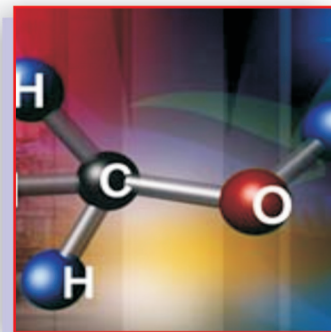


GNFC



33rd

Annual Report 2008-09



GNFC

Chemicals • Fertilizers • IT

**Gujarat Narmada Valley Fertilizers
Company Limited**

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GUJARAT NARMADA VALLEY FERTILIZERS COMPANY LIMITED

FOR MEMBERS' ATTENTION

(I) SOME IMPORTANT NOTES :

1. Members desirous of obtaining 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 physical form are requested to promptly notify to the Company, Change in their Address - Pin Code Number, Bank Account details, Nomination, Power of Attorney, etc.

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

3. Non-Resident Indian Shareholders holding shares in physical form 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. Arrangement for buses from ST Depot, Bharuch to the place of Meeting will be made by the Company on the day of the Meeting.
3. Members/Proxies are requested to detach the "Entrance Pass" from this Report and hand over at the Entrance duly signed by them.
4. Only Members and in their absence, duly appointed proxies will be allowed for the Meeting.

**Members are requested to read
"Additional Information for Shareholders"
in this Report.**



GUJARAT NARMADA VALLEY FERTILIZERS COMPANY LIMITED

33RD ANNUAL GENERAL MEETING

Date : 24th September, 2009
Day : Thursday
Time : 2:30 P.M.
Place : Near Jan Vikas Temple,
Narmadanagar Township,
P.O. Narmadanagar-392 015,
District – Bharuch.

BOARD OF DIRECTORS

Shri S Jagadeesan, IAS
Shri PN Roychaudhari, IAS
Shri MM Srivastava, IAS
Shri HV Patel, IAS
Shri Pankaj Kumar, IAS
Dr. TT Ram Mohan
Dr. Ashok Shah
Shri DC Anjaria
Shri Guruprasad Mohapatra, IAS, *Managing Director*

Executive Directors

Shri KC Jatania
Shri JS Kochar
Shri AD Modashia

Contents

Page No.

Notice & Annexure to the Notice	2
Directors' Report & its Annexures	5
Management Discussion & Analysis	11
Report on Corporate Governance	16
Auditors' Report & its Annexure	22
Balance Sheet	24
Profit & Loss Account	25
Cash Flow Statement	26
Schedules to the Balance Sheet (1 to 12)	27
Schedules to the Profit & Loss Account (13 to 19)	30
Accounting Policies & Notes to Accounts	31
Balance Sheet Abstract & Company's General Business Profile	39
Additional Information for Shareholders	40

Company Secretary

Shri RB Panchal

Auditors

M/s. SR Batliboi & Company,
Chartered Accountants,
Mumbai.

Registered Office :

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

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**NOTICE**

NOTICE IS HEREBY given that the **33rd Annual General Meeting** of the Members of Gujarat Narmada Valley Fertilizers Company Limited will be held on **Thursday, the 24th September, 2009 at 2.30 P.M.** at the Registered Office of the Company, Near Janvikas Temple, Narmadanagar Township at P.O. Narmadanagar - 392 015, District Bharuch to transact the following business :

ORDINARY BUSINESS :

1. To receive, consider and adopt the Audited Balance Sheet as at 31st March, 2009, 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 for the financial year ended 31st March, 2009.
3. To appoint a Director in place of Dr. Ashok Shah, 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 Sections 224, 224A, 225 and other applicable provisions, if any, of the Companies Act, 1956, M/s. RS Patel & Co., Chartered Accountants, Ahmedabad be and are hereby appointed Auditors of the Company, in place of the retiring Auditors, M/s. SR Batliboi & Co., Chartered Accountants, 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 of the Company, based on the recommendation of the Audit Committee and reasonable out-of-pocket expenses actually incurred by them in connection with the audit of the Accounts of the Company for the year ending 31st March, 2010."

SPECIAL BUSINESS :

5. **Appointment of Shri HV Patel, IAS as a Director of the Company :**

To consider and, if thought fit, to pass with or without modification(s), the following Resolution :

As an Ordinary Resolution :

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

6. **Appointment of Shri Guruprasad Mohapatra, IAS as Managing Director of the Company :**

To consider and, if thought fit, to pass with or without modification(s), the following Resolution :

As an Ordinary Resolution :

"RESOLVED that subject to the provisions of Sections 198, 269, 309 and 316 read with Schedule XIII and all other applicable provisions, if any, of the Companies Act, 1956 (including any statutory modification or re-enactment thereof for the time being in force), the consent of the Company be and is hereby accorded to the appointment of Shri Guruprasad Mohapatra, IAS, as Managing Director of the Company for a period commencing from 1st July, 2009 until his services are withdrawn from the Company by the Government of Gujarat, so however, his period of office shall not exceed five years from the date of his appointment."

