

40th Annual Report 2001- 02



**GUJARAT STATE FERTILIZERS &
CHEMICALS LIMITED**

THE YEAR IN BRIEF

PARTICULARS	UNIT	2001-02	2000-01
PRODUCTION			
Fertilizers (loose)	MT	1360661	1292283
Caprolactam	MT	59546	65051
Nylon-6	MT	5487	6698
Argon Gas	'000 NM ³	2785	2218
Melamine	MT	11521	10527
Monomer	MT	2665	4012
Sheets	MT	358	745
Pellets	MT	2010	2119
Nylon Filament Yarn	MT	4084	5850
Nylon Chips	MT	2073	3025
SALES & EARNINGS			
Sales & Other Income	Rs.Crs.	2082.50	2212.66
Gross Profit (Before Depreciation & Taxes)	Rs.Crs.	49.06	138.46
Profit/(Loss) before Taxes	Rs.Crs.	(87.45)	* 6.06
Profit/(Loss) after Taxes	Rs.Crs.	(66.88)	* 6.04
FUNDS EMPLOYED			
Capital	Rs.Crs.	79.74	112.74
Reserves	Rs.Crs.	827.96	1176.84
Total Shareholders' Funds (Net Worth)	Rs.Crs.	907.70	1289.58
Borrowings	Rs.Crs.	1472.90	1519.69
Total Funds Employed	Rs.Crs.	2380.60	2809.27
GENERAL			
Book Value per Share	Rs.	112.77	156.21
Earning per Share	Rs.	(6.02)	* 0.76
Equity Dividend per Share	Rs.	-	-
Debt - Equity Ratio		1.64:1	1.19:1
Market Price per Share :			
	2001-02	2000-01	
High	(on 27/03/02)	(on 14/06/00)	Rs.
			26.95
Low	(on 18/09/01)	(on 20/03/01)	Rs.
			8.10
No. of Shareholders			No.
			140187
No. of Employees			No.
			5275
			144093
			5480

* After adjusting exceptional item of Rs. 224.02 Crores against General Reserves.



GUJARAT STATE FERTILIZERS & CHEMICALS LIMITED

BOARD OF DIRECTORS	DR. K D JESWANI G SUBBA RAO S G MANKAD DR. MANJULA SUBRAMANIAM A D DESAI DR. K KAMESWARA RAO N R KRISHNAN S R VENGSARKER ASHOK P BHAVSAR BALWANT SINGH	Chairman IDBI Nominee UTI Nominee ICICI Bank Nominee Managing Director
EXECUTIVE DIRECTORS	C R RAO A K VIJAY KUMAR GAUTAM SEN	
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 HDFC Bank Ltd. Punjab National Bank	
STATUTORY AUDITORS	M/s. Ramanlal G Shah & Co., Ahmedabad	
BRANCH AUDITORS (Polymers & Fibre Units)	M/s. J Harkisondas & Co., Vadodara	
COST AUDITORS	S V Diwanji, Vadodara	
SOLICITORS	M/s. Bhaishanker Kanga & Girdharlal	
REGISTERED OFFICE	P. O. Fertilizernagar - 391 750 District Vadodara, Gujarat	

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FOR MEMBERS' ATTENTION

1. With a view to comply with the provisions of the Listing Agreements with the Stock Exchanges, the Register of Members and the Share Transfer Books of the Company will remain closed from Thursday, the 12th September, 2002 to Friday, the 27th September, 2002 (both days inclusive).
2. 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.
3. The Company has appointed M/s. MCS Limited, Neelam Apartments, 1st Floor, 88, Sampatrao Colony, Behind Federation Building, Productivity Road, Baroda-390 007 (Phone No. 0265- 339397/314757, Fax No. 0265-341639, E-mail-mcs.brd @ lwbdq. iwbs.net) as Registrars & Share Transfer Agents for handling the work of transfer/transmission etc. of Equity Shares of the Company
4. 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.
5. 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
6. Shareholders of erstwhile Gujarat Nylons Ltd, who have yet not surrendered their GNL equity share certificates are advised to surrender the same immediately to the Registrars & Transfer Agents

40TH ANNUAL GENERAL MEETING

Date : 27th September, 2002
 Day : Friday
 Time : 9.00 a.m.
 Place : Fertilizernagar - 391 750
 District Vadodara

of the Company so as to enable the despatch of converted GSFC shares etc. in exchange thereof at the earliest.

