



35th

**Annual Report
2010-2011**



GNFC

Chemicals • Fertilizers • IT

Gujarat Narmada Valley Fertilizers Company Limited



**Foundation Stone Laying Ceremony of Ammonia Feed
Stock Conversion Project and Toluene Di-Isocyanate Project
on 13th May, 2010**



'Deep Pragatya'

→ at the hands of Hon'ble Chief Minister of Gujarat, Shri Narendrabhai Modi.



→ **Cross Section of the Audience**



GUJARAT NARMADA VALLEY FERTILIZERS COMPANY LIMITED

35TH ANNUAL GENERAL MEETING

Date : 17th September, 2011
Day : Saturday
Time : 11:00 A.M.
Place : Open Air Theatre, Sports Complex,
Narmadanagar Township,
P.O. Narmadanagar-392 015,
District – Bharuch.

BOARD OF DIRECTORS

(As on 1st August, 2011)

Shri AK Joti, IAS, *Chairman*
Shri MM Srivastava, IAS
Shri DJ Pandian, IAS
Shri RK Tripathy, IAS
Shri GC Murmu, IAS
Shri DC Anjaria
Dr. TT Ram Mohan
Dr. Ashok Shah
Shri Atanu Chakraborty, IAS
Shri AM Tiwari, IAS, *Managing Director*

Executive Directors

Shri KC Jatania, CFO
Shri JS Kochar

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

Contents

Page No.

For Members' Attention	2
Notice & Annexure to the Notice	3
Directors' Report & its Annexures	7
Management Discussion & Analysis	14
Report on Corporate Governance	21
Additional Information for Shareholders	29
Auditors' Report & its Annexure	30
Balance Sheet	32
Profit & Loss Account	33
Cash Flow Statement	34
Schedules to the Balance Sheet (1 to 12)	35
Schedules to the Profit & Loss Account (13 to 19)	38
Significant Accounting Policies & Notes to Accounts	39
Balance Sheet Abstract & Company's General Business Profile	47



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 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 (alongwith self attested proof of residential address), Bank Account details, Nomination, Power of Attorney, E-Mail address 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, E-mail address 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 address.
 - 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) alongwith 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 alongwith necessary documents at the time of lodgment of request for these transactions, has become mandatory.

(II) REGARDING ANNUAL REPORT / ANNUAL GENERAL MEETING

1. Kindly bring your copy of this Annual Report alongwith 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 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.**

NOTICE

NOTICE IS HEREBY given that the **35th Annual General Meeting** of the Members of Gujarat Narmada Valley Fertilizers Company Limited will be held on **Saturday, the 17th September, 2011 at 11:00 A.M.** at the Registered Office of the Company, at Open Air Theatre, Sports Complex, Narmadanagar Township, 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, 2011, 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, 2011.
3. To appoint a Director in place of Shri DC Anjaria, who retires by rotation, and being eligible offers himself 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. Deloitte Haskins & Sells, Chartered Accountants, Ahmedabad (Firm Registration No. 117365W) be and are hereby appointed Auditors of the Company, in place of the retiring Auditors, M/s RS Patel & Co., Chartered Accountants, Ahmedabad 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, 2012.”

SPECIAL BUSINESS :**5. Appointment of Shri MM Srivastava, IAS as 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 MM Srivastava, IAS be and is hereby

appointed as Director of the Company, liable to retire by rotation.”

6. Appointment of Shri RK Tripathy, IAS as 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 RK Tripathy, IAS be and is hereby appointed as Director of the Company, liable to retire by rotation.”

7. Appointment of Shri Atanu Chakraborty, IAS as 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 Atanu Chakraborty, IAS be and is hereby appointed as Director of the Company, liable to retire by rotation.”

8. Appointment of Shri AM Tiwari, 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 pursuant to the provisions of Sections 198, 269 and 309 read with Schedule XIII and 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 AM Tiwari, IAS, as the Managing Director of the Company for a period commencing from 14th July, 2011, on such terms and conditions of appointment and payment of remuneration and providing of perquisites by the Company to him as Managing Director, as may be notified by the Government of Gujarat and as may be determined by the Board, so however, his period of office shall not exceed five years from the date of his appointment and the remuneration payable to him shall not exceed the limits specified under Schedule XIII to the Companies Act, 1956.”

