

GNFC

34th

Annual Report 2009-10



Chemicals | Fertilizers | IT

**Gujarat Narmada Valley
Fertilizers Company Limited**



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 the **physical form** are requested to promptly notify to the Company, Change in their Address - Pin Code Number (alongwith self attested proof of residential address), Bank Account details, Nomination, Power of Attorney, etc.

Members holding shares in **dematerialised form** are requested to send their instructions regarding Change of Address with 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 Residential status on return to India for permanent settlement along with (i) self attested copy of address proof, (ii) self attested copy of PAN Card, (iii) original share certificate(s) for necessary endorsement and (iv) e-Mail ID, if available.
 - b) the particulars of Bank Account maintained in India with complete name of the Bank, branch, account type, account number, 09 Digit MICR Code and address of the Bank, (if not furnished earlier) along with a photo copy of cancelled cheque.
4. In case of transfer and transmission of shares, deletion of name of deceased shareholder and transposition of names in respect of shares held in **physical form**, submission of photocopy of PAN Card of the transferee(s), legal heir(s), surviving holder(s) and Joint Holder(s) respectively along with necessary documents at the time of lodgment of request for these transactions, has become mandatory. Members are requested to note this.

(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

34TH ANNUAL GENERAL MEETING

Date : 24th September, 2010
Day : Friday
Time : 11:00 A.M.
Place : Near Jan Vikas Temple,
Narmadanagar Township,
P.O. Narmadanagar-392 015,
District – Bharuch.

BOARD OF DIRECTORS

(As on 1st August, 2010)

Shri AK Joti, IAS, *Chairman*
Shri MM Srivastava, IAS
Shri DJ Pandian, IAS
Shri PN Roychowdhury, IAS
Shri Pankaj Kumar, IAS
Dr. TT Ram Mohan
Dr. Ashok Shah
Shri DC Anjaria
Shri HV Patel, IAS, *Managing Director*

Executive Directors

Shri KC Jatania, CFO
Shri JS Kochar
Shri AD Modashia

Company Secretary

Shri RB Panchal

Statutory Auditors

M/s RS Patel & Company
Chartered Accountants,
Ahmedabad.

Cost Auditors

M/s Diwanji & Associates,
Vadodara.

Registered Office :

P.O. Narmadanagar – 392 015.
District : Bharuch,
Gujarat, INDIA.
Website : www.gnfc.in

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NOTICE

NOTICE IS HEREBY given that the **34th Annual General Meeting** of the Members of Gujarat Narmada Valley Fertilizers Company Limited will be held on **Friday, the 24th September, 2010 at 11.00 A.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, 2010, 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, 2010.
3. To appoint a Director in place of Shri Pankaj Kumar, IAS, who retires by rotation and is eligible for re-appointment.
4. To appoint a Director in place of Dr. TT Ram Mohan, who retires by rotation and is eligible 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 Sections 224, 224A and other applicable provisions, if any, of the Companies Act, 1956, the retiring Auditors M/s. RS Patel & Co., Chartered Accountants, Ahmedabad (Firm Registration No. 107758W), 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 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, 2011."

SPECIAL BUSINESS :

6. Appointment of Shri HV Patel, 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(s) 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 HV Patel, IAS as Managing Director of the Company for a period commencing from 15th July, 2010 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 HV Patel, 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 HV Patel, 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. Increase in the Borrowing Limits 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 in supersession of the Ordinary Resolution passed by the Members at the 32nd Annual General Meeting held on 25th September, 2008, the consent of the Company be and is hereby accorded under Section 293(1)(d) and other applicable provisions, if any, of the Companies Act, 1956, to the Board of Directors of the Company to borrow from time to time, all such sums of money as they may deem requisite, necessary or expedient, for the purpose of the business of the Company, upon such terms and conditions and with or without security, as the Board of Directors may in its absolute discretion think fit, notwithstanding that the money or monies to be borrowed together with the monies already borrowed by the Company (apart from temporary loans obtained from the Company's bankers in the ordinary course of business) would exceed the aggregate of the paid-up capital of the Company and its free reserves, that is to say, reserves not set apart for any specific purpose,

provided, however, that the total amount up to which monies may be borrowed by the Board of Directors shall not exceed the sum of Rs.4,000 Crores (Rupees Four Thousand Crores only) outstanding at any point of time."

