



48th Annual Report 2009-10



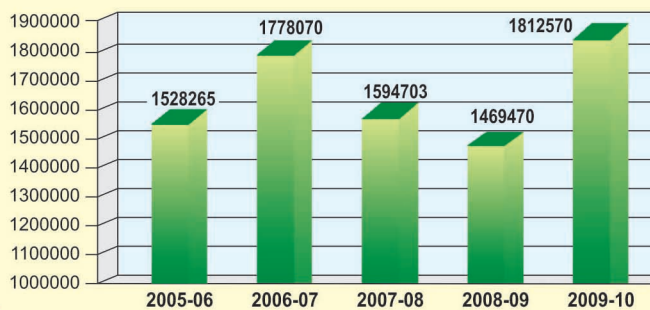
Scaling Newer Heights...



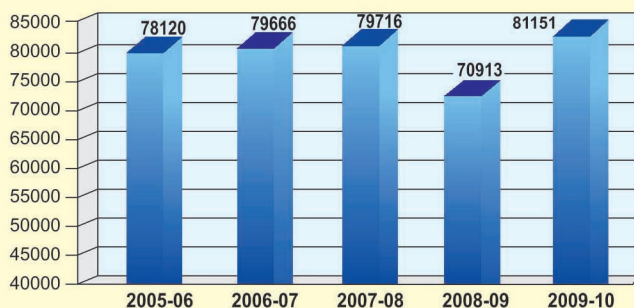
GUJARAT STATE FERTILIZERS & CHEMICALS LIMITED

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

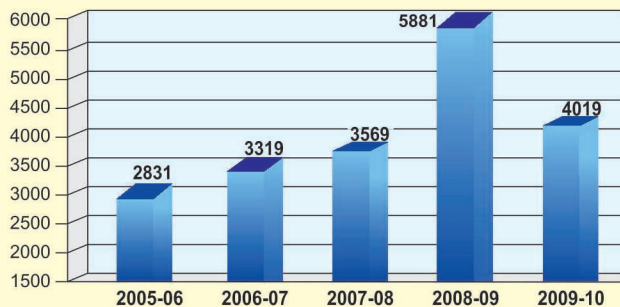
PRODUCTION (FERTILIZERS) in MTs



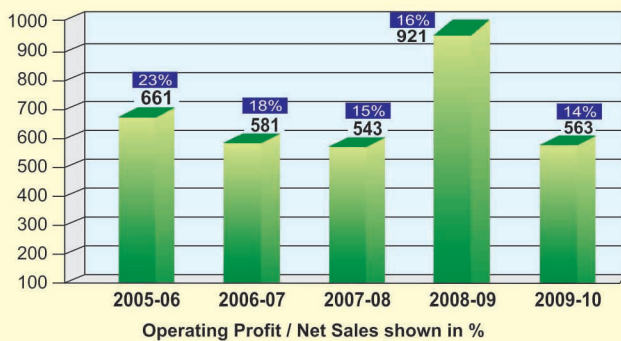
PRODUCTION (CAPROLACTAM) in MTs



NET SALES (Rs. Crores)



OPERATING PROFIT (EBIDTA) (Rs. Crores)



GUJARAT STATE FERTILIZERS & CHEMICALS LIMITED

48th ANNUAL GENERAL MEETING

Date : 24th September, 2010
Day : Friday
Time : 4.30 p.m.
Place : Cultural Centre Auditorium
Fertilizernagar Township
P. O. Fertilizernagar - 391 750
District Vadodara

BOARD OF DIRECTORS (As on 31-07-2010)

SHRI A. K. JOTI *Chairman*

SHRI D. C. ANJARIA

PROF. VASANT P. GANDHI

SHRI AJAY N. SHAH

SHRI VIJAI KAPOOR

SHRI P. N. ROY CHOWDHURY

SHRI M. M. SRIVASTAVA

SHRI D. J. PANDIAN

SHRI H. V. PATEL *Managing Director*

EXECUTIVE DIRECTOR

SHRI H. P. PANDYA

GENERAL MANAGER (FINANCE)