7. The Company's Equity Shares are listed on the following Seven Stock Exchanges :

1. Vadodara Stock Exchange Ltd.
(Regional Stock Exchange)
Fortune Tower, 3rd Floor, Sayajigunj
Vadodara - 390 005
2. The Stock Exchange, Mumbai
Phiroze Jeejeebhoy Towers
25th Floor, Dalal Street, Mumbai - 400 001
3. The Stock Exchange, Ahmedabad
Kamdhenu Complex, Opp. Sahajanand College
Ahmedabad - 380 015
4. The Calcutta Stock Exchange Association Ltd.
7, Lyons Range, Kolkata - 700 001
5. The Delhi Stock Exchange Association Ltd.
DSE House, 3/1 Asaf Ali Road
New Delhi - 110 002
6. Madras Stock Exchange Ltd.
"Exchange Building", P.B.No.183
11, Second Line Beach, Chennai - 600 001
7. 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 2001-02.

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. 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 Fortieth 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 27th September, 2002 to transact the following business :

Ordinary Business

1. To receive, consider and adopt the Audited Accounts, Balance Sheet as at 31st March, 2002, Profit & Loss Account for the year ended on that date & the reports of Directors and Auditors thereon.
2. To appoint a Director in place of Shri A D Desai, who retires by rotation and being eligible offers himself for re-appointment.
3. 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 and TA and out of pocket expenses, to be paid to the Statutory Auditors and Branch Auditors as may be appointed by the Comptroller and Auditor General of India to audit the accounts of the Company for the financial year 2002-03 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 2002-03, as the Board may deem fit and appropriate in their absolute discretion."

Special Business

4. To consider and if thought fit, to pass the following resolution, with or without modifications, as an **Ordinary Resolution**.

"RESOLVED that Shri S G Mankad 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."

5. To consider and if thought fit, to pass the following resolution, with or without modifications, as an **Ordinary Resolution**.

"RESOLVED that Shri S R Vengsarker 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 subject to the provisions of Sections 198, 269, 309, 310 and 311 read with Schedule XIII and other applicable provisions, if any, of the Companies Act, 1956, the Company hereby accords its consent and approval to the appointment of Shri Balwant Singh, IAS as Managing Director of the Company, on the terms & conditions of remuneration and perquisites as set out in the explanatory statement annexed hereto."

"FURTHER RESOLVED that the remuneration, benefits and perquisites as set out in the explanatory statement shall be paid and allowed to him as minimum remuneration notwithstanding the absence or inadequacy of profits in any year."

"FURTHER RESOLVED that any revision/modification to the remuneration, perquisites or terms & conditions as may be communicated by the Government of Gujarat from time to time shall be applicable."

"FURTHER RESOLVED that so long as Shri Balwant Singh functions as the Managing Director of the Company, he shall not be paid any sitting fees for attending the meetings of the Board of Directors or Committees thereof."

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7. To consider and if thought fit, to pass the following resolution, with or without modifications, as an **Ordinary Resolution**.