8. Authorization for creation of mortgage(s)/charge(s) :

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

As an Ordinary Resolution :

"**RESOLVED** that in addition to the mortgages and charges created and to be created by the Company pursuant to the consents given at the General Meetings of the Company held from time to time, the consent of the Company be and is hereby accorded pursuant to the provisions of Section 293(1)(a) and other applicable provisions, if any, of the Companies Act, 1956, to the mortgaging and/or charging by the Board of Directors of the Company of all or any of the immovable and movable properties of the Company, wheresoever situate, both present and future, and the whole or substantially the whole of the undertaking of the Company with or without conferring the power to enter upon and to take possession of assets of the Company and/or to take over the management of the business and undertaking of the Company, in certain events, to secure a loan or loans and/or deposits and/or credit facilities and/or deferred payment facilities and/or guarantees for securing any loans or deferred payment facilities and/or debentures or bonds and/or any other form of borrowing, in any currency or currencies, for amounts not exceeding in the aggregate Rs.4,000 Crores remaining outstanding at any point of time and interest and all other monies payable in connection therewith, to be obtained from or to be issued to financial institutions and/or banks and/or other parties, by the Company."

"**RESOLVED FURTHER** that the Board of Directors of the Company be and is hereby authorized to finalize and execute all such documents for creating the aforesaid mortgage(s) and/or charge(s) and on such terms and conditions as they may deem fit, proper or appropriate in their absolute discretion and to do all such acts, things and matters as may be necessary for giving effect to the above Resolution."

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. 5 to 8 set out above is 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, 4 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 : 17th August, 2010

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. 5 to 8 OF THE ACCOMPANYING NOTICE DATED 17TH AUGUST, 2010

Item No. 5

The shareholding 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. 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, therefore, commend the resolution for your approval.

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

Item No. 6

Consequent upon the transfer and appointment of Shri Guruprasad Mohapatra, IAS as Commissioner of Commercial Tax, Ahmedabad, he tendered his resignation from the Board of the Company effective 15th July, 2010. He relinquished the charge as Managing Director of the Company with effect from the said date.

As advised by Government of Gujarat, Shri H. V. Patel, IAS, Director of the Company and Managing Director of Gujarat State Fertilizers & Chemicals Ltd. assumed the additional charge of the post of Managing Director of the Company effective 15th July, 2010. In pursuance of the provisions of Section 316 of the Companies Act, 1956, he was appointed by the Board as Managing Director of the Company in its meeting held on 31st July, 2010 by passing an unanimous Resolution. As Shri HV Patel is drawing remuneration from Gujarat State Fertilizers & 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 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 HV Patel as Managing Director of the Company and payment of remuneration / special pay, if any, to him is subject to the approval of the shareholders in General Meeting. Accordingly, your Directors commend the proposed resolution for your approval.

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

Item Nos. 7 & 8

The Members of the Company at their 32nd Annual General Meeting held on 25th September, 2008 had approved the proposal of the Company to borrow monies up to Rs.3,000 Crores, under Section 293(1)(d) of the Companies Act, 1956.

The asset base of the Company has been increasing and as at 31st March, 2010, the balance sheet size of the Company has exceeded Rs.3000 Crores. The Company is implementing various projects under its growth plan and has already tied up loan of Rs.2001 Crores for these projects. Board of Directors has recently approved implementing Ammonia Feed Stock Conversion Project. Lump sum turnkey contract for this project has been awarded to M/s Larsen & Toubro, Mumbai. The Company is also exploring to set-up a new Formic Acid Plant of 50,000 MTPA. It is also planned to revamp / replace the plants which have lived their life. So as to augment the long term financial resources of the Company for implementation of these projects as also for the normal capital expenditure, it is necessary to raise the funds by resorting to borrowings from financial institutions/banks/ other parties, as also by issuance of securities such as debentures/bonds, etc. In view of this, it is proposed to further increase the borrowing limits of the Board of Directors from the present limit of Rs.3000 Crores to Rs.4000 Crores.