"FURTHER RESOLVED that the approval and consent of the Company be and is hereby given and the Board of Directors of the Company be and is hereby authorized to agree to the payment of remuneration / special pay, if any, as may be granted and conveyed by the Government of Gujarat, to Shri Guruprasad Mohapatra, Managing Director of the Company during the aforesaid period, subject to the same not exceeding the limit specified under Schedule XIII to the Companies Act, 1956 or any statutory modification(s) or re-enactment thereof."

"FURTHER RESOLVED that Shri Guruprasad Mohapatra, Managing Director of the Company be and is hereby authorized to exercise substantial powers of Management and that he 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."

"RESOLVED FURTHER that the Board, be and is hereby authorized to take all such steps as may be necessary, proper or expedient to give effect to this Resolution."

7. **Reduction of issued capital by cancellation of the shares not taken-up :**

To consider and, if thought fit, to pass with or without modification(s), the following Resolution :

As an Ordinary Resolution :

"RESOLVED that pursuant to the provisions of Section 94(1)(e) of the Companies Act, 1956 read with the provisions of the Articles of Association of the Company, the issued share capital of the Company is diminished from Rs.157,50,75,690/- divided into 15,75,07,569 Equity Shares of Rs.10/- each to Rs.155,41,87,830/- divided into 15,54,18,783 Equity Shares of Rs.10/- each by cancelling 20,88,786 Equity Shares of Rs.10/- each, which have not been taken or agreed to be taken by any person."

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 of the Companies Act, 1956, in respect of the business under Item Nos. 4 to 7 set out above are annexed hereto. The information as are required to be furnished under Clause 49 of the Listing Agreement entered into with the Stock Exchanges, of persons seeking appointment / re-appointment as Director under Item Nos. 3, 5 and 6 are also annexed.

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

Registered Office :
P.O. Narmadanagar
Dist. Bharuch : 392 015
Dated : 12th August, 2009

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 7 OF THE ACCOMPANYING NOTICE DATED 12TH AUGUST, 2009

Item No. 4

M/s. SR Batliboi & Co., Chartered Accountants, the Statutory Auditors of the Company will be completing three years tenure at the conclusion of the forthcoming AGM. They were re-appointed Statutory Auditors at the last AGM. As a measure of good Corporate Governance practice, it is proposed to rotate the Statutory Auditors. It is proposed to appoint M/s. RS Patel & Co., Chartered Accountants, Ahmedabad as the Statutory Auditors in place of retiring Auditors.

The Company has received a Notice under Section 190 of the Companies Act, 1956 from a Shareholder of the Company proposing M/s. RS Patel & Co., Chartered Accountants, Ahmedabad for appointment as Auditors at the forthcoming AGM. M/s. RS Patel & Co., are a renowned firm of Chartered Accountants and they have wide experience of the Audit of various Companies. They have consented for appointment as Auditors of the Company. The Company has received a letter from them to the effect that their appointment, if made, would be within the prescribed limit under Section 224(1-B) of the Companies Act, 1956 and also that they are not otherwise disqualified to be appointed, within the meaning of sub-section (3) of Section 226 of the Companies Act, 1956.

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 appointment of M/s. RS Patel & Co., Chartered Accountants, Ahmedabad, 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 commend the proposed 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, Shri HV Patel, IAS, was appointed as a Director on the Board of the Company with effect from 20th May, 2008, in the casual vacancy caused by the resignation of Shri PK Taneja, IAS. Pursuant to Section 262 of the Companies Act, 1956, he retains the office of Director up to the date of forthcoming 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 Fertilizers & Chemicals Ltd., a Member of the Company, signifying its intention to propose Shri HV Patel, IAS, for the office of Director of the Company. He is a Senior IAS Officer and is presently the Managing Director, Gujarat State Fertilizers & Chemicals Ltd., Vadodara. 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 HV Patel is interested in the Resolution. None of the remaining Directors is, in any way, concerned or interested in the said Resolution.

Item No. 6

The Government of Gujarat (GoG), has in exercise of the power

vested in it under the Articles of Association of the Company, nominated Shri Guruprasad Mohapatra, IAS, as the "Government Director" on the Board of the Company effective 1st July, 2009.

The Board unanimously passed the resolution appointing Shri Guruprasad Mohapatra, IAS, Managing Director, Gujarat Alkalies & Chemicals Ltd., to hold additional charge of the post of Managing Director of the Company, effective 1st July, 2009. As Shri Guruprasad Mohapatra is drawing remuneration from Gujarat Alkalies & Chemicals Ltd., presently no remuneration is paid to him by the Company for holding the additional charge of the post of Managing Director of the Company. He will however be paid remuneration/special pay, if any, as may be granted and conveyed by the Government of Gujarat, subject to the same not exceeding the limit specified under Schedule-XIII to the Companies Act, 1956.

In pursuance of the provisions of Section 269 of the Companies Act, 1956, read with Schedule XIII of the said Act, the appointment of Shri Guruprasad Mohapatra as Managing Director of the Company and payment of remuneration / special pay, if any, is subject to the approval of the Shareholders in General Meeting. Accordingly, your Directors commend the proposed Resolution for your approval.

