plant and equipments. On line maintenance practices have been adopted in some of the areas which has prevented the unscheduled shutdown. Many modification schemes have been implemented to build up reliability and improvement in the operations. Because of the above, the following achievements have been made.

**C) Achievements**

- (i) Ammonia Plant has achieved continuous running record of 5774.40 Hrs. and has reached for 310 days, at 100% or higher production load.
- (ii) Methanol-I Plant operated at sustained high loads, 354 days of more than 100% production with lowest Nil production days (8 days).

- (iii) Methanol-II Plant has no Nil production days and plant operated for 359 days at more than 100% production level. New continuous running hrs. record of Reformer, Synthesis Reactor & PSA unit was established.
- (iv) First time over 10,000 MTs of Formic acid was produced with 350 days of operation at 100% or higher load.
- (v) Acetic Acid plant operated for 328 days at 100% or more load with only 22 Nil production days which itself is a new record.
- (vi) WNA plant established new continuous running hrs. record of 2132.17 hrs. with 329 days at 100% or more of plant load and only 18 days of Nil production.
- (vii) TG-I & TG-II : New continuous running hrs. record was established for 298 days & 237 days respectively.
- (viii) Different milestones were established during the year like : 8 Millionth ton of Ammonia (07/08/00), 3,00,000th ton of Methanol from Methanol-I (19.09.00), one Millionth ton of Methanol from Methanol-II (09/05/00), 2 Millionth ton of WNA (9/12/00), 1.4 Millionth ton of ANP (09/10/00) & 1.3 Millionth ton of CAN (29/10/00).

**D) Environmental Improvement Aspects**

In Ammonia & Nitrophosphate plants various pollution control measures were taken like:

- Stripping of H<sub>2</sub>S from process condensate thereby saving of nearly 300 MTs of Ammonia annually. System commissioned in August, 2000.
- Wet scrubbing system for ANP & CAN plants were lined up. It has resulted into cleaner Environment for the surrounding.
- Dedusting system for ANP & CAN plants commissioned, minimising pollution inside the plant building.
- The Company is in the process of obtaining ISO-14001 Certification.

The Environment Policy adopted by the Company is appended.

**E) Awards & Recognition**

During the year, the Company has won following awards for various innovative measures taken :

- (i) Best Technical Innovation Award from FAI (Fertilizer Association of India) for "Debottlenecking by Methanol Water Distillation Column in Ammonia plant."
- (ii) ICI Award for Excellence in Process/Product Development for "CO<sub>2</sub> Enhancement Scheme" from Indian Institute of Chemical Engineers (IICHE), Kolkata.
- (iii) Certificate of Merit for "Good House Keeping" from Baroda Productivity Council (BPC).



## GUJARAT NARMADA VALLEY FERTILIZERS COMPANY LIMITED

Production and capacity utilisation of various plants during the year were as follows :

Products	Unit	Production	% of Capacity Utilisation
Ammonia	MT	510,027	114
Urea	MT	639,325	108
Methanol-I	MT	37,028	185
Methanol-II	MT	145,585	146
Formic Acid	MT	10,079	202
Concentrated Nitric Acid	MT	56,198	85
Ammonium Nitro Phosphate	MT	159,030	112
Calcium Ammonium Nitrate	MT	129,712	91
Acetic Acid	MT	69,886	140
Digital Switching System	Lines	120,432	161
Printed Circuit Board	Sq.Mtrs	42,460	88

## 2 Sales Turnover

The Sales turnover of the Company at Rs. 1422.25 Crores is the highest ever in its history of operations (Rs. 1213.48 Crores during the previous year). This represented an increase of 17.2% over the previous year. The sales of Fertilizer products increased by Rs. 58.01 Crores mainly due to better production and increase in the selling price of ANP and CAN.

There was a substantial increase of Rs. 149.56 Crores in the sales of industrial products mainly due to higher volume of production and better price realizations. The improved financial results of the current year were supported by higher selling prices of industrial chemicals, particularly Methanol and Acetic Acid in a buoyant market. The sales turnover of Urea increased to Rs.497.06 Crores in the current year from Rs.462.34 Crores in the previous year on account of higher production.

