

## GUJARAT STATE FERTILIZERS & CHEMICALS LIMITED

### 43<sup>rd</sup> ANNUAL GENERAL MEETING

Date : 23<sup>rd</sup> September, 2005  
Day : Friday  
Time : 9.00 a.m.  
Place : Fertilizernagar - 391 750  
District Vadodara

### BOARD OF DIRECTORS (As on 29-07-2005)

S G MANKAD *Chairman*  
DR. MANJULA SUBRAMANIAM  
SUDHA ANCHALIA  
BALWANT SINGH  
R S AGARWAL *IDBI Nominee*  
N R KRISHNAN *UTI Nominee*  
S R VENGSAKER *ICICI Bank Nominee*  
A K LUKE *Managing Director*

### SPECIAL DIRECTOR

C R RAO

### EXECUTIVE DIRECTORS

A K VIJAY KUMAR  
GAUTAM SEN  
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.

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### 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

### STATUTORY AUDITORS

M/s. Ghiya & Co., Jaipur

### BRANCH AUDITORS

(Polymers & Fibre Units)  
M/s. K C Mehta & Co., Vadodara

### COST AUDITORS

M/s. Diwanji & Associates, Vadodara

### SOLICITORS

M/s. Bhaishanker Kanga & Girdharlal, Mumbai

## FOR MEMBERS' ATTENTION

1. The Register of Members and the Share Transfer Books of the Company will remain closed from Saturday, the 10th September, 2005 to Friday, the 23rd September, 2005 (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 29th September, 2005, in respect of shares held in physical mode, to those members whose names appear on the Register of Members of the Company on 23rd September, 2005 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 9th September, 2005.
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, 2005 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. The Stock Exchange, Mumbai  
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 2004-05.
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-third 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 23rd September, 2005 to transact the following business :

### Ordinary Business

1. To receive, consider and adopt the Audited Accounts, Balance Sheet as at 31st March, 2005, 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 S. R. Vengsarker 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 as may be appointed by the Comptroller and Auditor General of India to audit the accounts of the Company for the financial year 2005-06 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 2005-06, as the Board may deem fit and appropriate in their absolute discretion."

By Order of the Board

Fertilizernagar  
29th July, 2005

**V D Nanavaty**  
Company Secretary

Report  **NOTES** junction.com

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. Ghiya & Co., Chartered Accountants, Branch Auditors for Polymers & Fibre Units, M/s. K C Mehta & Co., Chartered Accountants, appointed by the Comptroller & Auditor General of India will retire at the conclusion of Forty-third Annual General Meeting. The Auditors of the Company for the current financial year will be appointed by the Comptroller & Auditor General of India 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.
3. 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 dividend for the financial year ended 31-03-1997 has been transferred to the said fund.  
Members who have not yet encashed their dividend warrant(s) for the financial year ended 31-03-1998 and 31-03-1999, are requested to make their claims to the Company accordingly, without any delay.
4. Relevancy of questions and the order of speakers at the meeting will be decided by the Chairman.

## DIRECTORS' REPORT

To

The Members,

Your Directors have pleasure in presenting the 43rd Annual Report and audited Accounts of the Company for the year ended 31st March, 2005.

### FINANCIAL RESULTS

(Rs. in Crores)