Shri Guruprasad Mohapatra is interested in the said Resolution. None of the remaining Directors is in any way, concerned or interested in the said Resolution.

Item No. 7

In pursuance of the provisions of Section 94(1)(e) of the Companies Act, 1956, a Limited Company having a share capital, may, if so authorized by its Articles of Association, cancel shares which, at the date of the passing of the resolution in that behalf, have not been taken or agreed to be taken by any person and diminish the amount of its issued share capital by the amount of the shares so cancelled.

The Company had in the year 1992 made a Rights Issue of 15.5% Secured Redeemable Non-Convertible Debentures (NCDs) attached with detachable warrants entitling the holders of the warrants to apply for Equity Shares on the expiry of the 12th month from the date of allotment of NCDs. The equity issue on account of exercise of option for applying Equity Shares of the Company by the holders of detachable warrants, made during 1993, was undersubscribed by 20,88,786 Equity Shares. Thus there is a difference in the issued capital and the subscribed / listed capital of the Company to the extent of the Shares so undersubscribed.

The Articles of Association of the Company authorizes the cancellation of shares which have not been taken-up or agreed to be taken-up by any person and diminish the amount of share capital by the amount of the shares so cancelled. The Board therefore, recommends the Shareholders to pass the Ordinary Resolution to cancel these Shares and diminish the amount of the issued share capital of the Company to that extent.

None of the Directors of the Company, is in any way, concerned or interested in the proposed 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 : 12th August, 2009

R B Panchal
Company Secretary



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

Details of Directors seeking appointment / re-appointment at the Annual General Meeting are furnished below:

Dr. Ashok Shah

Dr. Ashok Shah (60), is a Director of the Company since 4th January, 2006. He is M.Sc., Ph.D (Microbiology). He has developed various products with the use of seaweed plants, bacterial extracts and cow urine. He has a long industrial experience of about 20 years in senior positions.

He is the member of :

- (i) Advisory Board Microbiology and FR South Gujarat University, Surat; and
- (ii) DRCC, Mumbai Division, Western Railway.

He is a Director on the Board of Gujarat Venture Finance Company Limited and also a Member of its Shareholders'/Investors' Grievance Committee.

He holds 575 Equity Shares of the Company (including 500 shares held jointly with Gujarat State Investments Ltd.).

Shri H. V. Patel, IAS

Shri H. V. Patel (55), is a Director of the Company since 20th May, 2008. He is B.Com. (Advanced Accountancy). He is a senior IAS Officer in the rank of Principal Secretary to the Government of Gujarat. He has held various key positions in the Public Administration. He has rich experience as the Managing Director of Gujarat State Export Corporation, Gujarat Land Development Bank, Gujarat Power Corporation Ltd., and as Vice Chairman & Managing Director of Gujarat Industrial Development Corporation.

Presently, he is Managing Director of Gujarat State Fertilizers & Chemicals Ltd.

Details of his other Directorship and Committee Membership are -

1. Gujarat Industries Power Co. Ltd. - Director and Member of Audit Committee and Chairman of Shareholders'/Investors' Grievance Committee ;
2. Gujarat State Fertilizers & Chemicals Ltd. - Managing Director and Member of Shareholders'/Investors' Grievance Committee ;
3. Bhavnagar Energy Co. Ltd. - Director and Member of Audit Committee ;
4. Fertilizer Association of India - Director ;
5. Gujarat Chemical Port Terminal Co. Ltd. - Director ;
6. Gujarat Green Revolution Co. Ltd. - Director ;
7. Indian Potash Ltd. - Director ; and
8. Tunisian Indian Fertilizers SA (TIFERT), TUNISIA - Director.

He holds 500 Equity Shares of the Company jointly with Gujarat State Investments Ltd.

Shri Guruprasad Mohapatra, IAS

Shri Guruprasad Mohapatra, IAS (47), is Managing Director of the Company since 1st July, 2009.

He is M.A. (Political Science), M.Phil. in Diplomacy (International Relation) and MBA.

He is a senior IAS Officer. He has held distinguished positions in the Government of Gujarat. He has rich experience as the Joint Managing Director of Gujarat Industrial Development Corporation, Member (Administration) Gujarat Electricity Board and Managing Director, Gujarat State Electricity Corporation Limited etc.

Presently, he is also the Managing Director of Gujarat Alkalies and Chemicals Ltd.

Details of his other Directorship and Committee Membership are -

1. Gujarat Alkalies & Chemicals Ltd. - Managing Director and Member of Shares/Debentures Transfers and Investors' Grievance Committee ;
2. Gujarat Industries Power Co. Ltd. - Director and Member of Shares/Debentures Transfers and Investors' Grievance Committee ;
3. Gujarat Chemical Port Terminal Company Ltd. - Director and Member of Audit Committee ;
4. Dow-GACL SolVenture Ltd., - Chairman ;
5. Uttar Gujarat Vij Company Ltd. - Chairman ;
6. Paschim Gujarat Vij Company Ltd. - Director ;
7. Gujarat Guardian Ltd. - Director ;
8. Gujarat Alumina and Bauxite Ltd.- Director ; and
9. Bhavnagar Energy Company Ltd. - Director.

