47th ANNUAL REPORT 2008-09

GROWING GREEN

Evergreen
Gigantic
Growth

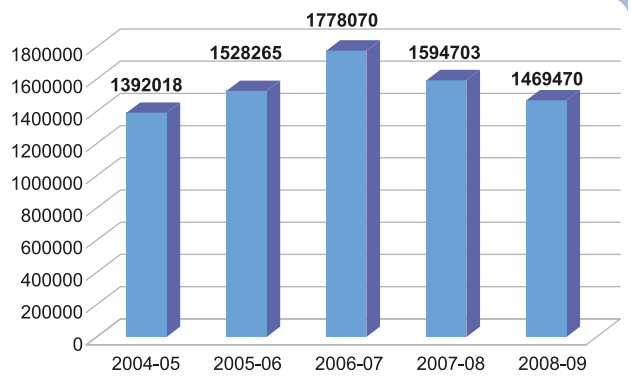


GUJARAT STATE FERTILIZERS & CHEMICALS LIMITED

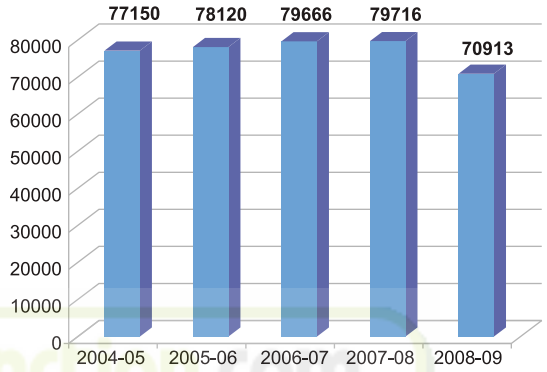
ISO 9001, ISO 14001 & OHSAS 18001 Certified Company Promoted by Govt. of Gujarat

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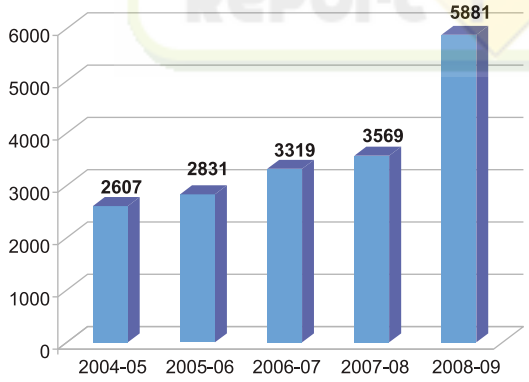
PRODUCTION (FERTILIZERS) in MTs



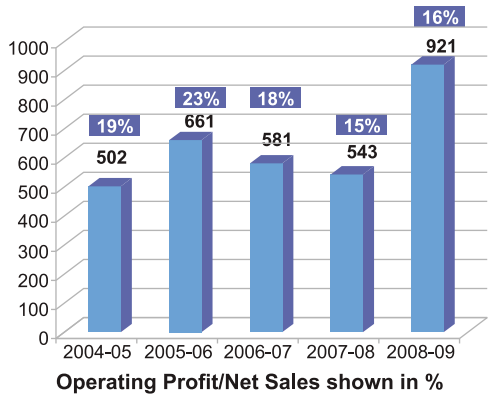
PRODUCTION (CAPROLACTAM) in MTs



NET SALES (Rs. Crores)



OPERATING PROFIT (EBIDTA) (Rs. Crores)



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GUJARAT STATE FERTILIZERS & CHEMICALS LIMITED

47th ANNUAL GENERAL MEETING

Date	:	25th September, 2009
Day	:	Friday
Time	:	9.00 a.m.
Place	:	Cultural Centre Auditorium Fertilizernagar Township P. O. Fertilizernagar - 391 750 District Vadodara

CONTENTS

	Page No.
Notice	03
Directors' Report	05
Management Discussion and Analysis Report	15
Corporate Governance Report	22
Financial Highlights	32
Auditors' Report	33
Balance Sheet	36
Profit & Loss Account	37
Cash Flow Statement	38
Schedules forming part of Accounts	39

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
Phone : (0265) 2242451/651/751
Website : www.gsfclimited.com

BOARD OF DIRECTORS *(As on 01-08-2009)*

SHRI D. RAJAGOPALAN	*Chairman*
SHRI D. C. ANJARIA	
PROF. VASANT P. GANDHI	
SHRI AJAY N. SHAH	
SHRI VIJAI KAPOOR	
SHRI P. N. ROY CHOWDHURY	
SHRI S. JAGADEESAN	
SHRI H. V. PATEL	*Managing Director*