“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 any increase, variation, modification or amendment, as may be decided and conveyed by the Government of



Gujarat in the terms and conditions of appointment and payment of remuneration and providing of perquisites by the Company to Shri AM Tiwari, IAS, Managing Director in accordance with Articles of Association of the Company and Schedule XIII to the Companies Act, 1956 or as may be prescribed / approved by the Central Government, if such approval of the Central Government is required."

"FURTHER RESOLVED that Shri AM Tiwari, Managing Director of the Company be and is hereby authorized to exercise substantial powers of Management and that he will be responsible for the day to day management of the Company, subject to the superintendence, direction and control of the Board of Directors and he 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."

"FURTHER RESOLVED that the remuneration, benefits and perquisites as may be notified by Government of Gujarat, shall be paid and allowed to Shri AM Tiwari as minimum remuneration, notwithstanding the absence or inadequacy of profits in any year."

"RESOLVED FURTHER that the Board of Directors of the Company be and is hereby authorized to take all such steps as may be necessary, proper or expedient to give effect to this 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. 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. Relative Explanatory Statement pursuant to Section 173 of the Companies Act, 1956, in respect of the business under Item Nos. 4 to 8 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 and 5 to 8 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 : 8th August, 2011

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, 2011

Item No. 4

M/s RS Patel & Co., Chartered Accountants, Ahmedabad were reappointed Statutory Auditors of the Company at the last Annual General Meeting (AGM) to hold office until the conclusion of this AGM. The Company has received a Notice under Section 190 of the Companies Act, 1956 from a Member of the Company proposing the appointment of M/s Deloitte Haskins & Sells., Chartered Accountants as Auditors of the Company in place of M/s RS Patel & Co. Chartered Accountants, the retiring Auditors of the Company.

It is proposed to appoint M/s Deloitte Haskins & Sells, Chartered Accountants, Ahmedabad as the Statutory Auditors of the Company in place of retiring Auditors. M/s Deloitte Haskins & Sells 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(1B) of the Companies Act, 1956 and also that they are not otherwise disqualified to be appointed, within the meaning of Section 226 (3) 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 Deloitte Haskins & Sells, 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 Nos. 5, 6 & 7

In accordance with Article 141 of Articles of Association of the Company:

- i) Shri MM Srivastava, IAS was appointed as Director on the Board of the Company effective 22nd April, 2009 in the casual vacancy caused by the resignation of Shri D Rajagopalan; and
- ii) Shri RK Tripathy, IAS, was appointed as Director on the Board of the Company effective 20th October, 2010 in the casual vacancy caused by the resignation of Shri PN Roychowdhury.

In accordance with Article 142 of Articles of Association of the Company, Shri Atanu Chakraborty, IAS was appointed as Additional Director on the Board of the Company effective 28th July, 2011.

In pursuance of the provisions of the Companies Act, 1956, S/Shri MM Srivastava, IAS, RK Tripathy, IAS and Atanu Chakraborty, IAS hold the office of Directors up to the date of forthcoming Annual General Meeting. As required by Section 257 of the Companies Act, 1956, Notices proposing the candidature of S/Shri MM Srivastava, RK Tripathy and Atanu Chakraborty for the office of Director of the Company have been received from some members alongwith requisite deposit.

Shri MM Srivastava is a Senior IAS Officer and is presently the Additional Chief Secretary to Government of Gujarat, Finance Department. He has a rich experience in the field of Management, Corporate Finance & Accounts and Administration.

Shri RK Tripathy is a Senior IAS Officer and is presently the Principal Secretary to Government of Gujarat, Agriculture & Co-operation Department. He has a rich experience in the field of Management and Administration.

Shri Atanu Chakraborty is a Senior IAS Officer and is presently the Managing Director of Gujarat State Fertilizers & Chemicals Ltd, Vadodara. He 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 S/Shri MM Srivastava, RK Tripathy and Atanu Chakraborty as Rotational Directors and therefore, commends the resolutions for your approval.

S/Shri MM Srivastava, RK Tripathy and Atanu Chakraborty are concerned or interested in the respective resolutions relating to their own appointment at Item Nos. 5 to 7 of the accompanying Notice. None of the remaining Directors is, in any way,

concerned or interested in the said resolutions.

Item No. 8

Consequent upon his transfer and appointment as Commissioner, Commercial Tax, Ahmedabad, Shri HV Patel, IAS has tendered his resignation as Director/ Managing Director of the Company effective 13th July, 2011.