DIRECTORS' REPORT

To
The Members,

Your Directors have pleasure in presenting this 33rd Annual Report together with Audited Statements of Accounts of the Company for the year ended 31st March, 2009.

Following are the financial highlights :

	(Rs. in Crores)	
Particulars	2008-09	2007-08
Income from Sales	2,920.06	3,433.91
Other Income	65.34	59.87
Total Income	2,985.40	3,493.78
Total Expenditure	2,485.04	2,795.46
Profit before Depreciation, Interest and Tax	500.36	698.32
Depreciation	119.73	110.52
Interest	26.92	11.59
Profit Before Taxes (PBT)	353.71	576.21
Provision for Taxes (Net)	126.19	203.33
Net Profit for the year	227.52	372.88
Balance brought forward from previous year	523.22	477.62
Amount available for Appropriation	750.74	850.50
Appropriations		
Proposed Dividend	50.51	66.05
Tax on Dividend	8.59	11.23
General Reserve	200.00	250.00
Balance carried to Balance Sheet	491.64	523.22

DIVIDEND

Keeping in view the Company's performance, need for capital for its Growth Plan and to ensure that the shareholders of the Company get sustained return on their investments, your Directors have recommended a Dividend of Rs.3.25 per Equity Share i.e. @ 32.50%, for the financial year ended 31st March, 2009. On its approval, the Dividend pay out will be Rs.59.10 Crores, including tax on Dividend of Rs.8.59 Crores.

TRANSFER TO RESERVES

The Company proposes to transfer Rs.200 Crores to General Reserve out of the amount available for appropriations. An amount of Rs.491.64 Crores is proposed to be retained in the Profit & Loss Account.

PERFORMANCE REVIEW

The year 2008-09 witnessed the worst Global Financial and Economic crisis in last many years. This crisis impacted the Indian economy too resulting into overall business slow-down. In this environment, the Company has achieved a satisfactory performance during the year.

In spite of several constraints, the Ammonia Plant produced 4,55,217 MTs of Ammonia with capacity utilization of 102.18%, Formic Acid Plant produced 14,970 MTs of Formic Acid with capacity utilization of 149.70%, Acetic Acid Plant produced 1,33,058 MTs of Acetic Acid

with capacity utilization of 133.06% and Weak Nitric Acid Plant (WNA) produced 2,70,963 MTs of WNA registering capacity utilization of 109.48%. 33 new records were established in terms of production, marketing and despatch.

Ammonia Plant had a prolonged shutdown on account of failure in Air Compressor. Ammonia Plant being the mother plant for catering raw material to all the key plants of the Company, the production of Acetic Acid, Formic Acid, Toluene Di-Isocyanate, WNA, Ammonium Nitrophosphate (ANP), etc., was affected. High volatility in prices of Industrial Chemicals prevailed during the year. Average International Methanol Price per MT reduced below US \$ 150 and more than 50% of domestic demand for Methanol was met through imports. On account of Market constraints, Methanol-II plant of the Company could not be operated at full capacity whereas Methanol-I and MSU Plants remained under shutdown during major part of the year.

The Company achieved highest ever sale of 81,703 MTs of fertilizers through Company's own retail outlets, Narmada Khedut Sahay Kendras. Besides, the Company exported 3,000 MTs of Calcium Ammonium Nitrate (CAN) during the year and thereby earned foreign exchange of around US \$ 10,15,000.

The Board of Directors has taken cognizance of the failures / breakdowns of the various plants. A three years' Upkeep Plan in respect of anxiety areas of various plants has been chalked-out for countering failure susceptibility due to aging of plants and supporting facilities. This plan will be implemented in a phased manner with reference to the priority and ranking of the anxiety areas.

The Growth Strategy adopted by the Company is to maintain Fertilizer manufacturing and grow predominantly in Chemical business. An ambitious Growth Plan for the next five years has been drawn and an investment of around Rs. 4,000/- Crores is envisaged. The Company has already tied-up with the Banks the Term Loans of Rs. 2,001.11 Crores for its new projects of Rs.2,858.73 Crores under implementation. The Company is also contemplating establishment of some projects in joint venture with Gujarat State Fertilizers & Chemicals Ltd., and Gujarat Alkalies & Chemicals Ltd., at Dahej.

The detailed analysis of the performance of the Company as also the status of the various projects under execution and the projects on anvil are given in the Management Discussion & Analysis, forming part of the Annual Report.

(n)CODE SOLUTIONS

(n)Code Solutions, a division of the Company provides e-procurement services, designs and builds world class data centres, offers managed IT Services including Security Services and offers e-Governance Solutions. (n)Code Solutions is licenced by Government of India to issue Digital Certificates. It sold 92,247 Digital Certificates during the year, registering a record growth of 80% over the previous year, despite sluggish market conditions. (n)Code division won a National e-Governance Award from Ministry of Administrative Reforms, Government of India for its e-procurement project.