"RESOLVED that the consent of the Company be and is hereby accorded in terms of Section 293 (1) (a) and/or other applicable provisions, if any, of the Companies Act, 1956, to the mortgaging and/or charging by the Board of Directors of the Company by way of second and subservient mortgage/charge of all the movable and immovable properties of the Company, wheresoever situate, present and future and the whole of the undertaking of the Company excluding properties and assets of Polymers Unit in District Vadodara and Fibre Unit in District Bharuch/Surat together with power to take over the management of the business and concern of the Company in certain events, to or in favour of Kreditanstalt fur Wiederaufbau, Germany(KfW), Hongkong and Shanghai Banking Corporation Ltd., Mauritius(HSBC) and Credit Lyonnais, Hong Kong(CL) lenders syndicate of - (1) Credit Lyonnais, Hong Kong (2) Rabobank Nederland, Singapore (3) Bayerische Hypo-und Vereinsbank, Singapore (4) IntesaBci S.p.A., Singapore Br. (5) Sumitomo Mitsui Banking Corp., HK Br. (6) UFJ Bank Ltd., Singapore Br. and (7) State Bank of India, HK Br. for whom CL Hong Kong is acting as an agent for an amount upto Rs. 150 Crores, together with interest thereon at the respective agreed rates, compound interest, additional interest, liquidated damages, commitment charges, premia on prepayment, costs, expenses, and other monies payable by the Company to KfW, HSBC and CL as per the terms of Agreement/Heads of Agreement/Letters of Sanction/Memorandum of Terms & Conditions entered into/to be entered into by the Company in respect of the aforesaid borrowings."

"FURTHER RESOLVED that the Board of Directors of the Company be and are hereby authorised to finalize and execute with KfW, HSBC and CL lenders syndicate of - (1) Credit Lyonnais, Hong Kong (2) Rabobank Nederland, Singapore (3) Bayerische Hypo-und Vereinsbank, Singapore (4) IntesaBci S.p.A., Singapore Br. (5) Sumitomo Mitsui Banking Corp., HK Br. (6) UFJ Bank Ltd., Singapore Br. and (7) State Bank of India, HK Br. for whom CL Hong Kong is acting as an agent, the documents for creating the aforesaid second and subservient mortgages and/or charges and to do all such acts & things, deeds & matters as may be required for giving effect to this resolution."

By Order of the Board

Fertilizernagar
29th July, 2002

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. The present Statutory Auditors M/s. Ramanlal G. Shah & Co., Chartered Accountants, Branch Auditors for Polymers & Fibre Units, M/s. J. Harkisondas & Co., Chartered Accountants, appointed by the Comptroller & Auditor General of India will retire at the conclusion of Fortieth Annual General Meeting. The Auditors of the Company for the current financial year will also be appointed by the Comptroller & Auditor General of India as the Company continues to attract provisions of Section 619-B read with the provision of Section 619(2) of the Companies Act, 1956.
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 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.

Members who have not yet encashed their dividend warrant(s) for the financial year ended 31-3-1995 onwards, 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.4

Pursuant to the recommendation of the Govt. of Gujarat, the Board of Directors have, effective from 16-03-2002, appointed Shri S G Mankad as an Additional Director 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 S G Mankad, besides being a member of the Indian Administrative Service having rich administrative experience of varied nature, is Chairman and Director of number of companies and also Managing Director of the Gujarat State Investments Ltd. Your Directors, therefore, recommend you to pass the resolution.

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

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Item No. 5

In terms of covenants of Loan Agreement, ICICI Bank have desired that Shri S R Vengsarker may be appointed as a Director of the Company. Shri S R Vengsarker was appointed as an Additional Director with effect from 16-3-2002 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 S R Vengsarker, besides being ICICI Bank nominee Director on the Boards of many companies, is a Corporate Consultant. In past he has worked as General Manager in Nirlon Ltd., Chief of Operations in ICICI, President of 20th Century Finance Corporation and Group Vice President (Corporate Finance) of Reliance Industries Ltd. Your Directors, therefore, recommend you to pass the resolution.

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

Item No. 6

As per Notification No. AIS/35/2001/48/G dated 10th September, 2001 issued by the Government of Gujarat, General Administration Department followed by Resolution No. GSF-11-2001-3940-E dated 13th September, 2001 issued by the Government of Gujarat, Energy & Petrochemicals Department, Shri Balwant Singh, IAS was appointed as "Government Director" and Managing Director. He assumed charge on 14.09.2001 (AN).