EXECUTIVE DIRECTORS

SHRI V. N. BUCH
SHRI H. P. PANDYA

GENERAL MANAGER (FINANCE)

SHRI B. M. BHORANIA

COMPANY SECRETARY

SHRI V. V. VACHHRAJANI

BANKERS

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

STATUTORY AUDITORS

M/s. S. C. Bapna & Associates, Vadodara

BRANCH AUDITORS

(Polymers & Fibre Units)
M/s. Khedkar Shah & Soni, Vadodara

COST AUDITORS

M/s. R. K. Patel & Co., Vadodara (for 2008-09)
M/s. Diwanji & Associates, Vadodara (for 2009-10)

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FOR MEMBERS' ATTENTION

1. The Register of Members and the Share Transfer Books of the Company will remain closed from Saturday, the 12th September, 2009 to Friday, the 25th September, 2009 (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 5th October, 2009, to those members whose names appear on the Register of Members of the Company as on Book Closure date.
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 latest by 12th September, 2009.

   The shareholders who hold shares in electronic form are requested to furnish their Bank particulars as aforesaid to their Depository Participant (DP) by the stipulated date.
4. 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 gate duly signed.
5. 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 alongwith the relevant Share Certificates.
6. Those members who have not yet submitted their old share certificates of Rs.100/- face value for exchange of new equity shares of Rs.10/- each are requested to send the said share certificates to the Registrars & Transfer Agents of the Company.
7. Shareholders of erstwhile Gujarat Nylons Ltd. (GNL) 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 to issue shares of the Company in exchange thereof at the earliest.
8. 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).
9. The Company's Equity Shares are listed on the following Stock Exchanges :
   1. Bombay Stock Exchange Limited
      Phiroze Jeejeebhoy Tower
      25th Floor, Dalal Street, Fort
      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 2009-10.
10. ***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.***
11. ***As a measure of economy, the Company does not distribute the copies of Annual Report at the Meeting. Members, therefore, are requested to bring their copies with them.***

VERY IMPORTANT

- **Members are requested to show their Photo Identity Card at the entry point alongwith original Annual Report for the Financial Year 2008-09 containing the Attendance Slip duly signed by self/ the proxy, failing which the entry to the Annual General Meeting shall be denied.**
- **No bags or belongings shall be permitted to be carried inside the venue of Annual General Meeting.**
- **The Members may kindly note that this is being done for the security reason.**

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NOTICE

NOTICE is hereby given that the **Forty-seventh Annual General Meeting** of the Members of the Company will be held at Cultural Centre Auditorium situated at the Registered Office of the Company at P. O. Fertilizernagar - 391750, Dist. Vadodara at **9.00 a.m**. on **Friday,** the **25th September, 2009** to transact the following business :

Ordinary Business

1. To receive, consider and adopt the Audited Accounts, Balance Sheet as at 31st March, 2009, 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 Shri P. N. Roy Chowdhury who retires by rotation and being eligible offers himself for re-appointment.
4. To appoint a Director in place of Shri Ajay N. Shah who retires by rotation and being eligible offers himself for re-appointment.
5. To pass the following resolution, with or without modification, as an **Ordinary Resolution :**
   "RESOLVED that the Board of Directors of the Company be and is hereby authorized to fix the remuneration *plus* Traveling and other out of pocket expenses, to be paid to the Statutory Auditors and Branch Auditors appointed by the Comptroller and Auditor General of India for audit of accounts of the Company for the financial year 2009-10 at the Head Quarters for Baroda Unit including Sikka Unit and also for audit of accounts of Polymers Unit and Fibre Unit of the Company for the financial year 2009-10, as the Board may deem fit and proper in its absolute discretion."

By Order of the Board

Sd/-
V. V. Vachhrajani
Company Secretary

Fertilizernagar
28th July, 2009

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.***
   Please bring your copy of Annual Report and attendance card at the meeting. Persons other than members or proxy will not be allowed to attend the meeting.
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, an application has been made to the Comptroller & Auditor General of India for the appointment of Statutory as well as Branch Auditors for the Financial Year 2009-10.
3. The particulars of qualification, experience and other directorship etc. of Shri P. N. Roy Chowdhury, IAS, Shri Ajay N. Shah and Shri S. Jagadeesan, IAS are given in the annexure to this notice.
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 205-A of the Companies Act, 1956 and introduction of Section 205-C 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 Investors' 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 for the financial year ended 31-03-1995 to 31-03-1999 has been transferred to the said fund.