The borrowings of the Company in general would be required to be secured by suitable mortgage or Charge on all or any of the movable and/or immovable properties of the Company in such form, manner and ranking, as may be determined by the Board of Directors of the Company from time to time, in consultation with the lenders.

Resolutions placed at Item Nos.7 & 8 of the accompanying Notice are for the said purposes and are therefore commended to the shareholders for their approval.

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

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 : 17th August, 2010

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:

Shri Pankaj Kumar, IAS

Shri Pankaj Kumar (48) is a Director of the Company since 31st August, 2005. He is B.Tech-Civil, IIT (Topper), Kanpur and MBA.

He is a senior IAS Officer. He has held high positions in Government as Collector, District Development Officer, Municipal Commissioner, Commissioner of Relief & Secretary, Revenue Department, Additional Principal Secretary to the Hon'ble Chief Minister of Gujarat and as Secretary, Information & Broadcasting Department and Joint Managing Director, Sardar Sarovar Narmada Nigam Ltd. He has expertise in the field of Public Policy and Administration, Disaster Management and Media Management. Presently, he is the Vice Chairman & Chief Executive Officer of Gujarat Maritime Board.

Details of his other Directorships are -

1. Mundra Port & Special Economic Zone Ltd. - Director
2. Bharuch Dahej Railway Co.Ltd. - Director
3. Gujarat Chemical Port Terminal Co.Ltd. - Director
4. Gujarat Industrial Corridor Corp.Ltd. - Director
5. Gujarat Pipavav Port Ltd. - Director
6. Gujarat Port Infrastructure & Development Co.Ltd. - Director
7. Alcock Ashdown Gujarat Ltd. - Director
8. Gujarat Maritime Board - Vice Chairman & CEO
9. Hazira Port Pvt. Ltd. - Director

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

Dr. TT Ram Mohan

Dr. TT Ram Mohan (54) is a Director of the Company since 31st August, 2005. He is B.Tech - Metallurgy, IIT, Mumbai, PGDM, IIM, Kolkata, MBA, Stern School of Business, New York and Ph.D. (Economics), Stern School of Business, New York.

He is a Professor, finance and accounting area at IIM Ahmedabad. He worked extensively in consultancy and in the financial sector before entering academics. He has worked as Divisional Manager with Tata Economic Consultancy Services, Head of Strategy at Standard Chartered Bank and Vice President with Bear Stearns Asia Ltd.(Hongkong). At IIM, Ahmedabad, Prof. Ram Mohan specialises in the financial sector. His current research interests include banking sector reforms, privatisation and corporate governance. He has run training programmes for Executives and presented papers at conferences in India and abroad, published papers and authored three books, including one on financial regulation. For past 9 years, he has been writing a fortnightly column for 'The Economic Times'. He was visiting faculty at Stern School of Business, New York University in 2001. He has served on RBI Committees.

Details of his other Directorships and Committee Membership are -

1. IndusInd Bank Ltd. - Director
2. Brics Securities Ltd. - Director & Member of Audit Committee
3. Paterson Securities Pvt Ltd. - Director
4. SBI Pension Funds (P) Ltd. - Director

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

Shri H. V. Patel, IAS, Managing Director

Shri H. V. Patel (56), is a Director of the Company since 20th May, 2008. He is a Bachelor of Commerce with Advanced Accountancy. He is a senior IAS Officer in the rank of Principal Secretary to the Government of Gujarat. He has a long experience in development and regulatory administration as Assistant Collector - Radhanpur / Mehsana, District Development Officer in Surendranagar and Kutch, Collector - Jamnagar, Additional Industries Commissioner, Joint Secretary (Industries), Secretary (Information) Secretary (Transport) - Home Department, Commissioner and Principal Secretary (Land Reforms) - Revenue Department. Some of the major assignments handled by him in the capacity of Managing Director have been with Gujarat State Export Corporation, Gujarat Land Development Bank and Gujarat Power Corporation Ltd. and also as Vice - Chairman & Managing Director of Gujarat Industrial Development Corporation.