SHRI B. M. BHORANIA

COMPANY SECRETARY & DY. GENERAL MANAGER (LEGAL & INDUSTRIAL RELATIONS)

CS 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

LEGAL ADVISORS AND ADVOCATES

M/s. Nanavati Associates, Advocates, Ahmedabad

Jaideep B. Verma, Advocate, Vadodara

STATUTORY AUDITORS

M/s. S. C. Bapna & Associates, Vadodara (for 2009-10)

M/s. Prakash Chandra Jain & Co., Vadodara (for 2010-11)

BRANCH AUDITORS

(Polymers & Fibre Units)

M/s. Khedkar Shah & Soni, Vadodara

COST AUDITORS

M/s. Diwanji & Associates, Vadodara

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REGISTRARS & SHARE 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.gsfcilimited.com

FOR MEMBERS' ATTENTION

1. The Register of Members and the Share Transfer Books of the Company shall remain closed from Saturday, the 11th September, 2010 to Friday, the 24th September, 2010 (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, 2010, to those members whose names shall appear on the Register of Members of the Company on the 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 11th September, 2010.
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 Client 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 Share 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 & Share 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 & Share Transfer Agents of the Company so as to enable to issue GSFC shares 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 2010-11.
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 2009-10 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 belonging shall be permitted to be carried inside the venue of Annual General Meeting.**
- **The Members may kindly note that this is being done for security reasons.**

NOTICE

NOTICE is hereby given that the **Forty-eighth 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 **4.30 p.m.** on **Friday, the 24th September, 2010** to transact the following business :

Ordinary Business

1. To receive, consider and adopt the Audited Accounts, Balance Sheet as at 31st March, 2010, Profit & Loss Account for the year ended on that date and the Directors' report and Auditors' report thereon.
2. To declare Dividend on Equity Shares.
3. To appoint a Director in place of Shri Vijai Kapoor, who retires by rotation and being eligible offers himself for re-appointment.
4. To appoint a Director in place of Shri D. J. Pandian, 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 are hereby authorized to fix the remuneration *plus* the traveling and other out of pocket expenses, that is 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 2010-11 at the Head Quarters for Baroda Unit and the Sikka Unit and also for audit of accounts of the Polymers Unit and the Fibre Unit of the Company for the Financial Year 2010-11, as may be deemed fit and proper by the Board of Directors in its absolute discretion."

Special Business

6. To consider and if thought fit, to pass the following resolution, with or without modification, as an **Ordinary Resolution** :
 "RESOLVED that Shri M. M. Srivastava who was appointed as an Additional Director of the Company under Section 260 and other applicable provisions, if any, of the Companies Act, 1956, read with the relevant Article/s of the Articles of Association of the Company and who holds such office upto the date of this Annual General Meeting and who is eligible for re-appointment and in respect of whom the Company has received a notice in writing alongwith a deposit of Rs.500/- (Rupees Five hundred only) from a member under Section 257 of the Companies Act, 1956 proposing his candidature for the office of Director, be and is hereby appointed as a Director of the Company and shall be liable to retire by rotation."

By Order of the Board

Sd/-

CS V. V. Vachhrajani
 Company Secretary &

Dy.Gen.Mgr.(Legal & Industrial Relations)

Place : Fertilizernagar
 Date : 31st July, 2010

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 continue 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 has appointed M/s. Prakash Chandra Jain & Co., Chartered Accountants, Vadodara and M/s. Khedkar Shah & Soni, Chartered Accountants, Vadodara respectively as Statutory & Branch Auditors of the Company for the Financial Year 2010-11.

3. Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956 in respect of Special Business is annexed hereto.

