

29th Annual Report 2004-2005



GNFC

Fertilizing the Future

Gujarat Narmada Valley Fertilizers Company Limited

Fertilizers • Chemicals • IT

GNFC has introduced the concept of signing
'Ethics Pact' with business associates to create an environment of trust in business

Ethics Pact

Our Endeavour

To create an environment where business confidence is built through best business practices and is fostered in an atmosphere of mutual trust and respect between providers of goods and services and their users for the ultimate benefit of the Society and the Nation.

GNFC's Commitment

- To maintain the highest ethical standards in business and profession
- To ensure maximum transparency to the satisfaction of stakeholders
- To ensure to fulfil the terms of agreement / contract and to consider objectively the viewpoint of parties
- To be regular in payment of work done
- To ensure that no improper demand is made by employees or by anyone on our behalf
- To give maximum possible assistance to all the vendors/suppliers/service providers and others to enable them to complete the contract on time
- In case any grievances against any department or individual are not addressed by the concerned Head of the Department in reasonable time, the party may approach GNFC's Vigilance Cell and then also to the Managing Director if the response is poor or unsatisfactory

Signature : _____

GNFC

Code of Conduct

We hereby agree to carry out our tasks with

- Highest Ethical Practices
- Integrity and Judiciousness
- Courtesy and Understanding
- Objectivity and Transparency

Business Associates Commitment

- Not to bring pressure/recommendations from outside GNFC to influence its decisions
- Not to use intimidation, threat, inducement or pressure of any kind on GNFC or any of its employees under any circumstances
- To be prompt and reasonable in fulfilling the contract, agreement, legal obligations
- To provide goods and services timely as per agreed quality and specifications at minimum cost to GNFC
- To abide by the general discipline to be maintained in our dealings
- To be true and honest in furnishing information
- To offer the best possible competitive rates and commercial terms at the first instance itself

Signature : _____

Business Associates

GNFC participates whole-heartedly in the Drip Irrigation Initiative

GNFC has actively participated and joined hands with Government of Gujarat and Gujarat State Fertilizers and Chemicals Limited to form Gujarat Green Revolution Company Limited (GGRCL). Through GGRCL, GNFC will propagate and implement extensive use of drip irrigation technology, a scientific and economic farming technique. Through its Narmada Khedut Sahay Kendras and Depots situated across the length and breadth of Gujarat, GNFC will educate the farmers about drip irrigation technique, give information and guidance for availing subsidy and loans to the farmers to purchase the necessary equipments for drip irrigation.

*Drop by nurturing drop, We will moisten this parched land
And in that sheltering earth, let Plans, Projects, Schemes,
Hope, Vision, Dreams -Seeds for a brighter future -
Germinate, take root, Flower and bear fruit, Rewarding man's labour.*



GUJARAT NARMADA VALLEY FERTILIZERS COMPANY LIMITED

29TH ANNUAL GENERAL MEETING

Date : 22nd September, 2005
 Day : Thursday
 Time : 2.30 PM
 Place : Near Jan Vikas Temple,
 Narmadanagar Township,
 P.O. Narmadanagar-392 015
 District Bharuch

BOARD OF DIRECTORS

(As on 1st August, 2005)

Shri S. G. Mankad, *Chairman*

Dr. Manjula Subramaniam

Shri Balwant Singh

Shri P. K. Pujari

Shri AK Luke, *Managing Director*

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Executive Directors

Shri PB Nanavati

Shri DS Taunk

Shri RP Vyas

Shri MD Vaghela

Shri VK Khanna (On Deputation with NCPL)

Shri KA Shah (On Deputation with NCPL)

Company Secretary

Shri RB Panchal

Auditors

M/s CC Chokshi & Company,
 Chartered Accountants,
 Ahmedabad.

Registered Office :

P.O. Narmadanagar - 392 015
 District : Bharuch
 Gujarat, INDIA.

**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. Members holding shares in the Physical Form are requested to promptly notify to the Company, Change in their Address - Pin Code Nos., Bank Account details, Nomination, Power of Attorney, etc.

Members holding shares in the Dematerialised Form are requested to send their instructions regarding Change of Address - Pin Code Nos., Bank Account details, Nomination, Power of Attorney, etc. directly to their Depository Participants (DP) with whom Demat Account is maintained.