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

Details of his other Directorships and Committee Memberships are -

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

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

**DIRECTORS' REPORT**

To

The Members,

Your Directors have pleasure in presenting this 34th Annual Report together with Audited Statements of Accounts of the Company for the year ended 31st March, 2010.

Financial Results (Rs. in Crores)

Particulars	2009-10	2008-09
Income from Sales	2,614.45	2,920.06
Other Income	86.28	65.34
Total Income	2,700.73	2,985.40
Total Expenditure	2,340.50	2,485.04
Profit before Depreciation, Interest and Tax	360.23	500.36
Depreciation	116.96	119.73
Interest	23.38	26.92
Profit before Taxes (PBT)	219.89	353.71
Provision for Taxes (Net)	96.05	126.19
Net Profit for the year	123.84	227.52
Balance brought forward from previous year	491.64	523.22
Amount available for Appropriation	615.48	750.74
Appropriations		
Proposed Dividend	50.51	50.51
Tax on Dividend	8.39	8.59
General Reserve	100.00	200.00
Balance carried to Balance Sheet	456.58	491.64

YEAR IN RETROSPECT

During the year under review, the Company achieved a sales turn-over of Rs.2,614.45 Crores as against Rs.2,920.06 Crores of the previous Financial Year. The profit before tax and the profit after tax remained at Rs.219.89 Crores and Rs.123.84 Crores respectively for the Financial Year 2009-10 as against Rs.353.71 Crores and Rs.227.52 Crores for the previous Financial Year. The Company's margins were under pressure during the year due to stiff competition and lower realization of Industrial Products, despite increase in the volume of sales.

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, 2010. On its approval, the dividend pay out will be Rs.58.90 Crores, including tax on dividend of Rs.8.39 Crores.

TRANSFER TO RESERVES

The Company proposes to transfer Rs.100 Crores to General Reserve out of the amount available for appropriations. An amount of Rs.456.58 Crores is proposed to be retained in the Profit & Loss Account.

PERFORMANCE REVIEW**Operational Highlights**

The fiscal year 2009-10 was a challenging year for Indian Economy. Impact of significant deceleration in the growth rate in the second half of 2008-09 was felt even during the first half of 2009-10. There was added uncertainty on account of delayed and subnormal south – west monsoon, which had undermined the kharif crop in the Country. Major concern during the second half of 2009-10 had been the emergence of double digit food inflation. It is in this environment that the performance of your Company during 2009-10 can be regarded as reasonably good.

Despite several constraints, the Company achieved overall satisfactory production performance during the year under review. Some of the major plants of the Company were operated at over 100% capacity utilization. Ammonia Plant produced 4,45,505 MTs of Ammonia with capacity utilization of 100%, Formic Acid Plant produced 15,886 MTs of Formic Acid with capacity utilization of 158.86%, Acetic Acid Plant produced 1,40,140 MTs of Acetic Acid with capacity utilization of 140.14%, Weak Nitric Acid Plant (WNA) produced 2,81,049 MTs of WNA registering capacity utilization of 113.56%, CNA-I and CNA-II Plants produced 68,906 MTs of CNA registering average capacity utilization of 104.40% and ANP Plant produced 1,66,547 MTs of Ammonium Nitrophosphate registering capacity utilization of 116.88%. Besides, Urea Plant produced 6,01,681 MTs of Urea with capacity utilization of 94.60%, Aniline Plant produced 33,848 MTs of Aniline with capacity utilization of 96.71% and TDI Plant produced 12,974 MTs of TDI with capacity utilization of 92.67%.

Total 23 new records were established during the year in terms of production, marketing and despatch.

