

GUJARAT STATE FERTILIZERS & CHEMICALS LIMITED

44th ANNUAL GENERAL MEETING

Date : 22nd September, 2006
 Day : Friday
 Time : 9.00 a.m.
 Place : Fertilizernagar - 391 750
 District Vadodara

BOARD OF DIRECTORS (As on 15-07-2006)

S G MANKAD *Chairman*
 DR. MANJULA SUBRAMANIAM
 BALWANT SINGH
 DR. AVINASH KUMAR
 D C ANJARIA
 PROF. VASANT P GANDHI
 AJAY N SHAH
 VIJAI KAPOOR
 A K LUKE *Managing Director*

SPECIAL DIRECTOR

C R RAO

EXECUTIVE DIRECTORS

A K VIJAY KUMAR
 M S AGARWAL

COMPANY SECRETARY

V D NANAVATY

BANKERS

Bank of Baroda
 State Bank of India
 Bank of India
 Vijaya Bank
 Central Bank of India
 Dena Bank
 Indian Bank
 Indian Overseas Bank
 Punjab National Bank
 ICICI Bank Ltd.
 Yes Bank Ltd.
 UTI Bank Ltd.

STATUTORY AUDITORS

M/s. Ghiya & Co., Jaipur (for 2005-06)
 M/s. G K Choksi & Co., Ahmedabad (for 2006-07)

BRANCH AUDITORS

(Polymers & Fibre Units)
 M/s. K C Mehta & Co., Vadodara (for 2005-06)
 M/s. Talati & Talati, Vadodara (for 2006-07)

COST AUDITORS

M/s. Diwanji & Associates, Vadodara (for 2005-06)
 M/s. R K Patel & Co., Vadodara (for 2006-07)

SOLICITORS

M/s. Bhaishanker Kanga & Girdharlal, Mumbai

CONTENTS Page No.

Notice	3
Directors' Report	8
Corporate Governance Report	16
Management Discussion and Analysis Report ...	22
Auditors' Report	27
The Accounts	30
Cash Flow Statement	53
Statement Pursuant to Section 212	54
Consolidated Accounts	55

REGISTRARS & TRANSFER AGENTS

M/s. MCS Limited
 Neelam Apartments, 1st Floor
 88, Sampatrao Colony
 Behind Standard Chartered Bank
 Productivity Road, Vadodara - 390 007

REGISTERED OFFICE

P. O. Fertilizernagar - 391 750
 District Vadodara, Gujarat, India

FOR MEMBERS' ATTENTION

1. The Register of Members and the Share Transfer Books of the Company will remain closed from Saturday, the 9th September, 2006 to Friday, the 22nd September, 2006 (both days inclusive) for the purpose of ascertaining the entitlement for payment of dividend.
2. Dividend, upon its declaration at the meeting, will be paid on Equity Shares of the Company on or after 28th September, 2006, in respect of shares held in physical mode, to those members whose names appear on the Register of Members of the Company on 22nd September, 2006 and in respect of shares held in electronic mode, to the beneficial owners of the shares as per details to be furnished by National Securities Depository Limited and Central Depository Services (India) Limited as at the end of business hours on 8th September, 2006.
3. To make the payment of dividend through ECS or to print Bank particulars of the members on the dividend warrants, members are requested to furnish their Bank particulars viz. Name of Bank with its branch and address, Bank A/c. No., 9 Digit MICR Code appearing on the MICR cheque issued by the Bank etc. Please also send a copy of the MICR Cheque together with Bank particulars to the Company.