   Details of dividend to be transferred to Investors' Education & Protection Fund (IEPF) :

Dividend No.	Financial year	Date of Declaration	Due for transfer to IEPF on
31	2004-05	23-09-2005	23-10-2012
32	2005-06	22-09-2006	22-10-2013
33	2006-07	21-09-2007	21-10-2014
34	2007-08	26-09-2008	26-10-2015

   Members who have not yet encashed their dividend warrant(s) for the financial year ended 31-03-2005 to 31-03-2008, 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 shall be decided by the Chairman.

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ANNEXURE

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

Name of the Director	Shri P. N. Roy Chowdhury, IAS	Shri Ajay N. Shah	Shri S. Jagadeesan, IAS
Date of Birth	22-01-1951	08-07-1966	15-01-1953
Date of Appointment as a Director of GSFC	29-01-2009	15-07-2006	29-01-2009
Qualification	B.A.(Maths);M.A.(Applied Maths);M.S.(Fin),UK; M.B.A.(Buss.Admn.),USA; IAS	Ph.D. in Economics, University of Southern California, Los Angeles; B. Tech in Aeronautical Engineering from I.I.T., Bombay	B.A.(Eco.Pol.Sci); M.A.(Eco); IAS
Expertise	He is a senior IAS Officer having vast experience in the field of Management & Administration. He held distinguished positions in the Government of Gujarat. Presently, he is Principal Secretary to Government of Gujarat, Agriculture & Co-operation Department.	He has 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 a senior IAS Officer having vast experience in the field of Management & Administration. He held many important positions in the State/Central Government. Presently, he is Principal Secretary to Government of Gujarat, Energy & Petrochemicals Department.
No. of Shares held in the Company	500 (jointly with GSIL) + 261	500 (jointly with GSIL)	500 (jointly with GSIL)
Names of other Companies in which directorship is held	1. Gujarat State Land Development Corporation Ltd. 2. Gujarat State Seeds Corporation Ltd. 3. Gujarat Agro Industries Corporation Ltd. 4. Gujarat State Agri Marketing Board 5. Gujarat Narmada Valley Fertilizers Co. Ltd. 6. Mahindra Gujarat Tractors Ltd.	1. Centre for Monitoring Indian Economy 2. National Securities Clearing Corporation 3. Clearing Corporation of India Ltd. 4. J S W Steel Limited	1. Gujarat Urja Vikas Nigam Limited 2. Gujarat State Electricity Corporation Ltd. 3. Gujarat Energy Transmission Corp. Ltd. 4. GSPC Pipavav Power Co. Ltd. 5. Gujarat Industries Power Co. Ltd. 6. Gujarat State Energy Generation Ltd. 7. Gujarat Power Corporation Ltd. 8. GSPC Gas Co. Ltd. 9. Gujarat State Petroleum Corporation Ltd. 10. Gujarat Alkalies & Chemicals Ltd. 11. Torrent Power Ltd. 12. Gujarat Narmada Valley Fertilizers Co. Ltd. 13. Gujarat State Petronet Ltd. 14. Mahaguj Collieries Ltd.
Committee position for Audit and Investors' Grievance Committees	Name of the Company / Position in Audit Comm.: 1. Gujarat Agro Industries Corp. Ltd. — Member 2. Gujarat State Fertilizers & Chemicals Ltd — Member Name of the Company / Position in Investors' Grievance Committee: — —	Name of the Company / Position in Audit Comm.: 1. Gujarat State Fertilizers & Chemicals Ltd. — Member Name of the Company / Position in Investors' Grievance Committee: — —	Name of the Company / Position in Audit Comm.: 1. Gujarat Alkalies & Chemicals Ltd. — Member Name of the Company / Position in Investors' Grievance Committee: 1. Gujarat State Petroleum Corporation Ltd. — Chairman 2. Gujarat Alkalies & Chemicals Ltd. — Chairman 3. Gujarat State Fertilizers & Chemicals Ltd. — Chairman

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RAIN WATER HARVESTING

GSFC, an environmentally conscious and responsive company has implemented the Rain Water Harvesting project as a part of its `Growing Green' endeavor.

- The project consists of different water harvesting schemes such as open pond structures, recharge well structures and Furaat system to serve the basic objectives of management and conservation of the storm water during monsoon.
- Four ponds have been dug out to store the rain water, runoff and percolate the same.
- Seven recharge wells and six Furaat systems have been installed at various locations to achieve maximum recharge of rain water flow.
- This recharging activity will not only result in rise in ground water level in and around GSFC, but will also improve the quality of water in general.