The Company achieved a sale of 10.30 Lac MTs of Fertilizers. In addition, the Company also handled and sold 1.13 Lac MTs of Imported Urea as a part of its trading activity. Highest ever dispatches of Fertilizers directly to retail outlets in Gujarat by road was achieved, resulting into a significant saving in freight cost. The Company handled 6,67,589 MTs of Industrial Products during financial year 2009-10 vis-a-vis 5,29,528 MTs of Industrial Products handled during financial year 2008-09, showing an increase of around 26%.

A catastrophic failure of Waste Heat Boiler (WHB) E-703, in Ammonia Plant on 9th February, 2010 resulted into disruption of Ammonia production. A partial shutdown of Ammonia Plant had to be taken for the repairs of WHB E-703. Repaired WHB E-703 has been put-back into operation and all the plants have been recommissioned effective 6th June, 2010. The production of Ammonia, Urea and ANP has been restored. All the plants of the Company are now operating smoothly.

We are seriously concerned about the failure / breakdown of the plants. An Upkeep Plan for countering failure susceptibility due to ageing of plants and supporting facilities has been approved. All critical equipments / instruments which have potential failure or are risk prone are being replaced in a phased manner. It is also planned to revamp / replace the ageing plants which have lived their life.

As reported last year, the Company is implementing various projects under its 'Growth Plan'. The Company has tied-up term loans of Rs.2,001 Crores from Banks, etc., for its new projects. In addition, as per the policy of Government of India, the Company is implementing Ammonia Plant Feed Stock Conversion Project at a cost of Rs.1,215.74 Crores. Approval from Department of Fertilizers, Government of India for this project has been received with zero date commencing from 14th December, 2009. The Company has already awarded LSTK contract for this project to M/s Larsen & Toubro Ltd., Mumbai and has also tied-up term loans of Rs. 1,154.53 crores from banks for this project. With a view to utilizing the spare capacity of existing Gasifier Train, the Company is exploring a new Formic Acid Plant of 50,000 MTPA. The Company is also contemplating setting-up projects in Joint Venture with Gujarat State Fertilizers & Chemicals Ltd., and Gujarat Alkalies & Chemicals Ltd., at Dahej in Gujarat.

Analysis of the performance of the Company as also the status of various projects completed and projects under execution are given in the Management Discussion & Analysis, forming part of this Annual Report.

(n) CODE SOLUTIONS

(n) Code Solutions, the IT division of the Company is a Licensed Certifying authority for issuance of Digital Signature Certificates, the usage of which is increasing in e-governance applications and e-commerce transactions. It has issued 1,09,488 Digital Signature Certificates during the financial year 2009-2010, a growth of about 20% over the previous year. (n) Code solutions also provides e-procurement services, e-Governance solutions, designs, builds and manages world class data centers and offers Managed IT services.

(n) Code has been selected as a service provider by NICSI (National Informatics Center Services Incorporated) for the implementation of e-procurement for 11 States under the PMGSY (Pradhan Mantri Gram Sadak Yojna) Project. During 2009-10, it has also handled interesting projects for Pune Municipal Corporation, Reliance Industries Ltd., BEML, MJunction, All Time Royalty pass for the Department of Geology and Mining, Gujarat etc. During the year its security services project called ISMS implemented for GUVNL received a "Special Recognition Award" of the Computer Society of India (CSI).

FERTILIZER POLICY

During the year under review, the Government of India (GoI) has announced Nutrient Based Subsidy (NBS) Policy. This Policy is expected to promote balanced fertilization through new fortified products and focus on extension services by the Fertilizer Industry. This will lead to an increase in agricultural productivity and consequently better returns for the

farmers. The first phase of NBS covering only P&K has become effective from 1st April, 2010. NBS policy is applicable to the Company's product Ammonium Nitrophosphate (ANP). As per the policy, subsidy amount will be fixed for the entire year based on the Nutrient contents of Company's product and the Company will be free to decide the selling price of the product in the market.