The shareholders who hold shares in electronic form are requested to furnish their Bank particulars as aforesaid to their Depository Participant (DP).
4. The Central Government has granted exemption pursuant to Section 212 (8) of the Companies Act, 1956 from attaching Subsidiary Company's documents to the Company's Balance Sheet as at 31st March, 2006 and hence the documents of the Subsidiary Company has not been attached to the Balance Sheet of the Company. The Annual Accounts of the Subsidiary Company and the related detailed information will be made available to the investors of the Company and of the Subsidiary Company, seeking such information, at any point of time. The Annual Accounts of the Subsidiary Company will be available for inspection by any investor at the Registered Office of the Company.
5. Members are requested to quote Folio Number or DP ID and Clients ID No. (in case of shares held in demat forms) in all correspondence and also to bring with them the Attendance Card which may be submitted at the entrance duly signed.
6. Members who are registered under two or more Ledger Folios are requested to write to the Registrars and Transfer Agents of the Company for consolidation, giving particulars of such Folios and send relevant Share Certificates.
7. Those members who have not yet submitted their old shares of Rs.100/- each for exchange of new equity shares of Rs.10/- each are requested to send the said shares to the Registrars & Transfer Agents of the Company.
8. Shareholders of erstwhile Gujarat Nylons Ltd, who have yet not surrendered their GNL equity share certificate/s are advised to surrender the same immediately to the Registrars & Transfer Agents of the Company so as to enable the despatch of converted GSFC shares etc. in exchange thereof at the earliest.
9. Members holding shares in the Dematerialised Form are requested to intimate changes, if any, in respect of their Bank details, Mandate instructions, Nomination, Power of Attorney, Change of Address, Change of Name etc. to their Depository Participant (DP).
10. The Company's Equity Shares are listed on the following two Stock Exchanges :
 1. Bombay Stock Exchange Limited
Phiroze Jeejeebhoy Tower
25th Floor, Dalal Street
Mumbai – 400 001
 2. National Stock Exchange of India Ltd.
Exchange Plaza, 5th Floor
Plot No.C/1, G Block
Bandra Kurla Complex
Bandra (East)
MUMBAI – 400 051

The Company has paid annual Listing fees to each of the above Stock Exchanges for the financial year 2005-06.
11. Members are requested to send their queries, if any, at least seven days in advance of the meeting so that the information can be made available at the meeting.

NOTICE



NOTICE is hereby given that the **Forty-fourth Annual General Meeting** of the Members of the Company will be held at the Registered Office of the Company at 9.00 a.m. on Friday, the 22nd September, 2006 to transact the following business :

Ordinary Business

1. To receive, consider and adopt the Audited Accounts, Balance Sheet as at 31st March, 2006, Profit & Loss Account for the year ended on that date & the reports of Directors and Auditors thereon.
2. To declare Dividend.
3. To appoint a Director in place of Dr. Avinash Kumar, IAS who retires by rotation and being eligible offers himself for re-appointment.
4. To pass the following resolution, with or without modifications, as an **Ordinary Resolution** :
"RESOLVED that, the Board of Directors of the Company be and are hereby authorized to fix the remuneration plus TA and out of pocket expenses, to be paid to the Statutory Auditors and Branch Auditors appointed by the Comptroller and Auditor General of India to audit the accounts of the Company for the financial year 2006-07 at Corporate level at Head Quarters including its Sikka Unit and Fertilizernagar Plants and to audit the accounts of Polymers and Fibre Units of the Company for the financial year 2006-07, as the Board may deem fit and appropriate in their absolute discretion."