FERTILIZER POLICY

During the year under review, the Government of India –

- ❖ announced uniform freight policy for Fertilizers effective 1st April, 2008. The same is applicable to the Company's products Urea and ANP. In terms of this policy, actual freight is reimbursed for dispatches by rail. Freight as per normative freight rate is reimbursed for dispatches by road ;
- ❖ rationalized selling prices of complex Fertilizers based on their nutrient contents ;



- ❖ changed the payment of subsidy on Urea from dispatch basis to receipt basis. In case of ANP, payment of concession was changed from sale basis to receipt basis; and
- ❖ changed the basis of calculation of subsidy on complex Fertilizers, including ANP linked to International prices of DAP.

DIRECTORS' RESPONSIBILITY STATEMENT

As required under Section 217(2AA) of the Companies Act, 1956, your Directors confirm that -

- ❖ in the preparation of the Annual Accounts, the applicable Accounting Standards have been followed and that no material departures have been made from the same;
- ❖ appropriate Accounting Policies have been selected and applied consistently and judgements and estimates have been made that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company as at 31st March, 2009 and of the profit of the Company for the year ended on that date;
- ❖ proper and sufficient care has been taken for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities; and
- ❖ the Annual Accounts have been prepared on a going concern basis.

CORPORATE GOVERNANCE

In pursuance of Clause 49 of the Listing Agreement, Management Discussion and Analysis and a Report on Corporate Governance are included in the Annual Report.

In terms of Clause 49 of the Listing Agreement, a Certificate by the Practising Company Secretary certifying the Company's compliance with the conditions of Corporate Governance and a declaration by the Managing Director of the Company regarding compliance of the Code of Conduct are enclosed as a part of the Corporate Governance Report.

FIXED DEPOSITS

The Company has discontinued acceptance of fixed deposits w.e.f. 1st April, 2007. However, the Company had unclaimed deposits of Rs.0.67 Lacs due to 9 depositors as on 31st March, 2009. The Company has during the year transferred an amount of Rs.3,82,666/- being the amount of unclaimed deposit and interest, to the Investors' Education and Protection Fund set-up by the Government of India.

DIRECTORS

In pursuance of the Articles of Association of the Company as also the provisions of the Companies Act, 1956-

- ❖ Dr. Ashok Shah retires by rotation at the forthcoming Annual General Meeting and he is eligible for re-appointment.
- ❖ Shri HV Patel, IAS who has been appointed as a Director in the casual vacancy caused by the resignation of Shri PK Taneja, IAS, retains office upto the date of the forthcoming Annual General Meeting (AGM). The Company has received a Notice under Section 257 of the Act along with the requisite deposit proposing the candidature of Shri HV Patel for his appointment as a Director of the Company, at the forthcoming AGM.
- ❖ Shri Guruprasad Mohapatra, IAS, Managing Director of Gujarat Alkalies & Chemicals Ltd., has been nominated as "Government Director" on the Board of the Company effective 1st July, 2009

vice Smt. Sudha Anchlia, IAS, (retired). He has been appointed Managing Director of the Company effective 1st July, 2009.

Resolutions seeking approval of the Members for the appointment of-

- ❖ Dr. Ashok Shah and Shri HV Patel, IAS, as Directors; and
- ❖ Shri Guruprasad Mohapatra, IAS, as Managing Director of the Company;

- have been incorporated in the Notice of the forthcoming AGM.

INFORMATION REGARDING CONSERVATION OF ENERGY, ETC., AND PARTICULARS OF EMPLOYEES

Information required under Section 217(1) (e) of the Companies Act, 1956, read with Rule (2) of the Companies (Disclosure of particulars in the Report of Board of Directors) Rules, 1988 and information as per Section 217 (2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975, as amended from time to time, are given in Annexures – "A" & "B" respectively forming part of this report.

AUDITORS

M/s. SR Batliboi & Co., Chartered Accountants, Mumbai, Statutory Auditors of the Company, will be completing a tenure of three years on the conclusion of forthcoming AGM. As a good Corporate Governance practice, it is proposed to rotate the Auditors. It is, therefore, proposed to appoint M/s. RS Patel & Co., Chartered Accountants, Ahmedabad, as the Statutory Auditors of the Company in place of retiring Auditors, M/s. SR Batliboi & Co. M/s. RS Patel & Co., Chartered Accountants, Ahmedabad, have under Section 224 (1-B) of the Companies Act, 1956 furnished a certificate of their eligibility for appointment as such.

COST AUDITOR

Your Directors have appointed Shri Shirish V Diwanji, Cost Accountant of M/s. Diwanji & Associates, Vadodara, as the Cost Auditor of the Company to conduct the cost audit of fertilizer products in respect of financial year 2009-10 under the Cost Accounting Records (Fertilizers) Rules, 1993.

INDUSTRIAL RELATIONS

Industrial relations during the year under review, have remained extremely cordial and harmonious leading to an atmosphere conducive for sustenance of growth. Your Directors convey their high sense of appreciation for the excellent contribution made by the employees at all levels.