The particulars of qualification, experience and other directorship etc. of Shri Vijai Kapoor, Shri D. J. Pandian, Shri M. M. Srivastava and Shri A. K. Joti is 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 inform to 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
35	2008-09	25-09-2009	25-10-2016

Members who have not yet encashed their dividend warrant(s) for the financial year ended 31-03-2005 to 31-03-2009, are requested to lodge their claims to the Company, without any delay.

5. Relevancy of questions and the order of speakers at the meeting shall 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. 6

Pursuant to the recommendation of the Govt. of Gujarat, the Board of Directors have, effective from 29-10-2009, appointed Shri M. M. Srivastava, IAS as an Additional Director and who shall 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 signifying the intention to propose his candidature for the office of Director of the Company together with requisite amount of deposit prescribed.

Shri M. M. Srivastava, besides being a member of the Indian Administrative Service is having vast experience in the field of Management, Corporate Finance & Accounts and Administration, etc. He is an Additional Chief Secretary, Finance Department, Govt. of Gujarat and he is also a Director of other companies. Your Directors, therefore, recommends the passing of the resolution at Item No. 6. The resume of Shri M. M. Srivastava forms part of this annual report.

None of the Directors except Shri M. M. Srivastava, is in any way concerned or interested in the resolution.

By Order of the Board
Sd/-

CS V. V. Vachhrajani
Company Secretary &

Dy.Gen.Mgr.(Legal & Industrial Relations)

Place : Fertilizernagar

Date : 31st July, 2010

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 Vijai Kapoor, IAS (Retired)	Shri D. J. Pandian, IAS
Date of Birth	13-09-1938	11-05-1955
Date of Appointment as a Director of GSFC	15-07-2006	21-01-2010
Qualification	M.A. (Mathematics), IAS (Retd.)	B.A., M.B.A., IAS
Expertise	Served in Indian Administrative Service and has later served as Lieutenant Governor of Delhi for 6½ years. He has had rich administrative experience in different walks of Administration and Corporate Affairs.	He is a Senior IAS Officer having vast experience in Policy Making, Public Administration, Management of Corporate Finance & Strategic Planning. During his career, he held various key positions at the State Government and Central Government levels. He has also worked with World Bank in Washington. Presently, he is holding the key position of Principal Secretary (Energy & Petrochemicals Department), Govt. of Gujarat. He has successively managed GSPC group companies for the last 8 years as its Managing Director.
No. of Shares held in the Company	500 (Jointly with GSIL)	500 (Jointly with GSIL)
Name of other Companies in which directorship is held	1. Febindia Overseas Private Ltd. 2. Corporate Consultants, New Delhi	1. Gujarat Urja Vikas Nigam Limited 2. Gujarat State Electricity Corporation Ltd. 3. Gujarat Energy Transmission Corporation Ltd. 4. GSPC Pipavav Power Co. Ltd. 5. Gujarat Industries Power Company 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 and Chemicals Ltd. 11. Gujarat Narmada Valley Fertilizers Co. Ltd. 12. Gujarat State Petronet Ltd. 13. Mahaguj Collieries Ltd.
Committee position for Audit and Investors' Grievance Committees	Name of the Company _____	Position in Audit Comm. _____
	Name of the Company _____	Position in Investors' Grievance Committee _____
	Name of the Company _____	Position in Audit Comm. Member
	Name of the Company _____	Position in Investors' Grievance Committee Chairman
	Name of the Company _____	Position in Audit Comm. Chairman
	Name of the Company _____	Position in Investors' Grievance Committee Chairman