NBS policy for Urea will be implemented in second phase. Till such time NPS-III will continue as NPS-IV /ad-hoc Urea Scheme. Urea price has been increased by 10% w.e.f. 1st April, 2010. This however, is not likely to impact the demand of Company's Urea.

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, 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, 2010 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

As per the requirements of Clause 49 of the Listing Agreement, a Report on Corporate Governance together with the following are attached herewith and forms part of this Annual Report:

1. Declaration on the Code of Conduct.
2. Certificate obtained from the Practising Company Secretary with regard to Company's compliance with the conditions of Corporate Governance.

MANAGEMENT DISCUSSION & ANALYSIS

Management Discussion & Analysis on the business and operations of the Company is attached herewith and forms part of this Annual Report.

FIXED DEPOSITS

The Company has discontinued acceptance of fixed deposits w.e.f. 1st April, 2007. The Company has during the year transferred an amount of Rs.3,54,308/- being the amount of unclaimed deposit and interest, to the Investors' Education and Protection Fund set-up by the Government of India.

**DIRECTORATE****Chairman**

On the expiry of her term of office, Smt. Sudha Anchlia, relinquished the charge as Chairperson & Managing Director of the Company effective 30th June, 2009.

Shri AK Joti, IAS, Chief Secretary to Government of Gujarat has been nominated as Government Director on the Board of Directors of the Company effective 20th February, 2010. He has been appointed as the Chairman of the Company.

Managing Director :

Shri Guruprasad Mohapatra, IAS, was nominated as Government Director on the Board effective 1st July, 2009 and was appointed Managing Director of the Company with effect from the said date. He relinquished the charge of the post of Managing Director of the Company effective 15th July, 2010.

Shri H. V. Patel, IAS, Managing Director, Gujarat State Fertilizers and Chemicals Limited has assumed the additional charge of the post of Managing Director of the Company with effect from 15th July, 2010.

Change in Directorship during the year under review.

- ❖ Shri MM Srivastava, IAS, has been appointed Director to fill the casual vacancy caused by the resignation of Shri D Rajagopalan w.e.f. 22nd April, 2009.
- ❖ Shri S Jagadeesan, IAS, resigned as Director of the Company w.e.f. 1st December, 2009.
- ❖ Shri DJ Pandian, IAS, has been nominated as Government Director on the Board effective 11th December, 2009.

In pursuance of the provisions of Articles of Association of the Company as also of the provisions of the Companies Act, 1956, S/Shri Pankaj Kumar, IAS, and Dr. TT Ram Mohan retire by rotation at the forthcoming Annual General Meeting and they are eligible for reappointment.

Your Directors place on record their deep appreciation of the valuable services rendered by the outgoing Directors and take this opportunity to welcome the new Directors.

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 AND AUDITORS' REPORT

In pursuance of the Companies Act, 1956, M/s RS Patel & Co., Chartered Accountants, Ahmedabad, who are the Statutory Auditors of the Company, hold office upto the conclusion of the forthcoming Annual General Meeting and they are eligible for reappointment. The Company has received a letter from M/s RS Patel & Co., Chartered Accountants, Ahmedabad to the effect that their reappointment, if made, would be within the prescribed limits under Section 224 (1-B) of the Companies Act, 1956 and that they are not disqualified for such reappointment within the meaning of Section 226 of the said Act.

Notes to Accounts forming part of the Audited Financial Statements are self explanatory and need no further explanation. There are no qualifications or adverse remarks in the Auditors' Report, which require any clarification / explanation.

COST AUDITOR

In pursuance of the directives received from the Central Government for the appointment of Cost Auditors, 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 2010-11 under the Cost Accounting Records (Fertilizers) Rules, 1993.

INDUSTRIAL RELATIONS

Industrial relations during the year under review have remained extremely cordial and harmonious. Your Directors convey their appreciation for the contribution made by the employees at all levels.

ACKNOWLEDGEMENTS

The Directors wish to place on record their deep sense of 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: Vadodara
Date : 31st July, 2010

A K Joti
Chairman