Special Business

5. To consider and if thought fit, to pass the following resolution, with or without modifications, as an **Ordinary Resolution** :
"RESOLVED that Shri D C Anjaria who retains his office as an Additional Director upto the date of this meeting pursuant to the provisions of Section 260 of the Companies Act, 1956 read with Article 148 of the Articles of Association of the Company, be and is hereby appointed as a Director of the Company."
6. To consider and if thought fit, to pass the following resolution, with or without modifications, as an **Ordinary Resolution** :
"RESOLVED that Prof. Vasant P Gandhi who retains his office as an Additional Director upto the date of this meeting pursuant to the provisions of Section 260 of the Companies Act, 1956 read with Article 148 of the Articles of Association of the Company, be and is hereby appointed as a Director of the Company."
7. To consider and if thought fit, to pass the following resolution, with or without modifications, as an **Ordinary Resolution** :
"RESOLVED that Shri Ajay N Shah who retains his office as an Additional Director upto the date of this meeting pursuant to the provisions of Section 260 of the Companies Act, 1956 read with Article 148 of the Articles of Association of the Company, be and is hereby appointed as a Director of the Company."
8. To consider and if thought fit, to pass the following resolution, with or without modifications, as an **Ordinary Resolution** :
"RESOLVED that Shri Vijai Kapoor who retains his office as an Additional Director upto the date of this meeting pursuant to the provisions of Section 260 of the Companies Act, 1956 read with Article 148 of the Articles of Association of the Company, be and is hereby appointed as a Director of the Company."

By Order of the Board

Pavagadh
15th July, 2006

V D Nanavaty
Company Secretary

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 THE PROXY NEED NOT BE A MEMBER.
2. As the Company continues to attract the provisions of Section 619-B read with the provision of Section 619(2) of the Companies Act, 1956 the Comptroller & Auditor General of India have appointed M/s. G K Choksi & Co., Chartered Accountants, Ahmedabad and M/s. Talati & Talati, Chartered Accountants, Vadodara respectively as Statutory & Branch Auditors of the Company for the financial year 2006-07.
3. Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956 in respect of Special Business is annexed hereto.
4. As required under the Rule 4A of the Companies Unpaid Dividend (Transfer to General Revenue Account of Central Government) Rules, 1978, the Company hereby informs its Members that all unpaid/unclaimed dividends declared for and upto the Financial Year ended 31st March, 1994 have been transferred to the General Revenue Account of the Central Government. Members who have not encashed the dividend warrants for the said period are requested to claim the amount from the Registrar of Companies (Gujarat), Housing Board Building, Opp. Roopal Park Society, Ankur Char Rasta, Naranpura, Ahmedabad - 380 013.

Consequent upon amendment to Section 205A of the Companies Act, 1956 and introduction of Section 205C by the Companies (Amendment) Act, 1999, the amount of dividend for the subsequent years remaining unpaid or unclaimed for a period of seven years from the date of transfer to Unpaid Dividend Account of the Company shall be transferred to the Investor Education and Protection Fund set up by the Government of India and no payments shall be made in respect of any such claims by the Fund. Accordingly, the unclaimed dividends declared for the financial years ended 31-03-1995 to 31-03-1998 have been transferred to the said fund.

Members who have not yet encashed their dividend warrant(s) for the financial year ended 31-03-1999 and 31-03-2005, are requested to make their claims to the Company accordingly, without any delay.
5. Relevancy of questions and the order of speakers at the meeting will be decided by the Chairman.

ANNEXURE TO NOTICE

EXPLANATORY STATEMENT PURSUANT TO SECTION 173 OF THE COMPANIES ACT, 1956

In conformity with the provisions of Section 173 of the Companies Act, 1956, the following Explanatory Statement sets out all the material facts relating to the Special Business mentioned in the accompanying Notice and should be taken as forming part of the Notice.

Item No. 5

Pursuant to the recommendation of the Govt. of Gujarat, the Board of Directors have appointed Shri D C Anjaria as an Additional Director with effect from 15-07-2006 and as such he would hold office upto the date of this Annual General Meeting of the Company.

As required under Section 257, notice has been received by the Company from some members signifying their intention to propose him as candidate for the office of Director of the Company and requisite deposit has also been received by the Company.

Shri D C Anjaria, MBA (Finance), from Indian Institute of Management, Ahmedabad has rich experience in the financial sector viz. Capital Markets, Banking in India and Overseas, Corporate Finance & Management and Commodity Markets. He is a Member of the Personnel Committee and Chairman of Finance-cum-Audit Committee of the Company. His other details are given in the annexure. Considering his experience and expertise, your Directors recommend you to pass the resolution.