| Particulars   | 2004-05        | 2003-04 |
|---|----------------|---------|
| 1. <b>Gross Sales</b>   | <b>2760.41</b> | 2219.36 |
| Less : Excise Duty Recovered  | <b>153.84</b>  | 113.12  |
| Net Sales   | <b>2606.57</b> | 2106.24 |
| 2. Other Income   | <b>63.25</b>   | 75.86   |
| 3. <b>Total Revenue</b>   | <b>2669.82</b> | 2182.10 |
| 4. Less : Operating Expenses  | <b>2168.09</b> | 1853.08 |
| 5. <b>Operating Profit</b>  | <b>501.73</b>  | 329.02  |
| 6. Less : Interest  | <b>105.82</b>  | 138.66  |
| 7. <b>Gross Profit</b>  | <b>395.91</b>  | 190.36  |
| 8. Less : Depreciation  | <b>143.28</b>  | 145.33  |
| 9. Prior Period Adjustment  | <b>0.57</b>    | 2.63    |
| 10. <b>Profit before taxes</b>  | <b>252.06</b>  | 42.40   |
| 11. Taxation - Current Taxation (MAT + Wealth Tax)                                  | <b>(18.90)</b> | (2.29)  |
| - Deferred Tax (net)  | <b>(95.09)</b> | 134.16  |
| 12. <b>Profit after taxes</b>   | <b>138.07</b>  | 174.27  |
| 13. Balance brought forward from last year  | <b>40.12</b>   | —       |
| 14. Excess provision for taxation written back                                      | <b>0.01</b>    | 0.01    |
| 15. <b>Amount available for appropriations</b>                                      | <b>178.20</b>  | 174.28  |
| 16. Out of which your directors have proposed appropriation and transfer as under : |                |         |
| a) Proposed Dividend on Equity Shares   | <b>11.95</b>   | —       |
| b) Tax on Proposed Dividend   | <b>1.68</b>    | —       |
| c) General Reserve  | <b>144.00</b>  | 134.16  |
| 17. Leaving a balance in the Profit & Loss Account of                               | <b>20.57</b>   | 40.12   |

Your Company is marching ahead from the path of revival to the path of sustaining success and further solidification, due to the series of systematic steps taken by the management in the year 2003-04 alongwith bold steps and initiatives taken during the year 2004-05 which has added wind to the sails. The same was taken note of and your Company has been honoured with prestigious **FAI award for "Improvement in overall performance for the year 2003-04"**.

### OPERATIONAL PERFORMANCE

Your Company has recorded stronger financial performance during the year. The Company has achieved net sales of Rs. 2606.57 crores against Rs. 2106.24 crores in the previous year recording a rise of 23.75%. The Company sold 13.73 lakhs MTs of fertilizers which is higher by 47727 MTs as compared to the previous year. Further better price realisation added into higher fertilizer sales in value by Rs. 143.15 crores (10.76%). The net sales of industrial, intermediate products at Fertilizernagar increased by Rs. 305.19 crores (48.83%) while net sales of Fibre Unit & Polymers Unit increased by Rs. 36.09 crores (37.57%) and Rs. 15.90 crores (29.10%) respectively.

The operating profit has substantially improved to Rs. 501.73 crores (i.e. 19.25% of the net sales) as against Rs. 329.02 crores (15.62%) in the previous year. The profit before tax is Rs. 252.06 crores as against Rs. 42.40 crores last year. The net profit for the year is Rs. 138.07 crores after considering current tax under MAT, Wealth Tax and deferred tax.

Following landmark measures have improved your Company's overall performance -

- Tie-up for gas for the entire Fertilizernagar complex and Polymers Unit, improved efficiency and decreased the cost of production considerably.
- Majority of the plants operated at more than 100% capacity, with more stream days.
- Ever highest power generation of 2035.469 Lacs KWH achieved in Co-generation-III Plant during the year 2004-05 resulted in lesser dependency on high cost power from GIPCL.
- Ammonia-IV Plant throughout the year operated better than last year and produced 4,21,854 MTs (94.7%) as against 4,01,400 MTs (90.1%) in 2003-04 with ever lowest energy consumption of 8.04 Gcal/MT against 8.31 Gcal/MT in 2003-04.
- Levy of anti dumping duty by Govt. of India on import of Caprolactam and Melamine with persisted efforts by the Company.
- Ever-highest turnover of fertilizer group (Rs. 1474 crores) & Industrial products (Rs. 1133 crores) with better margins, faster recovery & reduced marketing cost.
- Implementation of innovative financial controls helped in managing the fund in best possible way, which ultimately resulted in better liquidity and reduction in interest cost by Rs. 32.84 crores.