Further, pursuant to the provisions of Articles 140 & 145 of the Articles of Association of the Company, the Board of Directors of your Company appointed him as the Managing Director of the Company w.e.f. 14.09.2001 (AN). In terms of Schedule XIII and other applicable provisions of the Companies Act, 1956, the appointment of Shri Balwant Singh as Managing Director and payment of remuneration to him requires the consent and approval of the Company in General Meeting.

The terms & conditions of appointment and the particulars of remuneration and perquisites paid/payable to Shri Balwant Singh are as follows :-

(a) Period :

For an initial period of 2 years with effect from the date he assumed charge as Managing Director i.e. 14.09.2001 (AN) or till his services are withdrawn by the Government of Gujarat, whichever is earlier.

(b) Salary :

His pay shall be Rs.22,400/- per mensem in the pay scale of Rs.22,400-525-24,500. He shall draw the pay and allowances in the scale of Principal Secretary to the Government by virtue of the equation of the post of Managing Director of the Company with the IAS cadre post of Principal Secretary to the Government of Gujarat vide General Administration Department's Order No. AIS-30-2000-EQ-3007-G dated 20.07.2001.

(c) Dearness Allowance :

He shall be entitled to draw Dearness Allowance as admissible under the All India Services (Dearness Allowance) Rules, 1972.

(d) Perquisites :**(i) City Compensatory Allowance and House Rent Allowance :**

City Compensatory Allowance and House Rent Allowance shall be regulated under the rules of the Company. If any residential accommodation is hired/owned by the Company, then Shri Balwant Singh, IAS is permitted for opting for Company rules for housing purposes and his entitlement to draw H.R.A. will also cease in this case.

(ii) Transfer T.A./Joining Time :

He shall be entitled to T.A. and joining time, both on joining the post of Managing Director of the Company and on reversion under the rules of the Company to which he is deputed and will



not be inferior to the relevant provisions of the AIS Rules. The expenditure on this account will be borne by the Company.

(iii) Conduct, Discipline and Appeal Rules :

He shall continue to be governed by the All India Services (Conduct) Rules, 1968 and All India (Discipline and Appeal) Rules, 1969.

(iv) T.A. and D.A. for journey on duty :

He will be paid Travelling Allowance and Daily Allowance by the Company under its own rules for the journeys undertaken by him in connection with the official work under the Company.

(v) Leave and Pension :

During the period of deputation, he will continue to be governed by the AIS (Leave) Rules, 1955 and the AIS (DCRB) Rules, 1958. The entire expenditure in respect of the leave taken during or at the end of deputation shall be borne by the Company. In later cases, the leave and its period will be regulated by the orders of the State Government issued on the subject. He will not be allowed to join any of the pension schemes of the Company.

(vi) Provident Fund :

During the period of the deputation, Shri Balwant Singh, IAS will continue to subscribe to the AIS Provident Fund Scheme to which he was subscribing at the time of proceeding on Foreign Service in accordance with the rules of such fund.

(vii) Medical Facilities :

The Company shall afford to Shri Balwant Singh, IAS, medical facilities not inferior to those, which are admissible to an IAS officer of the same status under the Central Government Rules on the subject.

(viii) Transport Allowance :

He shall be eligible to draw Transport Allowance in accordance with and subject to the conditions mentioned in Government Order, GAD No.AIS/1097/GOI.670/G dated 06.08.1998, provided he is not provided with an official car by the Company for commuting between office and residence, as available to the officers of the rank of Secretary to Government, as provided under G.R.GAD No.AIS/3185/1468/G dated 11.09.1985, as amended from time to time, during his deputation with the Company.

OR

He shall be provided with a chauffeur-driven car by the Company. In respect of private journeys undertaken by him, a deduction of Rs.250/- per month will be made.

(ix) Leave Travel Concession :

The Company shall allow Leave Travel Concession to Shri Balwant Singh, IAS as admissible under its rules provided these are not inferior to those admissible to him under the AIS (L.T.C.) Rules, 1975. The whole expenditure in this regard will be met by the Company. This, however, is subject to the condition that the officer had not already, before proceeding on deputation, availed of concession during that particular block of years.