Except Shri D C Anjaria, none of the other Directors of the Company is in any way concerned or interested in passing this resolution.

Item No. 6

Pursuant to the recommendation of the Govt. of Gujarat, the Board of Directors have appointed Prof. Vasant P Gandhi as an Additional Director with effect from 15-07-2006 and as such he would hold office upto the date of this Annual General Meeting of the Company.

As required under Section 257, notice has been received by the Company from some members signifying their intention to propose him as candidate for the office of Director of the Company and requisite deposit has also been received by the Company.

Prof. Vasant P Gandhi is Ph.D from Stanford; PGP, IIM, Ahmedabad and MA, MS (Stanford) having rich experience of Management, Consultancy & Research activities in agri business & agro industry. He is also a Member of the Shares-cum-Debentures Transfer & Investors' Grievance and Finance-cum-Audit Committees of the Company. His other details are given in the annexure. Considering his experience and expertise, your Directors recommend you to pass the resolution.

Except Prof. Vasant P Gandhi, none of the other Directors of the Company is in any way concerned or interested in passing this resolution.

Item No. 7

Pursuant to the recommendation of the Govt. of Gujarat, the Board of Directors have appointed Shri Ajay N Shah as an Additional Director with effect from 15-07-2006 and as such he would hold office upto the date of this Annual General Meeting of the Company.

As required under Section 257, notice has been received by the Company from some members signifying their intention to propose him as candidate for the office of Director of the Company and requisite deposit has also been received by the Company.

Shri Ajay N Shah is Ph.D. in Economics from University of Southern California, Los Angeles; B.Tech in Aeronautical Engineering from I.I.T., Bombay having rich consultancy experience of varied nature in the field of Finance and won many prestigious awards relating to Risk Management, Certified Financial Planning etc. during his career. He is also a Member of the Project and Finance-cum-Audit Committees of the Company. His other details are given in the annexure. Considering his experience and expertise, your Directors recommend you to pass the resolution.

Except Shri Ajay N Shah, none of the other Directors of the Company is in any way concerned or interested in passing this resolution.

Item No. 8

Pursuant to the recommendation of the Govt. of Gujarat, the Board of Directors have appointed Shri Vijai Kapoor as an Additional Director with effect from 15-07-2006 and as such he would hold office upto the date of this Annual General Meeting of the Company.

As required under Section 257, notice has been received by the Company from some members signifying their intention to propose him as candidate for the office of Director of the Company and requisite deposit has also been received by the Company.

Shri Vijai Kapoor is M.A. (Mathematics) and served in Indian Administrative Service and has later served as Lieutenant Governor of Delhi for 6½ years. He has had rich administrative experience of varied nature. He is also a Member of the Project Committee of the Company. His other details are given in the annexure. Considering his experience and expertise, your Directors recommend you to pass the resolution.

Except Shri Vijai Kapoor, none of the other Directors of the Company is in any way concerned or interested in passing this resolution.

By Order of the Board

Pavagadh
15th July, 2006

V D Nanavaty
Company Secretary

ANNEXURE

DETAILS OF DIRECTORS SEEKING APPOINTMENT / RE-APPOINTMENT AT THE ANNUAL GENERAL MEETING (IN PURSUANCE OF CLAUSE 49 OF THE LISTING AGREEMENT)