3. Non-Resident Indian Shareholders are requested to inform the Company immediately:
 - a) The change in the Residential status on return to India for permanent settlement.
 - b) The particulars of the Bank Account maintained in India with complete name, branch, account type, account number and address of the Bank, if not furnished earlier.

II REGARDING ANNUAL REPORT/ ANNUAL GENERAL MEETING

1. Kindly bring your copy of this Annual Report along with you for the Annual General Meeting.
2. If you hold equity shares of the Company, in more than one folio in your name or with the same address as other shareholders of the Company, you may kindly authorize the Company to discontinue mailing of multiple annual reports.
3. Arrangement for buses from ST Depot, Bharuch to the place of Meeting will be made by the Company on the day of the Meeting.
4. Members/Proxies are requested to detach the "Entrance Pass" from this Report and hand over at the Entrance duly signed by them.
5. Only Members and in their absence, duly appointed proxies will be allowed for the Meeting.

**Members are requested to please read the
"Additional Information for Shareholders"
appearing at page no. 32 of this Report.**

NOTICE

NOTICE IS HEREBY given that the **29th Annual General Meeting** of the Members of Gujarat Narmada Valley Fertilizers Company Limited will be held on **Thursday, the 22nd September, 2005 at 2.30 P.M.** at the Registered Office of the Company, Near Janvikas Temple, Narmadanagar Township, P.O. Narmadanagar - 392 015 to transact the following business:

ORDINARY BUSINESS :

1. To receive, consider and adopt the Audited Balance Sheet as at 31st March, 2005, the Audited 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 a Dividend on Equity Shares.
3. To appoint a Director in place of Shri AK Luke, IAS, who retires by rotation and is eligible for re-appointment.
4. 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 and other applicable provisions, if any, of the Companies Act, 1956, the retiring Auditors M/s. C.C. Chokshi & Company, 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."

SPECIAL BUSINESS :

To consider and, if thought fit, to pass with or

without modification(s), the following Resolution(s) :

5. As an Ordinary Resolution :

"RESOLVED that Dr. Manjula Subramaniam, IAS be and is hereby appointed a Director of the Company, liable to retire by rotation."

6. As an Ordinary Resolution :

"RESOLVED that Shri Balwant Singh, IAS be and is hereby appointed a Director of the Company, liable to retire by rotation."

7. As an Ordinary Resolution :

"RESOLVED that Shri PK Pujari, IAS be and is hereby appointed a Director of the Company, liable to retire by rotation."

8. As an Ordinary Resolution :

"RESOLVED that subject to the provisions of Sections 269 and 316 read with Schedule XIII and all other applicable provisions, if any, of the Companies Act, 1956, the Company hereby accords its consent and approval to the appointment of Shri AK Luke, IAS, as Managing Director of the Company to hold office for a period not exceeding five years with effect from 31st July, 2004 or until he resigns from the Board of the Company, whichever is earlier."

"FURTHER RESOLVED that Shri AK Luke, Managing Director of the Company be and is hereby authorized to exercise substantial powers of Management and shall be responsible for the day to day management of the Company, subject to the superintendence, direction and control of the Board of Directors and shall carry out such duties as may be entrusted and/or delegated to him by the Board of Directors of the Company from time to time."

**GUJARAT NARMADA VALLEY FERTILIZERS COMPANY 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. 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. The relative Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956, in respect of the business under Item Nos. 4 to 8 set out above and the information as are required to be furnished under Clause 49 of the Listing Agreement entered into with the Stock Exchanges, regarding the Directors, seeking appointment/reappointment in the Annual General Meeting are annexed hereto.

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

Registered Office :
P.O. Narmadanagar
Dist. Bharuch : 392 015
Dated : 8th August, 2005

R B Panchal
Company Secretary

ANNEXURE TO THE NOTICE

AS REQUIRED BY SECTION 173(2) OF THE COMPANIES ACT, 1956, THE FOLLOWING EXPLANATORY STATEMENT SET OUT ALL MATERIAL FACTS RELATING TO THE BUSINESS MENTIONED UNDER ITEM NOS. 4 to 8 OF THE ACCOMPANYING NOTICE DATED 8TH AUGUST, 2005.

Item No. 4

The holding of Gujarat State Investments Ltd., a Government of Gujarat undertaking as also of the Public Financial Institutions, Nationalized 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, is required to be made by a Special Resolution, as contemplated under Section 224A of the Companies Act, 1956.