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MASSIVE TREE PLANTATION







- Continuing its commitment towards environment and to address the major issue of global warming, GSFC has embarked upon Tree Plantation programme on a massive scale.
- It is planned to plant around 1 lakh trees in and around the industrial complex at all four units of GSFC.
- Saplings of Banyan, Pipal & Neem have been considered for large scale plantation.
- Around 20,000 trees were planted and nurtured during the year 2008-09.
- GSFC strives to contribute to the environment to its fullest potential to avoid irreversible changes in the ecosystem and make earth a better place to live in.

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To
The Members,

Your Directors have a pleasure in presenting the 47th Annual Report and Audited Accounts of the Company for the year ended 31st March, 2009.

A. FINANCIAL RESULTS

(Rs. in Crores)

	Particulars	2008-09	2007-08
1.	**Gross Sales**	**6019.19**	3738.43
	Less : Excise Duty Recovered	**138.39**	169.46
	Net Sales	**5880.80**	3568.97
2.	Other Income	**71.29**	80.11
3.	**Total Revenue**	**5952.09**	3649.08
4.	Less : Operating Expenses	**5030.70**	3105.67
5.	**Operating Profit**	**921.39**	543.41
6.	Less : Interest	**39.17**	44.68
7.	**Gross Profit**	**882.22**	498.73
8.	Less : Depreciation	**143.04**	142.42
9.	Prior Period Adjustment	**(0.77)**	(1.99)
10.	**Profit before taxes**	**739.95**	358.30
11.	Taxation		
	- Current Tax	**330.37**	144.54
	- Deferred Tax (net)	**(91.37)**	(26.51)
	- FBT	**1.50**	1.70
	- Wealth Tax	**0.12**	0.12
	- Excess provision for taxation written back	**(0.03)**	–
12.	**Profit after taxes**	**499.36**	238.45
13.	Balance brought forward from last year	**47.35**	47.55
14.	Less : Accumulated Loss of subsidiary Company adjusted on merger	**–**	0.69
15.	**Amount available for appropriations**	**546.71**	285.31
16.	Out of which, your Directors have proposed appropriation and transfer as under :		
	a) Proposed Dividend on Equity shares	**35.86**	35.87
	b) Tax on Proposed Dividend	**6.09**	6.09
	c) General Reserve	**457.00**	196.00
17.	Leaving a balance in the Profit & Loss Account	**47.76**	47.35

B. OPERATIONAL PERFORMANCE

During the Financial Year (FY) 2008-09, your Company has produced 14.69 Lacs Metric Tons (MTs) of Fertilizers as compared to 15.95 Lacs MTs during the Financial Year 2007-08 despite constraints like availability of major raw materials viz. imported Phosphoric Acid, Natural Gas, Power shortage etc., shut-down of plants and market constraints etc. The Fertilizer sales for the FY 2008-09 was 13.82 Lacs MTs as compared to 16.03 Lacs MTs during the FY 2007-08.

The current financial year witnessed high volatility in the commodity market. The raw material costs have increased substantially and this is mainly due to increase in the prices of major raw materials like Sulphur, Rock Phosphate, Imported Phosphoric Acid, Natural Gas, MOP and MEK. The average price of Imported Phosphoric Acid increased by almost 3.24 times, while of Imported Ammonia by 1.68 times, Rock Phosphate by 1.90 times and of Sulphur by 1.66 times during the FY 2008-09 as compared to the FY 2007-08. Further, the cost of Natural Gas, electrical power & Fuel has also gone up considerably. Your Directors are pleased to report that despite all these odds, your Company has been able to absorb the cost increase by timely adjusting operations and product mix and the sale price.

Your Directors are further pleased to inform that the FY 2008-09 has surpassed all previous records by achieving the ever highest Net Sales, Operating Profit (EBDITA), Profit Before Tax and Profit After Tax. The Net Sales have

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gone up to Rs. 5880.80 Crores in the financial year under review as compared to Rs. 3568.97 Crores for FY 2007-08, thus registering a growth of 65%. The EBIDTA for the year 2008-09 is Rs. 921.39 Crores vis-à-vis Rs. 543.41 Crores for the year 2007-08.

The Interest cost has reduced by 12% from Rs. 44.68 Crores to Rs. 39.17 Crores (FY 2007-08), during FY 2008-09. The Profit Before Tax for the FY 2008-09 was Rs. 739.95 Crores as compared to Rs. 358.30 Crores for the FY 2007-08. The Profit After Tax was Rs. 499.36 Crores for the FY 2008-09 as compared to Rs. 238.45 Crores for FY 2007-08 and this is the ever highest profit in the history of your Company.