Name of the Director	Dr. Avinash Kumar	Shri Divyabhash Chandrakant Anjaria												
Date of Birth	28-03-1948	19-07-1946												
Date of Appointment as a Director of GSFC	27-01-2006	15-07-2006												
Qualification	B.A.(Hons) (Bom, India); Dipl. in Development Economics (Man., U.K.); M.A. in Development Studies (Man., U.K.); Dipl. in Design and Appraisal of Rural Projects (I.L.O., Italy); Ph D. in Structural Adjustment (Man., U.K.).	B.Com.; MBA (Finance) IIM Ahmedabad.												
Expertise	Is an IAS officer of the 1972 batch having exposure to work experience in various Departments of the Govt. of Gujarat and Government of India. At present he is posted as the Additional Chief Secretary in Agriculture and Co-operation Department of Government of Gujarat.	Rich experience in the financial sector viz. Capital Markets, Banking in India and Overseas, Corporate Finance & Management and Commodity Markets.												
No. of Shares held of the Company	500 (jointly with GSIL)	290												
Names of other Companies in which directorship is held	—	1. UTI Securities Ltd., 2. Dishman Pharmaceuticals & Chem. Ltd. 3. Ratnamani Metals & Tubes Ltd. 4. ASE Capital Markets Ltd. 5. Gujarat Narmada Valley Ferti. Co. Ltd. 6. International Financial Solutions P. Ltd. 7. Indian Inst. of Financial Serv. P. Ltd.												
Committee position for Audit and Investors' Grievance Committees	—	<table><tr><th>Name of the Company</th><th>Position in Audit Committee</th></tr><tr><td>1. Ratnamani Metals & Tubes Ltd.</td><td>Chairman</td></tr><tr><td>2. Gujarat Narmada Valley Fertilizers Co.Ltd.</td><td>Chairman</td></tr><tr><td>3. Gujarat State Fertilizers & Chemicals Ltd.</td><td>Chairman</td></tr><tr><td>4. UTI Securities Ltd.</td><td>Member</td></tr><tr><td>5. Dishman Pharmaceuticals & Chemicals Ltd.</td><td>Member</td></tr></table>	Name of the Company	Position in Audit Committee	1. Ratnamani Metals & Tubes Ltd.	Chairman	2. Gujarat Narmada Valley Fertilizers Co.Ltd.	Chairman	3. Gujarat State Fertilizers & Chemicals Ltd.	Chairman	4. UTI Securities Ltd.	Member	5. Dishman Pharmaceuticals & Chemicals Ltd.	Member
Name of the Company	Position in Audit Committee													
1. Ratnamani Metals & Tubes Ltd.	Chairman													
2. Gujarat Narmada Valley Fertilizers Co.Ltd.	Chairman													
3. Gujarat State Fertilizers & Chemicals Ltd.	Chairman													
4. UTI Securities Ltd.	Member													
5. Dishman Pharmaceuticals & Chemicals Ltd.	Member													

Prof. Vasant P Gandhi	Shri Ajay N Shah	Shri Vijai Kapoor
10-12-1954	08-07-1966	13-09-1938
15-07-2006	15-07-2006	15-07-2006
Ph.D.(Stanford); PGP, IIM, Ahmedabad; MA, MS (Stanford).	Ph.D in Economics, University of Southern California, Los Angeles; B.Tech in Aeronautical Engineering, IIT, Bombay.	M.A. (Mathematics); IAS (Retd.).
Rich experience of Management, Consultancy & Research activities in agri business & agro industry.	Rich consultancy experience of varied nature in the field of Finance and won many prestigious awards relating to Risk Management, Certified Financial Planning etc. during his career.	Served in Indian Administrative Service and has later served as Lieutenant Governor of Delhi for 6½ years. He has had rich administrative experience of varied nature.
—	—	—
1. State Bank of Saurashtra	1. Centre for Monitoring Indian Economy 2. National Securities Clearing Corporation 3. Clearing Corporation of India Ltd.	1. Fabindia Overseas Pvt. Ltd.
<div> <div>Name of the Company</div> <div>Position in Audit Committee</div> </div> <div> <div>1. Gujarat State Fertilizers & Chemicals Ltd.</div> <div>Member</div> </div> <div> <div>Name of the Company</div> <div>Position in Investors' Grievance Committee</div> </div> <div> <div>1. Gujarat State Fertilizers & Chemicals Ltd.</div> <div>Member</div> </div>	<div> <div>Name of the Company</div> <div>Position in Audit Committee</div> </div> <div> <div>1. Gujarat State Fertilizers & Chemicals Ltd.</div> <div>Member</div> </div>	—

DIRECTORS' REPORT

To
The Members,
Your Directors have pleasure in presenting the 44th Annual Report and audited Accounts of the Company for the year ended 31st March, 2006.