In accordance with the provisions of Article 134 of Articles of Association of the Company, Government of Gujarat has nominated Shri AM Tiwari, IAS as Government Director on the Board of the Company. The Board has appointed Shri AM Tiwari as the Managing Director of the Company effective 14th July, 2011.

The terms and conditions of appointment and payment of remuneration and providing of perquisites to Shri AM Tiwari will be as may be notified by Government of Gujarat and as may be determined by the Board, provided that his period of office shall not exceed five years from the date of his appointment and the remuneration payable to him shall be subject to the limits specified under Schedule XIII to the Companies Act, 1956.

In terms of the provisions of Sections 198, 269, 309 read with Schedule XIII and other applicable provisions, if any of the Companies Act, 1956, the appointment of Shri AM Tiwari as Managing Director of the Company and payment of remuneration to him are subject to the approval of shareholders in General Meeting.

The proposed resolution is for the aforesaid purpose and is commended to the Shareholders for their approval.

Shri AM Tiwari is concerned or 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, 2011

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 DC Anjaria

Shri DC Anjaria (65), is a Director of the Company since 4th January, 2006. He is B.Com. and MBA (Finance), from IIM, Ahmedabad. He has long commercial banking experience spanning around 20 years in India and abroad. His expertise extends to operations management, foreign exchange trading, treasury management, financial control and international trade finance. He has held distinguished positions such as Chief Trader, Country Treasurer and Country Financial Controller in India.

Details of his other Directorship and Committee Membership are -

1. Ratnamani Metals & Tubes Ltd. - Director, Chairman of Audit Committee and Member of Shareholders' / Investors' Grievance Committee
2. Gujarat State Fertilizers & Chemicals Ltd. - Director and Chairman of Audit Committee
3. Gujarat International Finance Tech. City Co. Ltd. - Director and Chairman of Audit Committee
4. GIFT Collective Investment Management Co. Ltd. - Director and Chairman of Audit Committee
5. International Financial Solutions (P) Ltd. - Director
6. Indian Institute of Financial Services (P) Ltd. - Director

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

Shri MM Srivastava, IAS

Shri MM Srivastava, IAS (59), is a Director of the Company since 22nd April, 2009. He is M.Sc. and MBA. He is a senior IAS Officer having vast experience in the field of Management, Corporate Finance & Accounts and Administration. He has held distinguished positions in the Government of Gujarat. Presently, he is Additional Chief Secretary to Government of Gujarat, Finance Department.

Details of his other Directorship and Committee Membership are -

1. Gujarat State Investments Ltd. - Chairman
2. Gujarat State Financial Services Ltd. - Chairman
3. GSFS Caps Ltd. - Chairman
4. Gujarat State Petroleum Corporation - Director and Member of Audit Committee
5. Gujarat International Finance Tech. City Co. Ltd. - Director and Member of Audit Committee
6. Sardar Sarovar Narmada Nigam Ltd. - Director and Member of Audit Committee
7. Gujarat State Fertilizers & Chemicals Ltd. - Director and Member of Audit Committee
8. Gujarat Alkalies & Chemicals Ltd. - Director

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

Shri RK Tripathy, IAS

Shri RK Tripathy, IAS (58), is a Director of the Company since 20th October, 2010. He is M.A. with Political Science. He is a senior IAS Officer having vast experience in the field of Management & Administration. He has held distinguished positions in the Government of Gujarat. Presently, he is Principal Secretary to Government of Gujarat, Agriculture & Co-operation Department.

Details of his other Directorship and Committee Membership are -

1. Gujarat Agro Industries Corporation Ltd. - Chairman and Member of Audit Committee

2. Gujarat State Seed Corporation Ltd. - Chairman
3. Gujarat State Land Development Corporation Ltd. - Chairman
4. Mahindra Gujarat Tractor Ltd. - Director

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

Shri Atanu Chakraborty, IAS

Shri Atanu Chakraborty, IAS (51), is a Director of the Company since 28th July, 2011. He is BE (Electronics and Communications) and has also done Post Graduate Diploma in Business Finance and MBA from UK. He is a senior IAS Officer having vast experience in the field of Management, Finance, Infrastructure Development and Administration. He has held distinguished positions in the Government of Gujarat and in Central Government.