The sales of ANP was higher at Rs.148.75 Crores in the current year as compared to Rs.118.95 Crores in the previous year .

Sales turnover of CAN increased to Rs.62.95 Crores in the current year from Rs.56.37 Crores in the previous year .

The sales turnovers of ANP & CAN suffered due to lower prices on account of recoveries made in the current year by FICC in subsidies related to years 1991-1994 while making final settlement of Retention Prices.

The highest ever sales turnover of Industrial Products at Rs.511.90 Crores achieved during the year 2000-01 was brought about by higher volume of production and high selling prices of the products.

The breakup of sales is given below :

### FERTILIZER DIVISION :

The sales break up of the Fertilizer Division is as follows:

(Rs. in Crores)

Product	2000-2001	1999-2000	% change
<b>FERTILIZER PRODUCED</b>			
Urea	497.0	462.3	7.5
Ammonium Nitro Phosphate	148.7	119.0	25.0
Calcium Ammonium Nitrate	63.0	56.4	11.7
Refund of Subsidy on ANP & CAN for earlier period	-13.1	0	-
<b>FERTILIZER TRADING</b>	<b>74.7</b>	<b>144.8</b>	<b>(-)48.4</b>
<b>Total</b>	<b>770.3</b>	<b>782.5</b>	<b>(-)1.6</b>

### INDUSTRIAL PRODUCT DIVISION :

The sales breakup of the Industrial Products Division is as follows :

(Rs. in Crores)

Product	2000-2001	1999-2000	% change
Methanol	197.9	118.9	66.4
Acetic Acid	159.8	120.4	32.7
Concentrated Nitric Acid	49.1	41.1	19.5
Ammonium Nitrate	36.6	26.4	38.6
Formic Acid	30.5	22.7	34.4
Weak Nitric Acid	27.7	23.7	16.9
Trading of Chemicals	26.8	17.1	56.7
Others	9.3	7.5	24.0
<b>Total</b>	<b>537.7</b>	<b>377.8</b>	<b>42.3</b>

The sales turnover from trading activity in 2000-01 was slightly lower at Rs.152.88 Crores as compared to Rs. 161.87 Crores in the previous year. The trading of fertilizers products was significantly lower at Rs. 74.65 Crores as against Rs. 144.81 Crores of the previous year. This decrease was mainly due to lack of trading in imported Urea and DAP in the current year. The sale of SSP was lower at Rs.22.44 Crores in the current year as compared to Rs.34.25 Crores in the previous year. Trading turnover of Methanol was Rs.19.34 Crores in the current year as against Rs.15.35 Crores in the previous year.

### 3 Other Income

The increase in other income from Rs. 17.06 Crores in 1999-00 to Rs. 42.07 Crores in 2000-01 has been mainly on account of a few non-recurring items such as excess provision of expenses written back, profit on sale of fixed assets and interest income on tax refunds.

**4 Input Cost Trends**

Input cost witnessed changes as follows :

	Unit	Rs. / Unit (average)			
		2000-01	1999-00	Increase	%
LSHS	Rs./MT	8529	6709	1820	27.12
N. Gas	Rs./SM3	3.90	3.50	0.40	11.42
Indian Coal	Rs./MT	2054	2021	33	1.63
Imported Coal	Rs./MT	2262	2041	221	10.83
Rock Phosphate (Imported)	Rs./MT	3315	3190	125	3.92

**5 To counter such cost increases, significant reductions in manufacturing costs from previous year were achieved as follows:**

- (i) No use of costly bought out Ammonia in 2000-01.
- (ii) Reduction in cost of catalysts by Rs.5.26 Crores in 2000-01.
- (iii) Repairs & Maintenance costs reduced by Rs.12.63 Crores.

Apart from continuing cost control efforts, specific, company-wide initiatives were taken during the year to achieve cost reduction in various functions.

**6 Expenditure Items****Raw Materials, Utilities & Packing Cost**

The cost of consumption of raw materials of own products to sales as a % was 36.6% in 2000-2001 as compared to 35% during 1999-2000. The increase in cost of raw material consumed is mainly due to increase in the price of LSHS as feed stock as compared to previous year. The average cost of oil price rise during the year is Rs.1820 PMT. The average cost of imported Rock Phosphate is increased by Rs. 94/- PMT. Similarly, the increase in the cost of Natural Gas is Rs. 400/-Ksm3.