FINANCIAL RESULTS

(Rs. in Crores)

Particulars	2005-06	2004-05
1. Gross Sales	3004.35	2760.41
Less : Excise Duty Recovered	173.64	153.84
Net Sales	2830.71	2606.57
2. Other Income	109.41	63.25
3. Total Revenue	2940.12	2669.82
4. Less : Operating Expenses	2278.68	2168.09
5. Operating Profit	661.44	501.73
6. Less : Interest	81.68	105.82
7. Gross Profit	579.76	395.91
8. Less : Depreciation	141.55	143.28
9. Prior Period Adjustment	(1.28)	(0.57)
10. Profit before taxes	436.93	252.06
11. Taxation - Current Taxation (MAT + Wealth Tax)	(35.32)	(18.90)
- FBT	(4.80)	-
- Deferred Tax (net)	(103.01)	(95.09)
12. Profit after taxes	293.80	138.07
13. Balance brought forward from last year	20.57	40.12
14. Excess provision for taxation written back	0.01	0.01
15. Debenture/Bond Redemption Reserve written back	72.12	-
16. Amount available for appropriations	386.50	178.20
17. Out of which your directors have proposed appropriation and transfer as under :		
a) Proposed Dividend on Equity Shares	35.87	11.95
b) Tax on Proposed Dividend	5.03	1.68
c) General Reserve	302.00	144.00
18. Leaving a balance in the Profit & Loss Account of	43.60	20.57

OPERATIONAL PERFORMANCE

Your Company has recorded impressive performance during 2005-06. The ever-highest net sales, profit before tax and profit after tax were achieved in 2005-06. The net sales grew by 9% to Rs.2830.71 crores. The EBITDA increased by 32% from Rs. 501.73 crores in 2004-05 to Rs. 661.44 crores in 2005-06. The operating profit margin has improved from 19.25% in 2004-05 to 23.37% in 2005-06. Originally, Corporate Debt Restructuring (CDR) cell approved repayment schedule of debts upto 2013. However, the Company after approval from CDR Cell, has made accelerated redemption of all the outstanding debentures and bonds amounting to Rs. 236 crores and all outstanding Secured Loans amounting to Rs. 285 crores. Thus total repayment of Rs. 521 crores was made in January & February 2006. The company is now effectively debt-free. The interest cost has reduced by 23% from Rs. 105.82 crores in 2004-05 to Rs. 81.68 crores. The profit before tax is Rs. 436.93 crores as against Rs. 252.06 crores in previous year. The profit after tax has increased by 113% from Rs. 138.07 crores in 2004-05 to Rs. 293.80 crores in 2005-06. Considering excellent costing practices, your Company won the prestigious ICWAI National Award - "Excellence in Cost Management - 2005" as Second Award in the category - Govt. Manufacturing big companies having turnover more than Rs. 250 crores.

DIVIDEND

In view of the excellent performance achieved by the Company for the year 2005-06, your Directors are pleased to recommend a Dividend @ 45% (previous year 15%) on the equity shares for the year ended on 31st March, 2006. The aggregate equity dividend amount of Rs. 40.90 crores (including tax on dividend), if approved by the shareholders at the Annual General Meeting, will be paid out of the profits for the year.