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

Details of his other Directorship and Committee Membership are -

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

Shri AM Tiwari, IAS, Managing Director

Shri AM Tiwari, IAS (52), is a Managing Director of the Company since 14th July, 2011. He is B.Sc. (Botany, Zoology, Chemistry) and M.Sc. (Zoology) from Banaras Hindu University, Varanasi and MBA in Business Administration from University of Ljubljana, Slovenia. He is a senior IAS Officer and has held distinguished positions in the Government of Gujarat and in Government of India. He has a rich and varied experience of over 24 years as Collector (Amreli), Managing Director (Gujarat Women's Development Corporation), Commissioner (Transport) (Geology and Mines), Secretary (Rural Development), Dy. Secretary (Industries, Mines, Energy and Petrochemicals), Deputy Secretary / Director Micro-credit Development Division - Executive Director in Swa-Shakti Project in the Department of Women and Child Development, Ministry of Human Resource Development, Government of India. He has done work in the fields of Tribal Development, Rural Development, Micro Finance Development and Women's empowerment activities.

He was Principal Secretary, Tribal Development Department, Government of Gujarat prior to his appointment as Managing Director of the Company.

Details of his other Directorship are -

1. The Fertiliser Association of India - Director
2. Gujarat Chemical Port Terminal Co. Ltd. - Director
3. ACCESS Development Services - Director

DIRECTORS' REPORT

To

The Members,

Your Directors have pleasure in presenting this 35th Annual Report together with Audited Statements of Accounts of the Company for the year ended 31st March, 2011.

Financial Results

Following are the financial highlights : (Rs. in Crores)

Particulars	2010-11	2009-10
Income from Sales	2,845.89	2,614.45
Other Income	143.56	86.28
Total Income	2,989.45	2,700.73
Total Expenditure	2,468.54	2,340.50
Profit before Depreciation, Interest and Tax	520.91	360.23
Depreciation	121.11	116.96
Interest	18.39	23.38
Profit before Taxes (PBT)	381.41	219.89
Provision for Taxes (Net)	114.88	96.05
Net Profit for the year	266.53	123.84
Balance brought forward from previous year	456.58	491.64
Amount available for Appropriation	723.11	615.48
Appropriations		
Proposed Dividend	50.51	50.51
Tax on Dividend	8.19	8.39
General Reserve	100.00	100.00
Balance carried to Balance Sheet	564.41	456.58

YEAR IN RETROSPECT

During the year under review, the Company achieved a sales turn-over of Rs.2,845.89 Crores as against Rs.2,614.45 Crores of the previous Financial Year. The profit before tax and the profit after tax were higher at Rs.381.41 Crores and Rs.266.53 Crores respectively for the Financial Year 2010-11 as against Rs.219.89 Crores and Rs.123.84 Crores for the previous Financial Year.

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, 2011. On its approval, the dividend payout will be Rs.58.70 Crores, including tax on dividend of Rs.8.19 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.564.41 Crores is proposed to be retained in the Profit & Loss Account.

PERFORMANCE REVIEW

Year 2010-11 has been a year of consolidation of the Indian Economy. Growth rate in 2010-11 has been 8.6%. Growth has been broad based with a rebound in the Agriculture sector at around 5.4%. Manufacturing and service sectors have also registered impressive gains. Food inflation, higher commodity prices and volatility in global commodity markets have, however been a cause of concern. Global commodity prices have been on the upswing. Crude oil prices reached a high of \$110 a barrel by the end of financial year from \$75 a barrel in mid 2010. Similarly, all major raw material prices increased steadily during the financial year 2010-11. It is in this back-drop, the Company has registered impressive performance during 2010-11.

As reported last year, after the failure of Waste Heat Boiler (WHB) E-703 in Ammonia Plant on 9th February, 2010, 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 of the Company have been recommissioned effective 6th June, 2010. All the plants of the Company have been operating well since then.