The cost of consumption of utilities to turnover of own products sales as a % decreased from 19.2% to 17.9% during 2000-2001. The decrease is mainly due to increased use of better quality domestic coal and lower use of costly LSHS fuel. The saving in water charges due to reduction in water tariff w.e.f. October, 2000 and reduction of Captive Power Plant Generation duty were also attained during the year.

Packing cost has increased from Rs. 22.9 Crores in 1999-2000 to Rs. 24.9 Crores due to increased Urea output and trading of MoP during the year.

**Other Operating Costs**

Other operating costs decreased to Rs. 61.4 Crores during 2000-2001 from Rs. 78.1 Crores in 1999-2000, mainly due to decrease in consumption of stores, chemicals and catalyst amounting to Rs. 5.14 Crores and reduction in Repairs and Maintenance by Rs. 12.6 Crores over previous year. Other operating costs remained at the same level.

**Personnel Costs**

Total employee costs went up to Rs. 91.9 Crores in 2000-2001 from Rs. 81.7 Crores in 1999-2000 mainly due to the effect of payment of arrears and provision for & drawals under Long Term Wage Settlement. The number of employees was 2505 at the end of 2000-01 as against 2511 at the end of 1999-2000.

**Marketing Expenses**

Marketing expenses were higher at Rs. 82.4 Crores as compared to Rs. 74.1 Crores during 1999-2000 mainly due to increase in the freight cost and higher volume of sales.

**7 Interest Cost**

The net interest cost in 2000-01 was Rs. 86.48 Crores as against Rs. 80.57 Crores in the previous year. The increase is mainly due to the following :

- (a) Due to capitalization of new projects during the course of the year 1999-2000, the incidence of interest cost was for full year in the current year whereas the interest was charged to revenue only for a part of the year in the previous year. Such projects included Infotower, WNA/CNA Expansion and CPP (at NCPL), etc.
- (b) The Company availed disbursement of Rs. 222.90 Crores of Long Term loans to finance various capital expenditure projects during the current year. All projects except Acetic Acid Expansion and 3rd Gassifier have been completed and interest cost for these capitalized projects was charged to revenue account for part of the year (Rs. 11.27 Crores).

The total increase in the interest cost for (a) and (b) works out to Rs. 19.20 Crores.

However, the increase in the interest cost was compensated by repayments of debentures and term loans as per schedule of repayment. Repayment and reduction in Interest Cost are Rs. 87.72 Crores and Rs. 14.93 Crores respectively during the year.

**8 Depreciation**

Depreciation in 2000-01 was Rs. 68.91 Crores as compared to Rs. 63.41 Crores in 1999-00. The increase in depreciation is mainly due to newly capitalised assets during the year and full year impact of depreciation in assets capitalised in the course of previous year.

**9 Insurance**

In the current perspective, the management considered it appropriate to reorganise the Consortium to bring in dynamism in service and competition amongst co-insurers. Thus the Consortium has been reorganised to include leading Public and Private Sector insurance companies.

**10 Borrowings****10.1 Secured Loan**

The new term loans amounting to Rs. 222.90 Crores were disbursed to the Company during the year as against total sanction of Rs. 378.90 Crores by the Consortium of Bankers for long term funds, led by State Bank of India.



## GUJARAT NARMADA VALLEY FERTILIZERS COMPANY LIMITED

### 10.2 Unsecured Loan

An unsecured loan of Rs.100 Crores was taken from IDBI for a duration of one year (to create funding support for ongoing capital expenditure of the Company till mobilisation of long term funds from Banks) and was repaid during the year.

### 10.3 Working Capital Funds

The Company's requirement of Working Capital Funds is provided by a Consortium of eight Public Sector Banks led by Bank of Baroda.