CURRENT PERFORMANCE

The net sales of the Company increased by Rs. 24.33 crores during the quarter April-June 2006-07 to Rs. 449.17 crores as compared to Q1 2005-06. During Q1 2006-07, the production at Sikka unit was 1.62 lakhs MTs of fertilizers, against 0.51 lakh MTs in Q1 2005-06. This will be sold in coming quarters and Company will realise its benefits accordingly. The EBITDA stood at Rs. 111.19 crores as against Rs. 150.47 crores in Q1 2005-06. The Profit before tax was Rs. 55.85 crores in Q1 2006-07 as compared to Rs. 91.05 crores in Q1 2005-06. The provision for current tax was Rs. 29.15 crores while MAT credit recognised is Rs. 13.85 crores. The provision for FBT (Fringe Benefit Tax) was Rs. 0.20 crore. Net deferred tax asset was created of Rs. 9.71 crores. The profit after tax was Rs. 50.06 crores for Q1 2006-07 as against Rs. 70.21 crores in Q1 2005-06.

Unlike earlier years, when the plant shutdowns were spread out over the entire year, this year all the major plant shutdowns were carried out in the first quarter. These shutdowns increased the expenditure on stores, spares, repairs & maintenance and resulted in loss of production, thereby affecting the first quarter result. However, the benefit of the well-maintained plants will be seen in the coming quarters through better production.

LISTING OF SHARES

Listing of shares of your Company continued with The Bombay Stock Exchange Limited (BSE) and National Stock Exchange (NSE). As approved by the shareholders, application for voluntary delisting of shares from the The Kolkata Stock Exchange Association Ltd. was made, however approval for delisting is awaited.

CORPORATE GOVERNANCE

Pursuant to Clause 49 of the Listing Agreement with the Stock Exchanges, Corporate Governance Report, Auditors' Certificate regarding compliance of conditions of Corporate Governance and Management Discussion and Analysis Report are made a part of the Annual Report.

FIXED DEPOSITS

As on 31st March, 2006 the repayment/renewal of 789 deposits amounting to Rs.108.74 lakhs could not be made for want of instructions thereof from the depositors. Letters were sent to the concerned deposit holders seeking their instructions. Till the date of this report, 227 deposits amounting to Rs 33.63 lakhs have been repaid/renewed.

INSURANCE

All properties and insurable interests of the Company, including buildings, plant & machinery and stocks have been insured. As required under the Public Liability Insurance Act, 1991, your Company has taken the necessary insurance cover.

SAFETY, HEALTH AND ENVIRONMENT

Your Company continues to give priority in the field of Safety, Health and Environment. Your Company has been awarded "International Safety Award" by British Safety Council for the year 2005, which represents outstanding performance in the field of safety and health. Your Company has been awarded a 'Certificate of Honour' for working more than 3 million accident free man hours without any lost time accident for the year 2004. This award is given jointly by Gujarat Safety Council & Directorate of Industrial Safety & Health, Govt. of Gujarat.

Your Company take efforts to minimize generation of waste and try to recycle it to the maximum extent for the protection of environment. A facility costing Rs. 60 lacs is under installation for crushing sulfur muck generated during melting and filtration operation in Sulfuric Acid manufacture. The crushed sulfur muck will be recycled as filler material during the process of manufacture of DAP fertilizer. Your Company is also recycling DAP sludge precipitated along with liquid effluent of DAP Plant. Approx. 400 tonnes of DAP sludge from the effluent is recovered and will be recycled back into the process. Efforts are also made to minimize generation of liquid effluent and save precious natural resources like water. All the liquid effluent generated in the Phosphatic Group of Plants is totally recycled back, thereby saving of raw water.

Efforts to increase safety awareness among employees, neighbouring villagers and even school children have been continued during the year.

PROJECTS UNDER CLEAN DEVELOPMENT MECHANISM

Your Company is committed to Energy & Environment improvement and is always looking forward to such opportunities.