#### DIVIDEND

Your Directors are pleased to recommend a Dividend @ 15% (previous year Nil) on the equity shares for the year ended on 31<sup>st</sup> March, 2005. The aggregate equity dividend amount of Rs. 13.63 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 profit of the Company increased despite marginal decline in net sales during the quarter April-June 2005-06. During Q1 2005-06 the Company's net sales decreased by 5% to Rs.424.84 crores from Rs.448.53 crores in Q1 2004-05. The decrease was mainly due to lower sales volume of Sikka unit's DAP due to non-availability of imported phosphoric acid. The Company has written back a provision of Rs.42.40 crores pertaining to "Take or Pay" Agreement entered into with GCPTCL earlier as one of the promoters. The agreement has now been rescinded with retrospective effect as a part of restructuring of GCPTCL. The EBITDA increased from Rs.80.57 crores in Q1 2004-05 to Rs.150.47 crores in Q1 2005-06. The profit before tax increased from Rs.13.70 crores in Q1 2004-05 to Rs.91.05 crores in the current quarter. The profit after tax was Rs.70.21 crores as compared to Rs.7.02 crores in Q1 2004-05. During this period your Company registered a cash profit of Rs.117.69 crores as against Rs.48.86 crores in the first quarter of 2004-05. The improved profitability of your Company is due to the better sales price realisation, higher other income, better operating margin and reduction in interest cost.

#### DELISTING OF SHARES

As approved by the shareholders at the last Annual General Meeting and as per delisting guidelines, the Company had during the year received approval for voluntary delisting of equity shares from Vadodara Stock Exchange and is awaiting approval from Calcutta Stock Exchange. As listing of shares of the company will continue with The Stock Exchange, Mumbai and National Stock Exchange, the said delisting will not affect the shareholders adversely.

#### LISTING OF DEBT SECURITIES

Pursuant to the SEBI guideline, Privately Placed Debentures/ Bonds of the Company have been listed with National Stock Exchange.



## **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, 2005 the repayment/renewal of 757 deposits amounting to Rs. 86.18 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, 362 deposits amounting to Rs. 47.55 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 earned "5 STAR Rating" in the "Health & Safety Audit" carried out by British Safety Council, UK in June, 2004. Your Company has also been awarded a 'Certificate of Merit' for working more than 2 million accident free man hours without any lost time accident for the year 2003. Your Company has been awarded "Sword of Honour" by British Safety Council for the year 2004, which represents pinnacle of Safety achievement. Your Company has been awarded International Safety Award from British Safety Council for better record in the field of Health & Safety for last two consecutive years 2003 & 2004. Your Company has been awarded a Runner's up Trophy for achieving lowest Disabling Injury Index for the year 2003. This award is given jointly by Gujarat Safety Council & Directorate of Industrial Safety & Health, Gujarat State.

Your company is also considering creating facility for dry crushing of Sulphur Muck generated during melting and filtration operation in Sulphuric Acid manufacture. The crushed Sulphur Muck will be utilized as filler material for DAP grade adjustment. Thus hazardous waste product will be converted into a valuable product.

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

## **FOUNDING MEMBER OF GLOBAL COMPACT SOCIETY**

Your Company has now become a founding member of Global Compact Society (GCS) formed under Global Compact Programme initiated by Secretary General, United Nations and adheres to its principles.

## **PROJECTS OF INTEREST**

The Company's growth depends on diversification and expansion of existing facilities in related area. Looking to good export potential of MEK-Oxime, last year your Company had decided to go for additional production facility of MEK-Oxime plant with completion by end May 2005. The complete project work involving basic and detail engineering design, procurement, fabrication of equipment, construction and monitoring has been carried out inhouse in a record span of 11 months covering from concept to commissioning. I am happy to announce that erection of MEK-Oxime plant is completed ahead of schedule and trial production has commenced from 23<sup>rd</sup> of April 2005. The product quality achieved is of export standards.

For production of Methanol in Ammonia-I plant, the work of feasibility study is assigned to three internationally renowned technology suppliers. Final reports of feasibility study covering achievable capacity and project cost has been received. Based on study of the above reports, Board of Directors of your Company will take final decision in this regard.

Looking to the anticipated demand of NPK grades of fertilizers in the coming years due to increase in awareness for balanced use of NPK for better crop productivity and also to utilize the untapped manufacturing

capacity of Sikka unit without affecting the present production requirement of DAP, your Company is contemplating to incorporate necessary modification at Sikka DAP Plant to produce NPK Fertilizer at an estimated cost of Rs. 3 crores which will be managed from internal source of the Company.