### 10.4 Fixed Deposits

Acceptance of fixed deposit from public other than the employees of the Company, etc. has been stopped as decided by the Board. The changes in outstanding balance of fixed deposits during the year were as follows :

Item	(Rs. Crores)
New Deposits	2.76
Renewals	1.98
Repayments	31.88

### 11 Fixed Assets

The gross block including capital work in progress increased from Rs. 1726.26 Crores to Rs. 1865.00 Crores during the year with an increase of Rs. 138.74 Crores. Out of the above projects, Wet Scrubbing System in Nitrophosphate plant was commissioned and capitalized on 24th February, 2001 at a total capital cost of Rs. 33.0 Crores. The 3rd gassifier train was completed during April-May 2001 and is to be capitalised during Financial Year 2001-02. Acetic Acid expansion project is in progress and is expected to be completed in 2002-03.

### 12 Investment

Investments totalling Rs. 2.65 Crores in bonds, debentures etc. were redeemed as per terms of the investment.

### 13 Current Assets

Main reasons for increase in current assets as of 31.3.00 to that as of 31.3.01 are given below:

- Raw Materials inventory reduction (Rs. 5.95 Crores)
- Stores & Spares inventory increase (Rs. 13.78 Crores)
- Finished Goods inventory increase (Rs. 10.92 Crores)
- Stock in Process decrease (Rs. 2.15 Crores)
- Debtors decrease (Rs. 12.38 Crores)
- Loans & Advances increase (Rs. 8.64 Crores)

### 14 Share Capital

Paid up share capital of the Company remained unchanged at Rs. 146.5 Crores during 2000-2001.

### 15 Reserves & Surplus

Debenture Redemption Reserve of Rs. 10.83 Crores has been created as per the terms of the Debenture Trust Deeds on outstanding debentures.

Rs. 18.06 Crores has been transferred from Investment Allowance (utilised) Reserve Account to General Reserve on completion of ten years from the year of claim.

### 16 Cash Flow

During the year 2000-2001, cash generated from operations stood at Rs.175.6 Crores against Rs.130.7 Crores in 1999-2000, substantially higher by 34.4% from previous year. The funds were deployed mainly in repayment of term loans Rs.87.7 Crores and payment of dividend with tax thereon Rs. 41.5 Crores.

### 17 Corporate Governance

In terms of the schedule of implementation of the code of Corporate Governance by the listed Companies as advised by the Stock Exchange and required under the statute, the Company is required to comply with the mandatory provisions by 31st March, 2001. The Company has however proactively made a beginning to comply with the requirements as to disclosure on Corporate Governance by including a report on Corporate Governance in the 24th Annual Report of the Company for the financial year 1999-2000.

In respect of financial year 2000-01, a report on Corporate Governance inter alia giving information on the following has been provided in this Report.

- Company's philosophy on code of Corporate Governance.
- Constitution of Board of Directors.
- Constitution of Audit Sub-Committee and the Shareholders' Committee.
- Details of the General Body Meeting held in respect of last three financial years.
- Disclosures on certain important matters.
- Means of communication and shareholders' information.

### 18 Financial Highlights of the Company since 1982

The Company's commercial operations started in July 1982. In this historical Silver Jubilee Year, a statement showing financial results is enclosed which summarises the trends during last 19 years from 1982-1983 i.e. from time when Company went into commercial production.

### 19 The trend of various financial ratios for the last five years is also annexed.

### 20 Future Prospects (Opportunities & Threats)

Government of India (GOI) constituted the Expenditure Reforms Commission (ERC) under the Chairmanship of Shri K. P. Geethakrishnan to recommend, inter alia, a long term strategy in respect of the subsidy payable to fertilizer industry. The ERC submitted their report and suggested a groupwise concession scheme based on feed stock of Ammonia. The Honourable Union Finance Minister in his budget speech for the financial year 2001-2002 mentioned acceptance of the recommendations of ERC. However, the method of implementation of ERC recommendations and



time frame are still being finalized. These are expected to be announced by the GOI very shortly. Commitment of GOI to WTO for discontinuation of subsidy on fertilizers and opening up of import of fertilizers are also under consideration and a detailed policy in this respect is expected to be announced shortly. However, during the year 2001-2002, GOI continued with the existing system of canalizing the controlled fertilizer imports through canalized agencies only.