ACKNOWLEDGEMENT

Your Directors are happy to place on record their gratitude for the support received from the Government of India and the Government of Gujarat. We take this opportunity of extending our wholehearted thanks to all our Consumers, Dealers, Customers, Banks, Business Associates, SEBI, NSDL, CDSL, Stock Exchanges and other Agencies for their continued support and co-operation. Above all, your Directors remain thankful to the valued Investors for strengthening their bond with the Company.

For and on behalf of the Board of Directors,

Place : Bharuch
Date : 7th August, 2009

D. C. Anjaria **Guruprasad Mohapatra**
Director **Managing Director**

ANNEXURES TO DIRECTORS' REPORT**ANNEXURE - "A"****PARTICULARS UNDER COMPANIES (DISCLOSURE OF PARTICULARS IN THE REPORT OF BOARD OF DIRECTORS) RULES, 1988 FOR THE YEAR ENDED ON 31ST MARCH, 2009.****(A) CONSERVATION OF ENERGY :**

Company declared Energy Policy in February, 2005 in accordance with Energy Conservation Act, 2001 and the same is in force.

(a) Energy Conservation measures taken :

Following schemes were implemented during the year and some energy saving was achieved.

Ammonia plant:

- 121 LSHS rakes were unloaded without steam heating of LSHS in rail wagons, resulting into saving of steam.

Methanol-II:

- Replacement of Air Preheater with SS tubes resulted into stoppage of Air Leak to the stack which realized saving of natural gas of the order of 99.77 KSM³/Year.
- Reformer radiant section refractory insulation replaced from blanket type (kaoline/ rockwool) to energy efficient ceramic block type insulation.
- Addition of BFW coil in convection section of Reformer for better heat recovery from flue gas.
- Installation of Isothermal Reactor in Synthesis section as a replacement of Axial Radial type of quench reactor has realized into reduced steam consumption of plant.
- Energy efficient distillation system (Methanol Distillation Unit) installed during plant revamp in June-2008 in order to save steam and cooling water. This system comprises of three column distillation where the reboiler heat duty of third column is supplied through condensing vapours of second column. The energy saving potential is approx. 0.45 MT HPSH steam per MT of Methanol.

SGGU:

- Installation of additional new pump for process condensate recycling has resulted into saving of about 6 KW of power and saving of DM Water utilization.

Wind Mill Power Project of 12 MW capacity

- Company has set up Suzlon make 12 MW (8 machines x 1.5 MW) capacity Wind Turbo Generators at village Shikarpur & Manaba Taluka : Bhachau & Rapar District : Kutch, Gujarat in the months of October-November, 2008.
- Total Installed capacity of Wind Power Turbo Generators for GNFC now stands to 21 MW. Earlier already 9 MW of Wind Turbo Generators were commissioned in December, 2007.
- During the financial year 2008-2009, total units generated by Wind Turbo Generators are 2,47,91,832 kwh/Year, which is approximately 7% of total captive power generation.
- The Wind Turbo Generators would significantly reduce the emission of Green House Gases to the atmosphere and hence would contribute to the global efforts towards combating global warming. The Company has undertaken this project as Clean Development Mechanism (CDM) under the Kyoto protocol.

Dry Fly ash collection & disposal system

Part quantity of ash generated from the coal is separated out in the dry form and now being utilized by cement/brick manufacturers for the purpose of value addition. By this project, the Company is now handling less quantity of ash in wet form. This has resulted into saving of power. Project is completed and commissioned in December, 2008.

Utility

Service water & DM water make up two pumps are replaced with spare available high efficiency pumps.

Steam trap management:

- In Hazardous Chemical plant, 75 nos of defective steam traps were identified and replaced which resulted into steam savings of the order of 2 MT/Day of Low Pressure Steam.
- In Ammonia Plant, 41 nos. of defective steam traps were replaced based on steam trap survey carried out in May, 2008.
- In house steam trap survey were carried out in Formic Acid, Steam & Power Generation, Methanol-II and Acetic Acid plants.

Electrical system:

- Throughout the year power factor was maintained above 0.95 so as to get rebate on power factor adjustment from state electricity board.
- At TDI plant substation, installation of auto transformer for lighting circuit voltage reduction was carried out resulting into saving in lighting power.
- Old lighting fixtures were replaced by energy efficient fixtures at Boiler, Formic Acid, Methanol-II, Urea, NPP and ECU plant areas.

(b) Additional Investment and proposals being implemented for reduction of consumption of energy and to improve productivity :
Following schemes are under advanced stage of implementation. This will improve productivity of plants.**1. Revamp of Ammonia Loop by S-50 Converter**

The existing Ammonia synthesis loop is revamped in order to reduce energy consumption.

The job is awarded to M/s. Haldor Topsoe, Denmark. Project execution work is in progress and expected to be completed by April, 2010.

2. Installation of Molecular Sieve (Mol Sieve) System in Ammonia Plant

The primary purpose of the project is improvement in reliability and stability of Ammonia plant by employing improved technology for removal of water and CO₂ from air in Air Separation Unit.

The contracts have been entered into with M/s. Linde AG, Germany and project execution work is under progress. The project is expected to be completed by April, 2010.