One of the important input to the crop is water. The State of Gujarat is characterized for shortage of water when the crop is needed. Even the ground water is depleting due to continuous drawl thereby demand for electricity is increasing rapidly. To mitigate the crop water requirement when needed, it is necessary to distribute available water to large areas. Therefore Gujarat Government decided to implement Micro Irrigation thereby it provide water to crop in large area and at the same time it also save water and electricity. On this direction Govt. of Gujarat has decided that Gujarat Green Revolution Company Ltd. (earlier known as Gujarat Agri Processing Co.Ltd.) which is jointly promoted by GSFC & GNFC will act as a nodal agency and implement Micro Irrigation System in the State on behalf of the Govt. of Gujarat with one business module so that the farmer takes the advantage of this scheme and save water and thus save electricity. Thus, your Company has embarked upon ambitious project of bringing second Green Revolution in the State.

With a view to bring further improvement in performance of Fibre Unit of the Company, your Company is contemplating to implement modification in spinning line No.1 to produce high tenacity yarn and installation of new Crimping & Draw-Twisting machines in spinning & Textile section at a total estimated cost of around Rs. 4.65 crores which will be managed from internal sources of the Company. It is expected that the said schemes when completed will increase turnover and realization of your Company.

#### **SUBSIDIARY COMPANY/CONSOLIDATED ACCOUNTS**

In terms of the approval granted by the Central Government under Section 212(8) of the Companies Act, 1956, copy of the Balance Sheet, Profit & Loss Account, Report of the Board of Directors and Report of the Auditors of the subsidiary company - GSFC Investment and Leasing Company Ltd. (GSFCIL) has not been attached with the Balance Sheet of the Company. The Company will make available these documents/details upon request by members of the Company interested in obtaining the same. In accordance with the Accounting Standard (AS-21) on Consolidation of Accounts and as per the Listing Agreement entered into with the Stock Exchanges, Audited Consolidated Financial Statements in respect of the Company and GSFCIL are included as part of the Annual Report. Pursuant to the approval, a statement of the summarised financial position of the subsidiary company is attached along with the consolidated financial statements.

#### **INFORMATION REGARDING CONSERVATION OF ENERGY, ETC., AND PARTICULARS OF EMPLOYEES**

Information required under Section 217(1)(e) of the Companies Act, 1956, read with Rule (2) of the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988, is given in Annexure "A" forming part of this report. The Company did not have any employee falling within the purview of Section 217(2A) of the Companies Act, 1956 and as such Particulars of Employees has not been furnished.

#### **DIRECTORATE**

##### **CHAIRMAN**

On attaining the superannuation age, Shri P K Laheri, the then Chairman retired from the services of the Govt. of Gujarat on 31-03-2005 and in his place Shri S G Mankad was appointed as "Govt. Director" and Chairman of the Board of Directors with effect from 01-04-2005.

In pursuance of the provisions of Article 170 of the Articles of Association of the Company, as also the provisions of the Companies Act, 1956, Shri S R Vengsarker will retire by rotation at this Annual General Meeting and being eligible, has offered himself for re-appointment.

#### **DIRECTORS' RESPONSIBILITY STATEMENT**

As required under Section 217 of the Companies Act, the Directors hereby confirm that :

- (i) In the preparation of the annual accounts, the applicable accounting standards had been followed alongwith proper explanation relating to material departures.

- (ii) The accounting policies followed in the preparation of the annual accounts have been consistently applied except where otherwise stated in the notes on Accounts. The judgement and the estimates in the preparation of annual accounts have been made on prudent and reasonable basis so that the Annual Accounts give a true and fair view of the state of affairs of the Company, at the end of the financial year and of the profit of the Company for the year under review.
- (iii) The Directors have taken sufficient and proper care for the maintenance of adequate accounting records, in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities.
- (iv) The Directors have prepared the accounts on a 'going concern' basis.

### **AUDITORS**

The Company continues to attract the provisions of Section 619-B of the Companies Act, 1956. The Comptroller and Auditor General of India vide its letter No.CA V/COY/GUJARAT, GSFC(2)/132 dated 27-08-2004, appointed M/s. Ghiya & Co., Chartered Accountants, Jaipur as Statutory Auditors of the Company, to audit the accounts of the Company at corporate level at Head Quarters including its Sikka Unit and Fertilizernagar Plants and M/s. K C Mehta & Co., Chartered Accountants, Vadodara as Branch Auditors, to audit the accounts of its Polymers and Fibre Units for the year ended 31st March, 2005. Auditors for the current year 2005-06 are also to be similarly appointed by the Comptroller & Auditor General of India. Pursuant to Section 224(8)(aa) of the Companies Act, 1956, the remuneration of the Auditors appointed by the Comptroller & Auditor General of India shall be fixed by the Company in the General Meeting or shall be fixed in such manner as the Company in General Meeting may determine. Accordingly, a resolution proposing to give authority to Board of Directors of the Company to fix the remuneration of the Auditors for the financial year 2005-06 is placed for your approval under 'Ordinary Business'.

