



Driven by Dynamism

60th | Annual Report 2021-22

GUJARAT STATE FERTILIZERS & CHEMICALS LIMITED



Creating Footprint in e-Commerce

GSFC started selling 13 fertilizers on e-commerce platforms like Amazon, Flipkart, and AgroStar last year. To add to the list, we have launched our newest products Urban Sardar and PROM on these platforms.

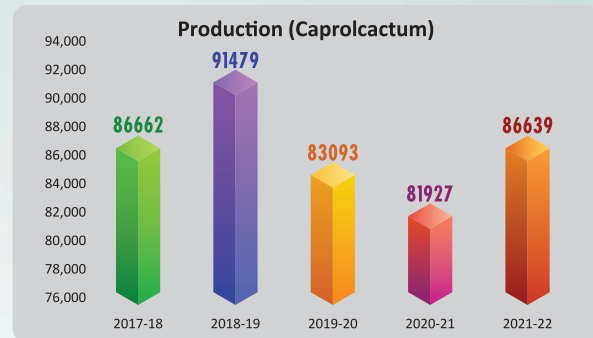
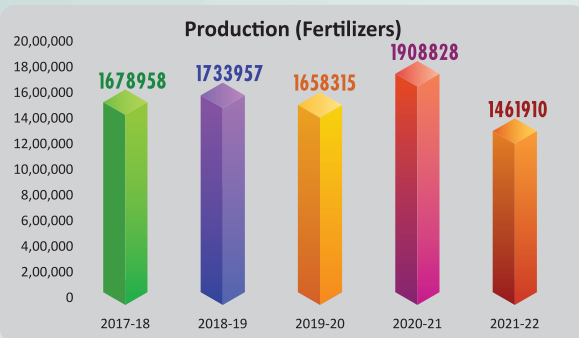


New Launches



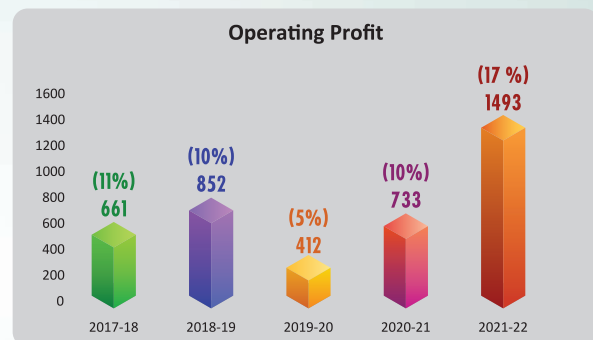
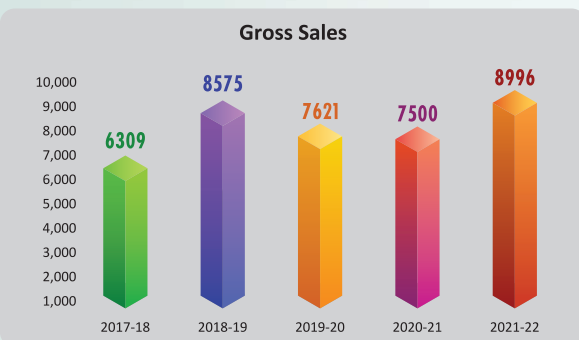


Performance Highlights



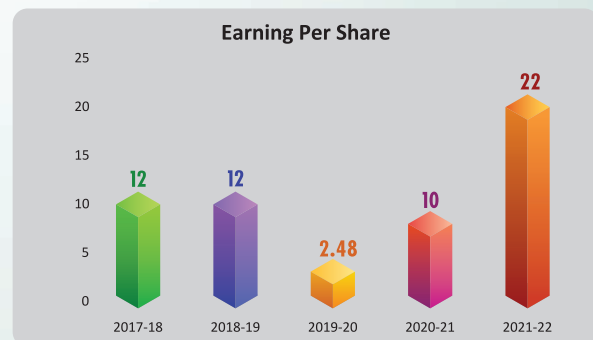
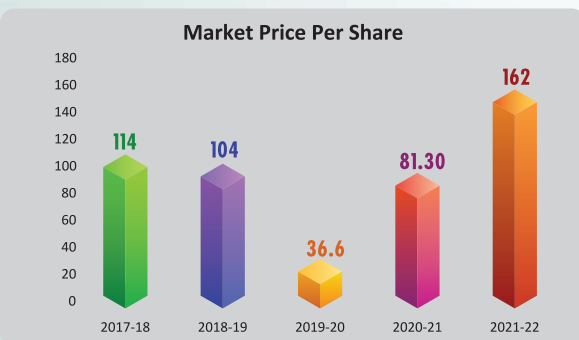
MT