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 M. M. Srivastava, IAS	Shri A. K. Joti, IAS
Date of Birth	23-07-1952	23-01-1953
Date of Appointment as a Director of GSFC	29-10-2009	19-02-2010
Qualification	M.Sc., M.B.A., IAS	B.Sc., M.Sc., IAS
Expertise	He is a senior IAS Officer having vast experience in the field of Management, Corporate Finance & Accounts and Administration etc. He held many important positions in the State/Central Government. At present he is an Additional Chief Secretary to the Government of Gujarat, Finance Department.	He is a Senior IAS Officer having vast experience in Policy Making, Public Administration, Management of Corporate Finance & Strategic Planning. During his career, he held various key positions at the State Government and Central Government levels. Presently, he is the Chief Secretary to the Govt. of Gujarat.
No. of Shares held in the Company	500 (Jointly with GSIL)	—
Name of other Companies in which directorship is held	1. Gujarat State Financial Services Limited 2. GSFS Caps Limited 3. Gujarat State Investments Ltd. 4. Gujarat Narmada Valley Fertilizers Co. Ltd. 5. Gujarat International Finance Tech City Co. Ltd. 6. Gujarat State Petroleum Corporation Ltd. 7. Sardar Sarovar Narmada Nigam Ltd. 8. Gujarat Alkalies and Chemicals Ltd.	1. Gujarat Alkalies and Chemicals Ltd. 2. Gujarat Narmada Valley Fertilizers Co. Ltd 3. Gujarat State Petroleum Corporation Ltd. 4. Gujarat State Petronet Ltd. 5. Sardar Sarovar Narmada Nigam Ltd.
Committee position for Audit and Investors' Grievance Committees	Name of the Company	Position in Audit Comm.
	1. Gujarat State Fertilizers & Chemicals Ltd. 2. Gujarat State Investments Ltd. 3. Gujarat International Finance Tech City Company Ltd. 4. Sardar Sarovar Narmada Nigam Ltd.	Member Member Member Member
	Name of the Company	Position in Investors' Grievance Committee
	—	—

DIRECTORS' REPORT

To
The Members,

Your Directors are happy to present the 48th Annual Report and Audited Accounts of the Company for the year ended 31st March, 2010.

A. FINANCIAL RESULTS

(Rs. in Crores)

	Particulars	2009-10	2008-09
1.	Gross Sales	4129.17	6019.19
	Less : Excise Duty Recovered	109.98	138.39
	Net Sales	4019.19	5880.80
2.	Other Income	113.01	71.29
3.	Total Revenue	4132.20	5952.09
4.	Less : Operating Expenses	3569.51	5030.70
5.	Operating Profit	562.69	921.39
6.	Less : Interest	30.62	39.17
7.	Gross Profit	532.07	882.22
8.	Less : Depreciation	140.93	143.04
9.	Prior Period Adjustment	2.02	(0.77)
10.	Profit before taxes	389.12	739.95
11.	Taxation		
	- Current Tax	156.46	330.37
	- Deferred Tax (net)	(21.93)	(91.37)
	- FBT	—	1.50
	- Wealth Tax	0.12	0.12
	- Excess provision for taxation written back	—	(0.03)
12.	Profit after taxes	254.47	499.36
13.	Balance brought forward from last year	47.75	47.35
14.	Amount available for appropriations	302.22	546.71
15.	Out of which, your Directors have proposed appropriation and transfer as under :		
	a) Proposed Dividend on Equity shares	35.86	35.86
	b) Tax on Proposed Dividend	5.96	6.09
	c) General Reserve	170.00	457.00
16.	Leaving a balance in the Profit & Loss Account	90.40	47.76