In pursuance of the directives received from the Department of Company Affairs for the appointment of Cost Auditors, your Directors have, with the approval of the Central Government, appointed M/s. Diwanji & Associates, Cost Accountant, as Cost Auditor to conduct the cost audit of fertilizer products for the financial year ending 31-3-2006.

### **AUDITORS' REPORT**

With regard to observations of Statutory Auditors contained in their Report, the Company has provided clarifications in Schedule 22 "Notes on Accounts".

### **PERSONNEL**

Employees at all levels have made significant contribution towards achieving higher levels of production, sales, improvement in specific consumption of raw materials, utility, cost reduction, energy conservation etc. We recognise and sincerely appreciate the hard work put in by all the employees of the Company.

### **ACKNOWLEDGMENTS**

Your Directors are happy to place on record their gratitude to the Government of India, the Government of Gujarat, IDBI, IFCI, UTI, ICICI Bank, LIC, GIC, other Indian Financial Institutions as well as International Financial Institutions, SEBI, NSDL, CDSL, Stock Exchanges, Bank of Baroda, State Bank of India, Bank of India & other Banks and other agencies for their assistance, co-operation and support extended to your Company. Above all, your Directors remain thankful to the shareholders as well as fixed depositors for their continued support.

For and on behalf of the Board

Fertilizernagar  
29th July, 2005

**S G Mankad**  
Chairman



PARTICULARS REQUIRED UNDER THE COMPANIES (DISCLOSURES OF PARTICULARS IN THE REPORT OF DIRECTORS) RULES, 1988.

#### A] CONSERVATION OF ENERGY

##### Measures taken at Fertilizernagar Complex

- a) At Co-Generation units, by proper integration of Cooling Water (CW) headers, one CW pump and fan could be stopped resulting in power saving of 36 Lacs Units/Year (Rs. 80 Lacs /Year).
- b) Resistance at discharge of N<sub>2</sub> compressor of Ammonia-IV Plant reduced by piping modification. This resulted in power saving of 13.6 Lacs Units/Year (Rs. 30 Lacs/Year).
- c) Optimization of operating parameters in Boiler feed water pumping system at Ammonia-IV Plant, resulted in annual steam saving of 1600 MTs (Rs. 14 Lacs / Year).
- d) Optimization of cooling water pump operation at Ammonia storage facility resulted in power saving of 0.87 Lac Units/Year (Rs. 1.91 Lacs/Year).

##### Measures taken at Fiber Unit

- a) Draw Twisting Air washer blower was replaced by new energy efficient blower. This has resulted into increased Relative Humidity of Draw Twisting Hall, with power saving of Rs. 3.13 Lacs per year.
- b) Installation of capacitor feeder at motor control centers improved power factor. This resulted in annual saving of Rs. 2.65 lacs.

##### Measures under consideration at Fertilizernagar Complex

- a) Replacement of 2.5 Kg/Cm<sup>2</sup> cooling tower pump at Urea Plants, with expected power saving of 4 Lacs Units/Year (Rs. 9 Lacs/Year).
- b) Installation of Vapour Absorption Refrigeration system use of excess low pressure steam at Caprolactam Expansion Plant for chilling the water replacing vapour compression system. Anticipated annual power saving 26 Lacs Units/Year.
- c) Provision of Mother Liquor Preheater in Melamine-I Plant. Anticipated annual steam saving of 1650 MTs.
- d) Impeller size of condensate circulation pump is proposed to be increased to eliminate operation of two pumps in Caprolactam Expansion Plant. Anticipated annual power saving of 4.0 Lacs Units.
- e) In Ammonia-IV Plant, motor (45KW) of Ammonia Transfer Pump (P0601) is proposed to be replaced with lower rating motor (18.5KW). Anticipated annual power saving of 0.384 Lac Unit.
- f) In SA-III Plant, Cooling Pond Circulation Pump will be replaced by more efficient pump. Anticipated annual power saving of 3 Lacs Units ( Rs. 6.5 Lacs per year).
- g) At Caprolactam Expansion Plant, based on operating parameters one of the circulation pumps is proposed

to be isolated by small piping modifications. Anticipated annual power saving of 1.84 Lacs Units (Rs. 4 Lacs per year).