Your Directors, therefore, commend this resolution for your approval.

None of the Directors of the Company is, in any way, concerned or interested in the said Resolution.

Item No. 5

In accordance with Article 141 of the Company's Articles of Association, Dr. Manjula Subramaniam, IAS was appointed as a Director on the Board of the Company w.e.f. 16th September, 2004, in the casual vacancy caused by the resignation of Smt. Sudha Anchlia, IAS. Pursuant to Section 262 of the Companies Act, 1956, she retains the office of Director up to the date of the ensuing Annual General Meeting. As required by Section 257 of the Companies Act, 1956, a notice alongwith a deposit of Rs. 500/- has been received from Gujarat State Investments Ltd., a Member of the Company, signifying its intention to propose Dr. Manjula Subramaniam for the office of Director of the Company. She is a senior IAS Officer and is presently the Principal Secretary to Government of Gujarat, Finance Department. She has a rich experience in the field of Finance, Management and Administration. The Board considers that it would be in the interest of the Company to appoint her as a Director and therefore, commends the resolution for your approval.

Dr. Manjula Subramaniam is interested in the resolution. None of the remaining Directors is, in any way, concerned or interested in the said resolution.

Item No. 6

In accordance with Article 141 of the Company's Articles of Association, Shri Balwant Singh, IAS was appointed as a Director on the Board of the Company w.e.f. 16th September, 2004, in the casual vacancy caused by the resignation of Dr. Manjula Subramaniam, IAS. Pursuant to Section 262 of the Companies Act, 1956, he retains the office of Director up to the date of the ensuing Annual General Meeting. As required by Section 257 of the Companies Act, 1956, a notice alongwith a deposit of Rs. 500/- has been received from Gujarat State Investments Ltd., a Member of the Company, signifying its intention to propose Shri Balwant Singh for the office of Director of the Company. He is a senior IAS Officer and is presently the Principal Secretary to Government of Gujarat, Energy & Petrochemicals Department. He has a rich experience in the field of Management and Administration. The Board considers that it would be in the interest of the Company to appoint him as a Director and therefore, commends the resolution for your approval.

Shri Balwant Singh is interested in the resolution. None of the remaining Directors is, in any way, concerned or interested in the said resolution.

Item No. 7

In accordance with Article 142 of the Articles of Association of the Company, Shri PK Pujari, IAS was appointed as an Additional Director on the Board of the Company with effect from 4th April, 2005. Pursuant to Section 260 of the Companies Act, 1956, he retains office up to the date of this Annual General Meeting. As required under Section 257 of the Companies Act, 1956, a notice alongwith a deposit of Rs. 500/- has been received from Gujarat State Investments Ltd., a Member of the Company, signifying its intention to propose Shri PK Pujari for the office of Director of the Company. Shri PK Pujari is an IAS Officer and is presently the Secretary to Government of Gujarat, Finance Department.

He has a rich experience in the field of Finance and Administration. The Board considers that it would be in the interest of the Company to appoint him as Director and therefore commends the resolution for your approval.

Shri PK Pujari is interested in the resolution. None of the remaining Directors is, in any way, concerned or interested in the said resolution.

Item No. 8

Consequent upon his transfer as Principal Secretary to Government of Gujarat, Energy & Petrochemicals Department, Shri Balwant Singh, IAS, relinquished the charge of Managing Director of the Company effective 31st July, 2004. The Board unanimously passed the resolution appointing Shri AK Luke, IAS, Managing Director, Gujarat State Fertilizers & Chemicals Ltd. to hold additional charge of the Post of the Managing Director of the Company effective 31st July, 2004. As Shri Luke is drawing remuneration from Gujarat State Fertilizers & Chemicals Ltd., no remuneration is paid to him by the Company.

In terms of the provisions of the Companies Act, 1956 read with provisions of Schedule XIII of the said Act, the appointment of Shri AK Luke as Managing Director of the Company is subject to the approval of shareholders in General Meeting. Accordingly, your Directors commend the proposed resolution for your approval.

Shri AK Luke is interested in the resolution. None of the remaining Directors is, in any way, concerned or interested in the said resolution.

Inspection of Documents :

All documents referred to in this Notice and the Explanatory Statement are open for inspection at the Registered Office of the Company between 9:30 A.M. and 11:30 A.M. during working days of the Company.