3. N₂O Abatement Project Under Clean Development Mechanism (CDM) in Weak Nitric Acid Plant

The existing WNA plant produces unwanted by-product Nitrous Oxide which is vented into atmosphere. N₂O is considered as a Green House Gas like Carbon Dioxide (CO₂) and has 310 times higher Global Warming Potential than CO₂.

The WNA plant has potential to reducing about 3,00,000 MT per annum of CO₂.

Company has installed N₂O Abatement catalyst procured from M/s. BASF, Germany in the WNA reactor in November, 2007.

Thus, GNFC has taken the lead in the reduction of Green House Gases and contributed to environmental friendly atmosphere.

GNFC has undertaken this project as Clean Development Mechanism (CDM) under the Kyoto protocol.

The project is under Validation.

4. 300 MTD Weak Nitric Acid Plant and 150 MTD Concentrated Nitric Acid plant

Shortage of Weak Nitric Acid (WNA) is felt to utilize full potential of Nitro phosphate complex and meet the growing market demand. Moreover, Company is planning to set up a Concentrated Nitric Acid (CNA) plant for which Weak Nitric Acid is the main feed raw material. Hence, Company is setting up 300 MTD capacity WNA plant.

CNA plant of 150 MTD is being set up to meet the requirement of new Toluene Di-isocyanate project and to cater to the growing demand.

Agreements have been entered into with M/s. Uhde for setting up 300 MTD WNA plant on LSTK basis.

Agreements have been signed with M/s. Plinke, Germany for licence and basic engineering for 150 MTD CNA plant.

Both the projects are under advanced stage of execution and are expected to be completed by April, 2010(CNA) and by August, 2010 (WNA).

5. 50,000 MTA capacity Toluene Di-isocyanate

To meet the growing demand, a 50,000 MTA capacity TDI project is being set up at Dahej.

Agreements have been entered into with M/s. Chematur Engineering AB, Sweden for the technology and basic engineering services. Agreements have also been signed with M/s. Technip and M/s. Air products for Hydrogen-Carbon Monoxide plant.

Project execution is under progress and expected to be completed by June, 2011.

6. Co-generation Power & Steam Unit

Company is setting up 33 MW Gas Turbine based Power and 61TPH Steam Generation unit to meet the additional power requirement for the new projects being set up by the Company and to strengthen existing high pressure steam network. The project will also help in reducing steam and power generation costs and in reducing CO₂ emission to the tune of 3,00,000 MT per annum. Project qualifies for benefits under Clean Development Mechanism (CDM).

The contract is awarded to M/s. BHEL for supply of main plant units and will be completed by end of October, 2010.

**7. Wet Sulphuric Acid Plant**

Ammonia plant uses Low Sulphur Heavy Stock (LSHS) as feedstock. LSHS will not be available after March, 2010. Company will have to use Fuel oil containing higher sulphur. This will have environmental impact due to higher H₂S content in the gases.

To abate pollution and produce value added product, wet sulphuric acid plant based on H₂S containing waste gases is being set up. Agreements are finalized with M/s. Haldor Topsoe, Denmark, a licensor for the project.

The project is expected to be completed by end 2010.

8. Ethyl Acetate Project

Company is setting up 50,000 MTA capacity Ethyl Acetate plant. This project is a value addition of Acetic Acid. Ethyl Acetate has a high potential of Export.

Agreements have been signed with M/s. KBK Chem-Engineering Pvt. Ltd. Project is under execution and expected to be completed by August, 2010.

9. TDI Plant

In-house TDI revamp schemes are under implementation for improving productivity.

(c) Impact of measures at (a) & (b) above for reduction of energy consumption and consequent impact on cost of production of goods.

With implementation of energy conservation measures at (a) above there has been some energy saving. However, it is difficult to quantify the overall gain as various factors including plant operation parameters and load, influence the same. With implementation of measures at (b) above, there will be some energy saving and reliability of the plants will be maintained.

(d) Total energy consumption and energy consumption per unit of production.

The required details are furnished in Form "A" annexed.

(B) TECHNOLOGY ABSORPTION:

Efforts made in technology absorption are furnished in Form "B" annexed.

(C) FOREIGN EXCHANGE EARNINGS AND OUTGO:**(a) Exports:**

The Company's strategy is to fulfill the requirement of the domestic market predominantly and to resort to strategic export depending upon the market conditions. During the year 2008-09, the Company exported 320 MT of Aniline, 200 MT of Toluene Di-isocyanate (TDI) and 184 MT of Ortho Toluene Diamine (OTD). Besides, the Company has exported 3,000 MT of Calcium Ammonium Nitrate (CAN).