Your Company has taken positive steps for taking up energy efficiency improvement projects under Clean Development Mechanism (CDM). These projects aim at reducing emission of green house gases. Your Company has identified few projects like recovery of energy from off gases of Caprolactam plant, power saving improvements in process plants, improvements in Urea plant etc. Your Company is identifying suitable agency who will assist in CDM registration and procedures. Implementation of these projects will help in contributing to global reduction of green house gases. It will also help your Company in earning Carbon Credit under CDM and saving of energy through implementation of these projects.

EXPANSION & DIVERSIFICATION

The MEK–Oxime plant has been completed and the plant is operating on full throttle. The product quality achieved is of export grade.

For the production of Methanol in Ammonia I plant, the feasibility study through three internationally renowned technology suppliers is completed. The project appraisal is being done through IDBI.

NPK production is started at Sikka Unit by making suitable modifications at marginal cost. This was done without affecting the overall production of DAP at Sikka Unit.

Your Company has taken a major step in ensuring availability of Phosphoric Acid to its DAP Plant at Sikka. This plant, because of shortage of Phosphoric Acid, is able to run at a capacity utilisation of only 68% annually. Your Company has decided to invest in GCT, Tunisia, one of the world's major producers of Phosphoric Acid, so as to ensure substantial supplies of additional Phosphoric Acid. With the commissioning of GCT's new plant in Tunisia in 2008, where the GSFC would have an equity stake and the consequent availability of additional Phosphoric Acid alongwith commitment to supply additional quantity of Phosphoric Acid from M/s. Foskor, South Africa and M/s. OCP, Morocco who are the world leaders in manufacturing Phosphoric Acid and also our existing suppliers, the GSFC Sikka Plant would be able to achieve full capacity utilisation thereby producing 1 million ton of DAP in Sikka. This would substantially add to the Company's profitability and also ensure supplies of fertilizer to the farmers of the country. The gradual completion of the Sardar Sarovar project would increase the fertilizer demand in Gujarat which is the most profitable market for the Company because of proximity.

The Company is also contemplating the expansion of its Caprolactam manufacturing facilities. The Company is planning to put up an additional 50000 tons per annum Caprolactam facility near its existing Caprolactam plant. The technical feasibility study for the same is given to renowned technology suppliers. The study is expected to be completed within 6 months. The Company is also exploring possibilities of expansion in Melamine, Urea, Sulphuric Acid and Phosphoric Acid at its Vadodara Plant.

PROMOTIONAL ACTIVITIES

With an objective to 'Sale Productivity not the Product', your Company is presenting bouquet of products & services to the farmer. The bouquet is emitting fragrance not only of Chemical Fertilizers but also other products like Biofertilizers, Banana Tissue Culture Plants, Micronutrients, Water-soluble Fertilizers (19: 19: 19) and services like Soil & Water Testing, Agricultural Monthly Magazine 'KRISHIJIVAN', Micro Irrigation System (MIS) etc. A Small-scale production facility of Vermicompost for demonstration purpose has also been established. With the objective of supplying quality seeds to the farmers, Company has coordinated with highly reputed seed producers. During the financial year 2005-06 Company has achieved ever-highest sale (434 MTs) of Biofertilizers and 21.52 lakhs Banana Tissue Culture Plants.

Your Company has constructed seven Satellite Net Houses on the farmers' field in Gujarat State for secondary hardening of Tissue Culture Plants to cater the requirement of the farmer and also to act as an entrepreneur promoted by your Company for sale of tissue culture plants to other farmers. Your Company is trying to develop Tissue Culture plants of Papaya, Turmeric and Ginger on experimental basis and disease free Potato seed through Tissue Culture and make them available to the farmers. Your Company has played its pro-active role in the State for preparing Soil Health Card, which is helping the farmer to improve the health of soil.

Publication of KRISHIJIVAN, a unique monthly magazine having the highest circulation is continued to be published, which is disseminating the knowledge to the farmer in various activities of agriculture and acting as a link for transfer of technology from "lab" to "field".