(x) Disability Leave :

The Company will be liable to pay leave emoluments in respect of disability leave, if any, granted to him on account of any disability incurred in and through foreign service even though such disability manifests itself after termination of foreign service. The relevant AIS rules will be applicable in such cases.

(xi) Leave Salary/Pension Contributions :

The Company will pay to the Govt. of the parent cadre of Shri Balwant Singh, IAS, leave salary and pension contributions at the rates in force from time to time in accordance with the orders issued by the President under F.R.116. The payment of these contributions must be paid annually

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within 15 days from the end of each financial year or at the end of foreign service if the deputation expires before the end of a financial year. Delayed payment will attract liability of payment of interest in terms of the instructions contained in the Ministry of Finance's Notification No.F.1(1)-E.III/83 dated 10th August, 1983, as amended from time to time. Pending intimation of the rates of leave salary and pension contribution by the concerned Accountant General, the organisation shall pay leave salary and pension contributions provisionally at the prescribed rates.

(xii) Group Insurance :

If Shri Balwant Singh, IAS has not opted out of the Central Govt. Employees Group Insurance Scheme 1980, before 31.12.1981, the said scheme as appended to the schedule to the AIS (Group Insurance) Rules, 1981 shall be applicable to him. In that case, an amount of Rs.120/- p.m. deducted from his salary as subscription towards the Insurance scheme shall be remitted to the concerned Accountant General by the Company. If at any time the recovery of subscription falls in arrears, the same shall be recovered with interest admissible under the Scheme on the accretions to the saving fund.

(xiii) Residuary Matters :

In all matters relating to conditions of service and benefits/facilities and perks in the Company not covered above, Shri Balwant Singh, IAS shall be governed by the rules, regulations and orders applicable to a member of the All India Services serving in connection with the affairs of the Union/ State Govt.

(xiv) The above mentioned terms & conditions would be applicable till Shri Balwant Singh, IAS remains on deputation with the Company. On reversion from deputation, he will be governed by the relevant rules laid down for All India Service Officers.

The appointment of Shri Balwant Singh and the remuneration and perquisites payable to him are in accordance with Schedule XIII to the Companies Act, 1956. Shri Balwant Singh has long experience in Government. Accordingly, the Directors commend this resolution for your consent and approval.

None of the Directors except Shri Balwant Singh is concerned or interested in passing this resolution.

Item No. 7

With a view to raise the finance for Ammonia-IV project and for working capital requirements, your Company had procured unsecured loans from Kreditanstalt fur Wiederaufbau, Germany (KfW), Hongkong and Shanghai Banking Corporation Ltd., Mauritius(HSBC) and a syndicate of lenders arranged by Credit Lyonnais, Hong Kong(CL). Your Company has initiated dialogue with these three lenders for deferment of the debt repayment obligations by a period of about 2 years.

These lenders are inclined to consider Company's Debt Restructuring Proposal if security cover is provided for their loans. However the charge will be created only after receiving formal approval from ECB lenders for restructuring of debts and after IDBI and other Indian lenders/Banks agree to cede charge in favour of the ECB lenders.

The creation of mortgage and charge over the assets of the Company tantamounts to the disposal of properties of the Company within the meaning of Section 293(1)(a) of the Companies Act, 1956, which requires approval and consent of the members of the Company in the General Meeting. This resolution is therefore proposed. This is an enabling resolution to give powers to the Board of Directors to create the charge when IDBI & other Indian Financial Institutions and Banks give their formal sanction to cede the charge.

None of the Directors of the Company is interested in the Resolution. Your Directors recommend you to pass this resolution.

The relevant documents relating to these borrowings from KfW, HSBC and syndicate arranged by CL are open for inspection by the members at the Registered Office of the Company between 9.00 a.m. and 12.00 noon on all working days of the Company.

By Order of the Board

Fertilizernagar
29th July, 2002

V D Nanavaty
Company Secretary