(b) Total Foreign Exchange Used and Earned:

(Rs. in Lacs)		
Particulars	2008-09	2007-08
Foreign Exchange Used	37,808.56	15,121.18
Foreign Exchange Earned	1,449.98	3,167.16

FORM - "A"**DISCLOSURE OF PARTICULARS WITH RESPECT TO CONSERVATION OF ENERGY:**

Sr. Particulars	Unit	2008-09	2007-08
A) Power and Fuel Consumption:			
1. Electricity:			
a) Power imported at factory #	MWH	45,807.995	19,762.487
Less : Power from Wind Mills	MWH	(24,791.832)	0.000
Net Power Import	MWH	21,016.163	19,762.487
Power export to GEB	MWH	43.200	150.480
Total Amount	Rs. Lacs	2,159.10	1,768.23
Rate/Unit	Rs./Kwh	10.27	8.95
b) Own generation through			
Steam Turbine :	'000 KWH	3,10,196	3,71,082
Unit power per Eq. natural gas	KWH/SM3	2.51	2.52
Variable cost/unit			
(excl. Power Gen. Duty)	Rs./Kwh	3.51	2.54
2. Coal for steam generation (Indian)	MT	2,87,920	3,09,196
Total Cost of Indian Coal	Rs. Lacs	7,611.79	8,031.28
Average Rate	Rs./MT	2,643.72	2,597.47
Coal for steam generation (Imported)	MT	3,27,872	3,49,329
Total Cost of Imported Coal	Rs. Lacs	13,239.24	11,751.05
Average Rate	Rs./MT	4,037.93	3,363.89

Sr. Particulars	Unit	2008-09	2007-08
No.			
3. LSHS (Boiler Oil) for steam generation	KL	18,679.741	13,999.049
Total Cost of LSHS fuel	Rs. Lacs	5,849.88	2,744.93
Average Rate	Rs./KL	31,316.71	19,607.97
4. Natural Gas for steam generation	'000 SM3	52,234	65,583
Total Cost of Natural Gas	Rs. Lacs	4,716.88	4,880.95
Average Rate	Rs./Ksm3	9,030.36	7,442.37
Power and Fuel Consumption (Aniline/ TDI Complex)			
1. Electricity :			
Own generation through Gas			
Turbine :	'000 KWH	34,908	49,139
Unit power per Eq. natural gas	KWH/SM3	2.64	2.80
Variable cost/unit after Steam Credit (excl. Power Gen. Duty)	Rs./Kwh	2.42	2.25
2. Natural Gas for gas turbine unit	'000 SM3	13,224	17,534
Total Cost of Natural Gas	Rs. Lacs	1,627.70	1,695.66
Average Rate	Rs./Ksm3	12,308.51	9,670.48
B) Consumption per unit of Production :			
i) Ammonia :			
Electricity	KWH/MT	335.080	331.306
LSHS (Boiler Oil)	KL/MT	0.020	0.012
Coal (at 4200 Kcal/kg)	MT/MT	0.731	0.685
Natural Gas	SM3/MT	54.706	56.663
ii) Urea			
Electricity	KWH/MT	68.816	66.782
LSHS (Boiler Oil)	KL/MT	0.004	0.003
Coal (at 4200 Kcal/kg)	MT/MT	0.135	0.149
Natural Gas	SM3/MT	10.111	12.292
iii) Methanol (I+II+MSU)			
Electricity \$\$	KWH/MT	361.814	292.349
LSHS (Boiler Oil)	KL/MT	0.002	0.002
Coal (at 4200 Kcal/kg)	MT/MT	0.091	0.090
Natural Gas	SM3/MT	6.776	7.413
iv) Formic Acid			
Electricity	KWH/MT	943.109	924.690
LSHS (Boiler Oil)	KL/MT	0.034	0.021
Coal (at 4200 Kcal/kg)	MT/MT	1.287	1.215
Natural Gas	SM3/MT	96.302	100.484
\$\$ Proportional power of reform gas consumed in Methanol plants is allocated.			
# Power imported at factory includes wind mill power generation.			
(v) Acetic Acid plant			
Electricity	KWH/MT	201.520	191.734
LSHS (Boiler Oil)	KL/MT	0.003	0.002
Coal (at 4200 Kcal/kg)	MT/MT	0.111	0.139
Natural Gas	SM3/MT	8.309	11.500
vi) Nitrophosphate Plants :			
(a) ANP :			
Electricity	KWH/MT	231.641	194.657
LSHS (Boiler Oil)	KL/MT	0.001	0.000
Coal (at 4200 Kcal/kg)	MT/MT	0.047	0.021
Natural Gas	SM3/MT	3.528	1.717
(b) CAN :			
Electricity	KWH/MT	66.561	56.166
LSHS (Boiler Oil)	KL/MT	0.0001	0.000
Coal (at 4200 Kcal/kg)	MT/MT	0.005	0.003
Natural Gas	SM3/MT	0.378	0.253
(c) WNA :			
Electricity	KWH/MT	48.190	40.718
(d) CNA : (I+II)			
Electricity	KWH/MT	39.608	32.998
LSHS (Boiler Oil)	KL/MT	0.001	0.001
Coal (at 4200 Kcal/kg)	MT/MT	0.047	0.033
Natural Gas	SM3/MT	3.503	2.740
vii) Aniline / TDI complex:			
(a) ANILINE :			
Electricity	KWH/MT	360.803	264.784
(b) TDI :			
Electricity	KWH/MT	2,693.653	2,081.262
LSHS (Boiler Oil)	KL/MT	0.049	0.016
Coal (at 4200 Kcal/kg)	MT/MT	1.837	0.902
Natural Gas	SM3/MT	137.497	74.626