Despite loss of production of Ammonia for 70 days, the Company achieved commendable 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 4,74,868 MTs of Ammonia with capacity utilization of 106.59%, Urea Plant produced 6,43,228 MTs of Urea with capacity utilization of 101.14%, Formic Acid Plant produced 19,382 MTs of Formic Acid with capacity utilization of 193.82%, Acetic Acid Plant produced 1,53,295 MTs of Acetic Acid with capacity utilization of 153.29%, Weak Nitric Acid Plant (WNA) produced 2,84,307 MTs of WNA with capacity utilization of 114.87%, CNA-I and CNA-II Plants produced in aggregate 73,741 MTs of CNA with average capacity utilization of 111.73%, Ammonium Nitrophosphate Plant produced 1,66,235 MTs of Ammonium Nitrophosphate with capacity utilization of 116.66%, Aniline Plant produced 39,896 MTs of Aniline with capacity utilization of 113.99% and TDI Plant produced 17,710 MTs of TDI with capacity utilization of 126.50%. Methanol-I, Methanol-II and MSU Plants were not operated at their full capacity in view of high cost of production of Methanol coupled with reduction in its sales realization. AN Melt being more remunerative, it was sold directly to the extent possible rather than using the same for producing Calcium Ammonium Nitrate.

Impact of economic meltdown during the previous year eased off during the financial year 2010-11. Almost all Industrial Products performed well in terms of volume and realization during the year. The Company sold 7,84,592 MTs of Industrial Products during financial year 2010-11 vis-a-vis 6,67,589 MTs of Industrial Products sold during financial year 2009-10, registering an increase of around 17.5%.



In respect of damage to equipment E-703, the Company had lodged a claim with the Insurance Company for material damage as well as loss of profit (LOP). The Company has received a sum of Rs.141.20 Crores from the Insurance Company in full and final settlement of the claim.

Your company took-up 14 projects for implementation under its strategic Growth Plan. Of these, 8 projects were completed and commissioned by 2010-11 at a total cost of Rs.432.05 Crores. 2 projects viz. Concentrated Nitric Acid–III project and Weak Nitric Acid–II project have been completed and commissioned during the current year 2011-12 at a cost of around Rs. 324.13 Crores. One project viz. Wet Sulphuric Acid project has been abandoned. Remaining 3 projects viz. Co-generation Power & Steam Unit (CPSU), Ethyl Acetate and Toluene Di-isocyanate (TDI) projects are presently under implementation. An Action Plan including re-organising the Project Team has been chalked out for speedy implementation of these projects.

As per the policy of Government of India, the Company is also implementing Ammonia Plant Feed Stock Conversion Project for which the contract has been awarded to M/s Larsen & Toubro, Mumbai, on LSTK basis. This project is slated to be commissioned by August, 2012.

Status of various projects completed as also the projects under execution are given in 'Management Discussion & Analysis', forming part of this Annual Report.

(n) CODE SOLUTIONS DIVISION

(n)Code Solutions, the IT Division of the Company is a leading Licensed Certifying Authority for issuance of Digital Signature Certificates in the Country. (n)Code also provides e-procurement solutions, e-governance solutions, designs, builds and manages world class data centers and offers managed IT services. (n)Code issued 189074 Digital Signature Certificates during the financial year 2010-2011, registering a growth of 73% over the previous year. (n)Code also completed 15029 tenders, registering a growth of around 38% over the previous year. During the year under review, (n)Code emerged as a broad based IT solution provider beyond the confines of Gujarat.

FERTILIZER POLICY

During the year under review,

- ❖ Government of India (GoI) levied Excise Duty on Fertilizers effective 1st March, 2011. Excise Duty as applicable is recoverable by the Company by way of suitable increase in MRP.
- ❖ With a view to compensating the manufacturers of Urea for tax on inputs levied by the State Governments of Gujarat and Uttar Pradesh, not reimbursed by GoI by way of subsidy, GoI has permitted the Urea suppliers to charge the same from the farmers of Gujarat and Uttar Pradesh effective 1st April, 2011.
- ❖ Nutrient Based Subsidy Policy introduced from 1st April, 2010 for P&K Fertilizers continues during Financial Year

2011-12. Subsidy on nutrients has been increased in line with the increase in the international prices of Urea, DAP, MOP and Sulphur. Consequently, subsidy on Ammonium Nitrophosphate produced by the Company has increased.

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, 2011 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.

DEMERGER OF V-SAT / ISP GATEWAY BUSINESS

V-SAT / ISP Gateway business not being a core business of the Company, it has been decided to transfer the said business to ING Satcom Ltd., a wholly owned subsidiary of M/s Infinium India Ltd., an unlisted company through the scheme of arrangement and demerger, against cash consideration of Rs.6 Crores.

FIXED DEPOSITS

The Company has discontinued acceptance of fixed deposits with effect from 1st April, 2007. The Company has paid during the year Rs.246/- towards the unclaimed interest to one depositor.