- h) Suitable piping modifications are proposed to enable operation of only one Service Air Compressor for Melamine Plants. Anticipated annual power saving 1.84 Lacs Units.

#### Conservation of raw material and chemicals :

##### Measures taken at Fertilizernagar Complex

- a) Use of excess condensate after cooling it as Demineralised (DM) Water in Urea Plant has reduced fresh DM Water consumption by 15 MTs/Hr equivalent to Rs. 48 Lacs/Year.
- b) Recovery of valuable hydrocarbon from sludge deposited at bottom of tank and reprocessing it in plant. This has resulted into material saving of 22 MTs. of Cyclohexanone equivalent to Rs. 13 Lacs every 3 years.

##### Measures taken at Sikka Unit

- a) Substitution of lubrication used in Dryer, Granulator and Cooler Girth Gear of DAP plant "C" train has resulted in annual saving of Rs. 6 Lacs.
- b) By passing of Cooling Tower of "C" Train has resulted in annual saving of energy and chemical of Rs. 8 Lacs.
- c) Reduction of Cooler & Tail gas scrubber pump Capacity from 700 M<sup>3</sup>/hr to 250 M<sup>3</sup>/hr by optimizing upstream scrubber efficiency resulted in annual saving of Rs. 15 Lacs.

##### Measures taken at Fibre Unit

- a) Draw Twisting Air washer blower was replaced by new energy efficient blower resulted into increased Relative Humidity of Draw Twisting Hall. This has saved Rs. 3.5 Lacs per year towards quality up-gradation of certain deniers.
- b) Installation of knife gate valve in Caprolactam feeding system helped improvement of permanganate number & saving of annual nitrogen equivalent to Rs. 1.03 Lacs.
- c) Additional use of 38 MTs. Off Grade(W) semi dull chips produced from NFY waste in addition to Bright Off Grade (W) chips for producing of compounded grade chips had resulted into annual contribution of Rs. 32.5 Lacs.
- d) Use of waste granules from polyamide waste in glass filled black compounded chips resulted into additional annual contribution of Rs. 14.56 Lacs.

#### TOTAL ENERGY CONSUMPTION AND ENERGY CONSUMPTION PER UNIT OF PRODUCTION

As per enclosed FORM - A

## B) TECHNOLOGY ABSORPTION

### EFFORTS MADE IN TECHNOLOGY ABSORPTION

As per enclosed FORM – B

**TOTAL FOREIGN EXCHANGE USED AND EARNED 2004-05**

#### Foreign Exchange Outgo :

| (i) C.I.F VALUE OF IMPORTS           | Rs. Lakhs       |
|--------------------------------------|-----------------|
| (a) Raw Materials                    | 63414.71        |
| (b) Stores & Spares                  | 910.63          |
|                                      | 64325.34        |
| (ii) EXPENDITURE IN FOREIGN CURRENCY |                 |
| (a) Interest                         | 384.62          |
| (b) Technical Asstt./Know How        | 102.81          |
| (c) Others                           | 37.82           |
|                                      | 525.25          |
| <b>TOTAL (i) + (ii)</b>              | <b>64850.59</b> |

#### Foreign Exchange Earned :

FOB VALUE OF EXPORT OF

|             |          |
|-------------|----------|
| Caprolactam | 13997.61 |
| MEK Oxime   | 1084.57  |
| Melamine    | 1158.58  |
| Nylon – 6   | 5.35     |
| Nylon Chips | 80.75    |
| Fertilizers | 1321.08  |
|             | 17647.94 |