C. DIVIDEND

Your Directors are happy to recommend a Dividend of Rs.4.50 per Equity Share (Previous Year – Rs. 4.50 per share) on 7,96,95,506 Equity Shares of Rs. 10/- per share for the financial year ended on 31st March, 2009. The net outgo on account of Dividend shall be Rs. 4195.79 Lacs including Corporate Dividend Tax. The Dividend shall be paid to those members, whose name shall appear on the Register of Members of the Company on the Book Closure Date i.e. on 12th September 2009.

D. CURRENT PERFORMANCE

During the first quarter of FY 2009-10, the Company produced 4.84 Lacs MTs of Fertilizers which is higher by 1.28 Lacs MTs as compared to 3.56 Lacs MTs in the corresponding quarter of the previous financial year. During the 1st Quarter of FY 2009-10 your Company achieved the highest ever production of Fertilizers as compared to the corresponding quarters of the last five years. Company could sell 5.10 Lacs MTs of Phosphatic Fertilizers during the 1st Quarter of FY 2009-10 which is higher by 1.90 Lacs MTs compared to 3.20 Lacs MTs during 1st Quarter of FY 2008-09. The Company could achieve the Net Sales of Rs. 1143 Crores during the first quarter of FY 2009-10, as compared to Rs. 1301 Crores during 1st Quarter of FY 2008-09. The reduction in Net Sales is mainly due to fall in the prices of Phosphatic Fertilizers and prices of Industrial Products. The reduction of net sales is mainly on account of lower price realization aggregating Rs. 678 Crores while the higher sales volume has improved net sales by Rs. 520 Crores thus showing reduction in net sales by Rs. 158 Crores during 1st Quarter of FY 2009-10.

The EBIDTA for the Q-1 of FY 2009-10 is Rs.82 Crores as compared to Rs. 151 Crores in Q-1 of the FY 2008-09.The reduction in EBDITA is mainly due to downslide in the sales price realization and profit margins. The price of DAP is lower by 43%, Ammonium Sulphate by 22%, Caprolactam by 30%, Nylon-6 by 10% and Melamine by 4% during the Q-1 of FY 2009-10 in comparison to the Q-1 of FY 2008-09.

Further, while finalizing the accounts for the year ended on 31/03/2009, the Company has made the provision of Rs. 64.71 Crores towards the Mark to Market(M2M) loss on the Fertilizer Bonds of Rs. 461 Crores held by the Company. The M2M loss as on 30/06/2009 got reduced to Rs. 49.85 Crores. Thus Rs. 14.86 Crores has been written back and included in the Other Income for the Q1 of FY 2009-10.

The Profit Before Tax for the Q-1 of FY 2009-10 was Rs. 38 Crores as compared to Rs. 105 Crores for the corresponding quarter of the previous year. The Profit After Tax for the Q-1 of FY 2009-10 was Rs. 27 Crores as compared to Rs. 71 Crores for the Q-1 of FY 2008-09.

E. LISTING OF SHARES & DEPOSITORIES

The Equity Shares of your Company are listed on the Bombay Stock Exchange Limited (BSE) and National Stock Exchange of India Ltd. (NSE). As approved by the shareholders, an application for voluntary delisting of Equity Shares from Calcutta Stock Exchange Association Ltd., Kolkatta, was made, however, the approval for delisting is awaited.

Your Directors wish to state that the Equity Shares of your Company are compulsorily traded in the dematerialized form w.e.f. 26/06/2000. Presently, 58% of shares are held in electronic/dematerialised form.

F. REPORT ON CORPORATE GOVERNANCE AND MANAGEMENT DISCUSSION AND ANALYSIS REPORT TO SHAREHOLDERS

Your Company has complied with all the mandatory requirements of Corporate Governance as required under Clause 49 of the Listing Agreement with Stock Exchanges. A separate report on Corporate Governance together with the Certificate of M/s. S. Samdani & Associates, Company Secretaries, Vadodara forms part of this Annual Report. The Management Discussion & Analysis report also forms part of this Annual Report.

G. FIXED DEPOSITS

Your Directors report that 679 fixed deposits aggregating Rs.100.60 Lacs remained unclaimed by Depositors, as on 31st March, 2009. Letters reminding the depositors for seeking repayment have been sent. Upto and including the date of this report, out of the said deposits 199 deposits amounting to Rs. 27.29 Lacs have been repaid.

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