B. OPERATIONAL PERFORMANCE

Your Company has achieved new heights on the operational front. During the Financial Year (FY) 2009-10, your Company has achieved the ever highest Fertilizer production of 18.13 Lacs MTs surpassing the previous record production of 17.78 Lacs MTs. The production of major Industrial Products like Caprolactam and Ammonia have also touched the ever highest level of 81,151 MTs and 5.06 Lacs MTs respectively during the year surpassing the previous record production of 79,716 MTs and 4.71 Lacs MTs respectively. The production at the Polymers Unit is also higher as compared to the previous year. The higher production of Fertilizers and Industrial Products was due to better capacity utilization of plants, improved maintenance practices and adequate availability of raw materials and intermediates. The Fertilizer sales for the FY 2009-10 was 17.98 Lacs MTs as compared to 13.82 Lacs MTs during the FY 2008-09 thus registering 30% growth. Despite deficient rainfall in the home market of Gujarat and in the primary market of Maharashtra, Rajasthan and Madhya Pradesh, your Company has achieved ever highest sales volume of fertilizers thus surpassing the previous sales record of 16.59 lacs MTs. Your Directors are pleased to inform that inspite of global meltdown, your Company has been able to achieve higher sales volume of its major industrial products due to its aggressive marketing strategy.

DIRECTORS' REPORT (Contd.)

In Fiscal Terms, the Net Sales was Rs. 4019.19 Crores as compared to Rs. 5880.80 Crores during the previous year. This was mainly due to lower prices of Phosphatic Fertilizers like DAP and APS. Similarly, the input prices of Phosphatic fertilizers were also lower which helped in maintaining 14% EBIDTA margin as against 15.67% during the previous year.

The Interest cost has gone down by 22% to Rs. 30.62 Crores in FY 2009-10 as compared to Rs. 39.17 Crores for FY 2008-09. The Profit Before Tax for the FY 2009-10 was Rs. 389.12 Crores as compared to Rs. 739.95 Crores for the FY 2008-09. The Profit After Tax was Rs. 254.47 Crores for the FY 2009-10 as compared to Rs. 499.36 Crores for FY 2008-09.

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/- each for the financial year ended 31st March, 2010. The net outgo on account of Dividend shall be Rs. 4181.94 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 11th September, 2010.

D. CURRENT PERFORMANCE

It is heartening to report that during the First Quarter of FY 2010-11, your Company has achieved highest ever Profit Before Tax (PBT) of Rs.160 Crores and Net Profit of Rs.109 Crores in the First Quarter of any financial year. (Previous highest Profit Before Tax Rs.105 Crores and Net Profit Rs.71 Crores in First Quarter of F. Y. 2008-09). The EBIDTA for the Q1 of FY 2010-11 is Rs.198 Crores as compared to Rs.82 Crores in Q-1 of the FY 2009-10 which is higher by 116 Crores(140%).

The sales price realization of major industrial products like Caprolactam and Nylon-6 increased in line with international prices. This, coupled with encouraging Nutrient Based Subsidy (NBS) policy for Potassic & Phosphatic fertilizers introduced by Deptt. of Fertilizers w.e.f. 01-04-10 helped in economic price realization in fertilizers also. However, the Net Sales of your Company during the first quarter of FY 2010-11 stood at Rs.1067 Crores which is lower by Rs.76 Crores as compared to the Net Sales of Rs.1143 Crores during 1st Quarter of FY 2009-10 mainly due to lower production on account of annual turn-around of the plants and consequently lower sales volume.

With the tapping of the cheaper source of working capital finance, the interest cost during the quarter stood at Rs.4 Crores as compared to Rs.9 Crores during corresponding quarter of the previous financial year.

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 still awaited.

Your Directors wish to state that the Equity Shares of your Company are compulsorily traded in dematerialized form w.e.f. 26/06/2000. Presently, 58.15% 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 norms as mandated by 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 and Analysis report also forms part of this Annual Report.

G. FIXED DEPOSITS

Your Directors wish to report that there are 787 fixed deposits aggregating Rs.111.72 Lacs which have remained unclaimed by Depositors, as on 31st March, 2010. Letters reminding them to exercise their option to seek repayment have been sent. Upto and including the date of this report, 451 deposits amounting to Rs. 69.72 Lacs have been repaid.

During the year, the Company has transferred a sum of Rs. 9.18 Lacs being the unclaimed deposits and interest amount thereon to the Investors' Education and Protection Fund as required in terms of Section 205C of the Companies Act, 1956.