The peak rate of customs duty on other chemicals is currently below WTO recommendations and at present there appears to be no threat due to further reduction in the import duty. Despite various Government decisions, outlook seems to be positive due to the following reasons :

- 1) Discontinuation of unitwise Retention Price scheme for fertilizer subsidy and implementing the ERC recommendation would benefit the efficient units having lower energy consumption in a particular group and making efficient procurement of feed stock at import price parity. GNFC is placed in the feed stock group of LSHS and FO. The energy consumption of GNFC in this group is much more economical than other fertilizer companies of the same group. As per the ERC recommendations, Urea is likely to be decontrolled in the next five years which will benefit GNFC. This is likely to bring in more competitive environment in the Domestic Fertilizer Industry and the efficient units like GNFC may have better benefits in it than some of the other manufacturers.
- 2) The selling price of Calcium Ammonium Nitrate (CAN) has direct relevance with the retail price of Urea considering Nitrogenous Nutrient Contents. Therefore, currently the selling price of CAN is limited to the retail price of Urea. Thus, once the Urea is decontrolled, the retail price of Urea is expected to increase which will also improve the retail selling price of CAN and therefore bring benefits to GNFC by way of better realization.
- 3) GOI have declared adhoc concession for Ammonium Nitrophosphate (ANP). Retail selling price of ANP is finalized by GOI based on the nutrient contents of ANP with reference to selling price/nutrient content of DAP. Adhoc concession on ANP is also finalized based on such nutrient contents. Farmers are preferring to use ANP as compared to DAP for specific crops mainly because of lower cost and specific efficacy in some of the agricultural applications.
- 4) The chemical industry is passing through recession. Although, financial support is available from financial institutions, end product cost of chemical industry is higher as compared to the imported products. Although, the consumption of industrial products has remained steady, the growth in demand is not improving and therefore, there is a pressure on the prices for all

industrial products of GNFC. GOI has taken certain financial decisions for reduction in the interest cost which is stimulating the industries and therefore, the industrial demand is expected to improve. The prices of Acetic Acid, Formic Acid etc. have stabilised in the market. However, Methanol prices are likely to be under pressure for next few months. Demand of Industrial Products of GNFC is steady, and therefore, the stock level has always remained low throughout the year.

- 5) Continuing depreciation of Rupee against US Dollar makes import of chemicals like Methanol, Acetic Acid, Formic Acid etc. costlier. The local demand is likely to pick up.

## 21 Future Projects

The year 2000-2001 was mainly considered for investment in the consolidation of the operation of the plants for consistent production level. With the modernisation of Methanol, Formic Acid, Nitric Acid plants and optimizing the Acetic Acid plant operation, the production capacity has improved and the material is available in the market on consistent basis. With the control on feed stock and its availability, the Company is enjoying a leading position in the market for industrial products.

Looking to the market scenario of Acetic Acid, an agreement has been signed with BP Chemicals, UK for the debottlenecking of Acetic Acid Plant from the existing 50,000 TPA to 1,00,000 TPA. To capture the market before the plant goes into increased production, somewhere in 2002, the Company has imported Acetic Acid at Gujarat Chemical Port Terminal Company Limited (GCPTCL), Dahej. This will strengthen the Company's position in Acetic Acid market.

As most of the plants are depending upon Ammonia Plant, the addition of third gasifier has improved the consistent supply of feed stock to downstream plants. Further it is planned to convert the total Pneumatic instrumentation system into Digital Control System (DCS), which will further improve upon the reliability of Ammonia Plant.

## 22 Information Technology (IT)

The Company, through its presence in form of Infotower at Ahmedabad and other initiatives, has diversified in to IT. The Company after signing MoUs /agreements with strategic alliance partners has commenced activities in V-SAT services, Internet Service Provider (ISP) services and Internet Gateway.

## 23 Printed Circuit Board (PCB)

The Company is the second largest producer of Printed Circuit Board (PCB) in India. PCB Plant enjoys ISO 9002 certificate and registration with BIS, UK. The production of PCB was 42460 Sq M. in the current year as against 42005 Sq M in the year 1999-2000. The sales realisation is under pressure due to prevailing market conditions. Due to revamping of PCB plant carried out in the previous year,



Company could sell quality product and meet market requirement for complex design.