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

Registered Office :
P.O. Narmadanagar
Dist. Bharuch : 392 015
Dated : 8th August, 2005

R B Panchal
Company Secretary



GUJARAT NARMADA VALLEY FERTILIZERS COMPANY LIMITED

INFORMATION REQUIRED TO BE FURNISHED IN PURSUANCE OF CLAUSE 49 OF THE LISTING AGREEMENT

The particulars of Directors who are proposed to be appointed/ reappointed at the forthcoming Annual General Meeting are given below:

Name	Shri AK Luke, IAS	Dr. Manjula Subramaniam, IAS
Date of Birth & Age	4-8-1948 - 57 Years	18-9-1948 - 57 Years
Qualification	B.Tech (Civil Engg.) IIT, Mumbai	M.Sc.(Physics), Doctorate in Commerce, Masters' in Public Administration at Harvard University.
Expertise	Vast experience in the fields of Management and Administration. Has held distinguished positions in the Government of Gujarat. Presently, he is Managing Director, Gujarat State Fertilizers & Chemicals Ltd. as also he is holding additional charge as the Managing Director of the Company.	Vast experience in the field of Finance, Management and Administration. Has held distinguished positions in the Government of Gujarat. Presently, she is Principal Secretary to Government of Gujarat, Finance Department.
Date since the Directorship held in the Company	14th June, 2003	16th September, 2004.
No of Shares held in the Company	650 Shares	500 shares
Directorship held in other companies	<ol style="list-style-type: none"> 1. Gujarat State Fertilizers & Chemicals Ltd. 2. GSFC Investment & Leasing Co. Ltd. 3. Gujarat Green Revolution Co. Ltd. 4. Fertilizer Association of India. 5. Indian Potash Ltd. 6. Gujarat Industries Power Co. Ltd. 7. Narmada Chematur Petrochemicals Ltd. 8. Gujarat Chemical Port Terminal Co. Ltd. 	<ol style="list-style-type: none"> 1. Gujarat State Financial Services Ltd. 2. GSFS Capital & Securities Ltd. 3. Gujarat State Investments Ltd. 4. Gujarat State Fertilizers & Chemicals Ltd. 5. Sardar Sarovar Narmada Nigam Ltd. 6. Gujarat Industrial Investment Corpn. Ltd. 7. Infrastructure Finance Company Gujarat Ltd. 8. Gujarat Infrastructure Development Trust Ltd. 9. Gujarat Social Infrastructure Charity Trust Ltd.

Name	Shri Balwant Singh, IAS	Shri PK Pujari, IAS
Date of Birth & Age	6-12-1951 - 54 Years	12-6-1957 - 48 Years
Qualification	M.Sc., Banaras Hindu University M.A, University of Reading (UK) P.G. Diploma in Management, IGNOU	B.A. (Economics), M.A. (Economics) M.Sc. in Macro Economics & Policy and Planning
Expertise	Vast experience in the field of Management and Administration. Has held distinguished positions in the Government of Gujarat. Presently, he is Principal Secretary to Government of Gujarat, Energy & Petrochemicals Department.	Vast experience in the field of Finance and Administration. Has held distinguished positions in the Government of Gujarat. Presently, he is Secretary to Government of Gujarat, Finance Department.
Date since the Directorship held in the Company	16th September, 2004.	4th April, 2005.
No of Shares held in the Company	550 Shares	500 shares
Directorship held in other companies	<ol style="list-style-type: none"> 1. Gujarat Power Corporation Ltd. 2. Gujarat Industries Power Co. Ltd. 3. Gujarat State Energy Generation Ltd. 4. Gujarat State Fuel Management Co. Ltd. 5. Gujarat State Petroleum Corporation Ltd. 6. Gujarat Alkalies & Chemicals Ltd. 7. Gujarat State Investments Ltd. 8. Gujarat State Fertilizers & Chemicals Ltd. 9. Gujarat State Petronet Ltd. 	<ol style="list-style-type: none"> 1. Gujarat State Petroleum Corporation Ltd. 2. Gujarat State Energy Generation Ltd. 3. Gujarat State Financial Services Ltd. 4. Gujarat Urja Vikas Nigam Ltd. 5. Gujarat State Road Transport Corporation. 6. Gujarat Informatics Ltd. 7. Gujarat Growth Centres Development Corporation. 8. Ahmedabad Mehsana Toll Road Co. Ltd. 9. Gujarat Toll Road Company Ltd. 10. Vadodara Halol Toll Road Co. Ltd. 11. Gujarat State Investments Ltd. 12. Gujarat State Financial Services CAPS. 13. Gujarat Heavy Chemicals Ltd. 14. Birla VXL Ltd.