## FORM-A

**Form for disclosure of particulars with respect to Conservation of Energy : 2004-05**

### A. POWER AND FUEL CONSUMPTION

| PARTICULARS                       | 2004-05         | 2003-04  |
|-----------------------------------|-----------------|----------|
| <b>1. ELECTRICITY</b>             |                 |          |
| (A) Purchase :                    |                 |          |
| Unit : MWH                        | <b>296852</b>   | 354023   |
| Amount Rs. In Lacs                | <b>9524.22</b>  | 10246.18 |
| Rate Rs. /KWH                     | <b>3.21</b>     | 2.89     |
| (B) Own Generation :              |                 |          |
| Unit : MWH                        | <b>271303</b>   | 169739   |
| KWH Per Ltr. of Fuel/Gas          | <b>3.67</b>     | 4.02     |
| Cost Rs. /KWH                     | <b>2.02</b>     | 2.03     |
| <b>2. LSHS</b>                    |                 |          |
| Quantity-MTs                      | <b>8922</b>     | 68657    |
| Amount Rs. In Lacs                | <b>1228.07</b>  | 9167.80  |
| Average Rate Rs. /MT              | <b>13765.06</b> | 13353.07 |
| <b>3. NATURAL GAS</b>             |                 |          |
| Quantity In '000 SM <sup>3</sup>  | <b>178897</b>   | 111715   |
| Amount Rs. In Lacs                | <b>10760.03</b> | 5997.37  |
| Average Rate 1000/SM <sup>3</sup> | <b>6014.65</b>  | 5368.46  |

## B. CONSUMPTION PER UNIT OF PRODUCTION

| Sr. No. | PRODUCT             | Power          |                | Steam         |               | Natural Gas                |                            | Naphtha       |               |
|---------|---------------------|----------------|----------------|---------------|---------------|----------------------------|----------------------------|---------------|---------------|
|         |                     | 2004-05<br>KWH | 2003-04<br>KWH | 2004-05<br>MT | 2003-04<br>MT | 2004-05<br>SM <sup>3</sup> | 2003-04<br>SM <sup>3</sup> | 2004-05<br>KG | 2003-04<br>KG |
| 1.      | Ammonia             | 183            | 256            | 0.146         | 0.067         | 873                        | 647                        | 0             | 200           |
| 2.      | Sulphuric Acid      | 35             | 33             | 0.796 *       | 0.681 *       | 1                          | —                          | —             | —             |
| 3.      | Phosphoric Acid     | 225            | 236            | 1.316         | 1.563         | 2                          | 4                          | —             | —             |
| 4.      | Urea                | 181            | 183            | 1.474         | 1.442         | —                          | —                          | —             | —             |
| 5.      | DAP                 | 57             | 56             | 0.064         | 0.066         | 4                          | 4                          | —             | —             |
| 6.      | ASP                 | 46             | 50             | 0.028         | 0.025         | 5                          | 6                          | —             | —             |
| 7.      | Melamine            | 1688           | 1641           | 6.115         | 3.220         | 331                        | 341                        | —             | —             |
| 8.      | Caprolactam (Old)   | 2413           | 2402           | 7.538         | 7.534         | 73                         | 48                         | —             | —             |
| 9.      | Caprolactam (Exp.)  | 1378           | 1447           | 7.347         | 7.081         | 41                         | 46                         | —             | —             |
| 10.     | Nylon – 6           | 974            | 1058           | 2.010         | 1.085         | —                          | —                          | —             | —             |
| 11.     | ACH                 | 622            | 703            | 0.970         | 1.089         | 31                         | —                          | —             | —             |
| 12.     | Monomer             | 701            | 645            | 2.935         | 3.108         | —                          | —                          | —             | —             |
| 13.     | MAA                 | 349            | 154            | 3.830         | 3.442         | —                          | —                          | —             | —             |
| 14.     | AS                  | 75             | 44             | 0.505         | 0.112         | —                          | —                          | —             | —             |
| 15.     | Sheets              | 1324           | 2010           | 7.526         | 8.604         | —                          | —                          | —             | —             |
| 16.     | Pellets             | 502            | 626            | 0.898         | 0.803         | —                          | —                          | —             | —             |
| 17.     | DAP (Sikka)         | 55             | 59             | 0.019         | 0.021         | —                          | —                          | —             | —             |
| 18.     | Nylon Chips         | 671            | 796            | —             | —             | —                          | —                          | —             | —             |
| 19.     | Nylon Filament Yarn | 4526           | 4796           | —             | —             | —                          | —                          | —             | —             |

\* Indicates Export from Plants