#### 24 Profit

The operating margin (PBDIT) increased by 22.17%. In 2000-2001, PBDIT is Rs. 268.33 Crores as against Rs. 219.64 Crores in 1999-2000.

Profit After Tax (PAT) increased by 59.66%. In 2000-2001, PAT is Rs. 105.55 Crores as against Rs. 66.11 Crores in 1999-2000.

#### 25 Dividend

The Board, in its meeting held on 19th May, 2001, recommended dividend of Rs.2.70 per share for the year 2000-01.

#### 26 Human Resources & Industrial Relations

The human resource of the Company is its prime asset contributing through dedicated hard work, creativity and innovation to the productivity and profitability of the organisation. The industrial relations continued to be harmonious and cordial providing an atmosphere conducive to sustenance of growth and enhancement of value for shareholders.

#### 27 Depository System

The Company has signed an agreement with National Securities Depository Limited (NSDL) and Central Depository Services India Limited (CDSL) to enable the shareholders to avail depository services. The Company has also adopted Simultaneous Transfer Cum Demat Procedure recommended by the SEBI. The Company has so far dematerialised 5,52,46,902 shares representing 37.72% of the paid up capital of the Company.

#### 28 Internal Control System and its Adequacy

GNFC has a broad based Internal Control System which operates through the following mechanism:

##### (1) Financial Concurrence of Expense Proposals

All expense proposals above certain amount are vetted as per delegation of power and are subject to financial concurrence through Finance Deptt. and Purchase Committee concept with approval from Managing Director or Board of Directors (in case of high value proposals).

##### (2) Budgetary Control System

Company prepares Exhaustive Operational Budget for various budget centers at the beginning of each financial year. Throughout the year, the actual expenses are compared against such targets and variance reports are given for corrective Management Actions.

#### (3) Management Information System

Various Operating Departments generate reports on all relevant parameters of their department and compare the same with quantitative/ qualitative goals for Management Guidance for decision making after thorough discussions and analysis of such reports.

#### (4) Internal Audit System

The Company has engaged a reputed firm of Chartered Accountants namely M/s. Sorab S. Engineer & Co., Mumbai, as Internal Auditors of the Company for the year under review and their reports have properly dealt with their detailed scope of work and are discussed at the Audit Sub-committee of Board of Directors for suitable corrective actions.

Company has adequate internal control procedure and systems to ensure higher efficiency standards. However, improvement in system is an ongoing process considering the change in the corporate strategy of the Company. Apart from above controls, there are regular audit/inspection from Company's Bankers, Insurance Companies related to their respective interests.

#### 29 Social Responsibility and Community Development

The Company has contributed quite substantially towards changing the socio-economic environment. The Company has accepted upon itself a responsibility to make a humble contribution and attempt to improve the quality of life in the rural areas of the Bharuch District. To fulfill this responsibility, Narmadanagar Rural Development Society (NARDES) was established by the families of the employees of the Company in 1980. NARDES is the organisation mainly supported by the Company for social service activities. NARDES regularly undertakes the social activities like Eye Camp, Cataract Diagnostic Camps, Handicap Camps for disabled, Dairy Development and Helping victims of Natural Calamity. All these social activities are financed by the Company. Recently, NARDES has also undertaken the adoption of few villages under "Gokul Gram Yojana" set up by Government of Gujarat.

#### 30 Contribution to Earthquake Relief Work

The Company has already donated Rs.150 Lacs towards Earthquake Relief Work for rehabilitating people of a village ruined by earthquake in Gujarat. Besides, the employees have donated Rs.30.85 Lacs for the purpose. This mission is being carried out through NARDES. Earlier, the Company carried out directly relief operations through camps operated by its employees and executives immediately after earthquake and has provided various necessities to the affected people worth Rs.25.08 Lacs as relief in Kutch District. Company has also contributed Rs.12.15 Lacs in Bharuch District for earthquake relief. Aggregate value of all these contributions comes to Rs.218.08 Lacs so far.