**GUJARAT NARMADA VALLEY FERTILIZERS COMPANY LIMITED****DIRECTORS' REPORT**

To

The Members,

Your Directors have pleasure in presenting this 29th Annual Report and Audited Statements of Accounts of the Company for the financial year ended 31st March, 2005.

The year 2004 - 2005 was yet another year of the outstanding performance for your Company. High productivity, aggressive cost cutting measures and buoyancy in the market of Industrial Chemicals - all contributed towards achieving the excellent performance for the year 2004 - 2005. The Company during the year under review, achieved the highest ever sales turn-over, the highest ever profit before tax and the highest ever profit after tax. The Company also during the year established many new records in terms of production, marketing and energy savings.

FINANCIAL HIGHLIGHTS :

The Company posted excellent financial results for the year under review. Profit before tax for the year was higher by Rs. 145.64 Crores, registering a significant growth of 78.82% in comparison to the last year. Net Profit for the year too was higher by Rs. 107.11 Crores, registering an appreciable growth of 91.62% over the last year.

The Financial Highlights for the year are given hereunder :

(Rs. In Crores)

	2004-05	2003-04
Sales Turnover	1,935.53	1,552.87
Other Income	42.72	49.42
Gross profit before interest, depreciation and tax	435.50	305.32
Interest (Net)	17.83	33.50
Depreciation	87.25	87.04
Profit before tax	330.42	184.78
Less : Provision for current taxation	122.38	73.62
Profit after current taxation	208.04	111.16
Less : Provision for deferred taxation	(15.98)	(5.75)
Net Profit	224.02	116.91
Add : Balance brought forward from previous year	197.17	141.52
Amount available for appropriation	421.19	258.43
Appropriations :		
a. General Reserve	22.40	11.69
b. Proposed Dividend	54.93	43.94
c. Tax on Dividend	7.82	5.63
Balance carried to Balance Sheet	336.04	197.17

DIVIDEND :

In view of the excellent performance achieved by the Company for the year 2004 - 2005, your Directors are happy to recommend payment of a higher dividend of Rs.3.75 per equity share of Rs.10/- each on 14,64,76,214 equity shares as against the dividend of Rs.3/- per equity share paid last year. The total dividend outgo on this account will be Rs.62.75 Crores, including dividend tax of Rs.7.82 Crores.

The dividend, subject to approval of the Shareholders at the forthcoming Annual General Meeting, will be paid to -

- those equity shareholders whose names appear on the Register of Members of the Company after giving effect to all valid share transfers in physical form lodged with the Company on or before 1st August, 2005, and
- those, whose names appear as Beneficial Owners as at the end of business hours on 1st August, 2005, as per particulars to be furnished by the Depositories viz. National Securities Depository Ltd. (NSDL), and Central Depository Services (India) Ltd. (CDSL), for this purpose.

PERFORMANCE HIGHLIGHTS & FERTILIZER POLICY :

"Management Discussion & Analysis" forming part of this Report deals with the operational and marketing highlights as also the status of various projects completed during the year, projects under execution and projects on anvil, in a very comprehensive manner. The performance highlights, however, in brief are mentioned hereunder:

The focussed attention and continued thrust on higher productivity, environment and safety consciousness, energy conservation and efficiency improvement, innovation / cost reduction have resulted into achieving the higher levels of production, sales and energy savings. All Plants of the Company were operated at over 100% capacity utilization. Both Ammonia and Urea Plants of the Company achieved over 100% capacity utilization for the 14th year in succession. The highest ever yearly production was achieved by Methanol - I, Formic Acid, Methyl Formate, CNA - I & II, ANP, and SGGU Plants of the Company during the year. The restrictions imposed by the Government of India on production of Urea at 100% installed capacity, continued this year too. Accordingly, only 6,37,533 MTs of Urea was produced during the year.

The Company has entered into a contract with Gas Authority of India Ltd., for supply of R-LNG. The higher availability of Natural Gas (NG) has given the Company multifold advantages in the form of sustained operation of Thermax Boilers on NG in place of LSHS, operation of Methanol Plants at a higher load on continuous basis and