MT



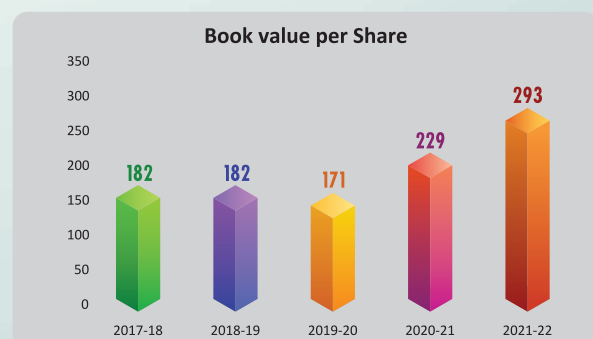
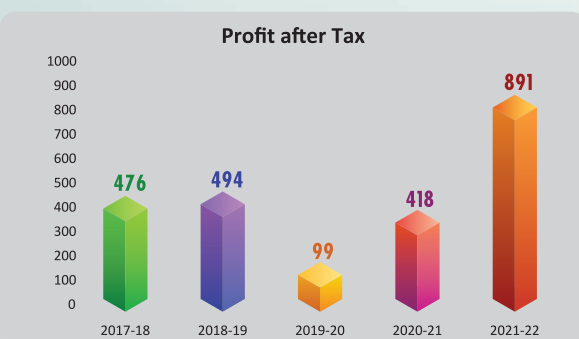
₹ in crores

₹ in crores



Face Value ₹ 2/- per share

Face Value ₹ 2/- per share



₹ in crores

Amt in ₹ (Face Value ₹ 2/- per share)

Vintage Plants get new life

The PA and APS plants were running for 52 years. Currently, there are no plants anywhere in India using similar technology. Consequently, an adverse situation of limited market expertise and inadequate vendor support was existing. The quality of the Phosphate rock in the PA Plant was not consistent and was abrasive in nature. Also, APS Plant handled solids and corrosive and abrasive slurries. Most of the critical equipment did not have standby which led to frequent

breakdown, the shutdown of the plant and production loss due to handling of solids and corrosive & highly abrasive slurries. Various structures got severely corroded due to the aging of the plants. Hence, refurbishment of both the Plants was carried out in-house by GSFC's cross-functional team efforts and has been completed successfully leading to safer, reliable, smooth and more productive plants by converting their pneumatic control rooms into DCS.

PA Plant

THEN



NOW



APS Plant

THEN



NOW



GUJARAT STATE FERTILIZERS & CHEMICALS LIMITED

[Corporate Identity Number (CIN) : L99999GJ1962PLC001121]

60TH ANNUAL GENERAL MEETING

Date : 27th September, 2022
Day : Tuesday
Time : 11:30 a.m.
Through Video Conferencing ("VC") / Other Audio Visual Means ("OAVM").

CONTENTS	Page No.
Notice	02
Directors' Report	22
Business Responsibility Report	44
Management Discussion and Analysis Report	52
Corporate Governance Report	61
Financial Highlights	80
Auditors' Report	81
Balance Sheet	92
Statement of Profit & Loss	94
Cash Flow Statement	95
Statement of Changes in Equity (SOCIE)	96
Notes to the Financial Statements	97
Consolidated Financial Statements	147

REGISTRARS & SHARE TRANSFER AGENTS

Link Intime India Pvt. Ltd.
B-102 & 103, Shangrila Complex, First Floor,
Opp. HDFC Bank, Near Radhakrishna Char Rasta,
Akota, Vadodara - 390 020.
Phone : (0265) 2356573
Fax : (0265) 2356791
Email : vadodara@linkintime.co.in

REGISTERED OFFICE

Fertilizernagar - 391 750
District Vadodara, Gujarat, India
Phone : (0265) 2242451/651/751
Fax : (0265) 2240966/2240119
Email : ho@gsfcltd.com
Website : www.gsfclimited.com

BOARD OF DIRECTORS (As on 22-08-2022)

SHRI PANKAJ KUMAR *Chairman*
PROF. RAVINDRA DHOLAKIA
SHRI TAPAN RAY
SMT. GAURI KUMAR
DR. SUDHIR KUMAR JAIN
SHRI JAGDISH PRASAD GUPTA
SMT. MAMTA VERMA
SHRI MUKESH PURI *Managing Director*

EXECUTIVE DIRECTOR (FINANCE) & CFO

SHRI V D NANAVATY

EXECUTIVE DIRECTORS

SHRI B B BHAYANI

SR. VICE PRESIDENTS

SHRI A K JAUHARI
SHRI D V PATHAKJEE
SHRI S H PUROHIT
SHRI S V VARMA
SHRI S J PARIKH
SHRI S P BHATT
SHRI H J PARIKH

COMPANY SECRETARY & SR. VICE PRESIDENT (LEGAL & IR)

CS V V VACHHRAJANI

VICE PRESIDENT / CHIEF

SHRI H D MEHTA
DR. P B VAISHNAV

BANKERS

Bank of Baroda
State Bank of India
Axis Bank Ltd.
HDFC Bank Ltd.
The Hongkong and Shanghai Banking Corporation Ltd.

LEGAL ADVISORS AND ADVOCATES

Shardul Amarchand Mangaldas & Co., Mumbai
Nanavati Associates, Advocates, Ahmedabad
Gandhi Law, Associates, Advocates, Ahmedabad
Kunan Naik Associates, Advocates, Ahmedabad
Jaideep B. Verma, Advocate, Vadodara
Anand Majmudar, Advocate, Vadodara

STATUTORY AUDITORS

M/s T R Chadha & Co., LLP, Ahmedabad

COST AUDITORS

M/s Diwanji & Company, Vadodara

SECRETARIAL AUDITORS

Niraj Trivedi, Vadodara

NOTICE

NOTICE is hereby given that the **Sixtieth Annual General Meeting** of the Members of the Gujarat State Fertilizers & Chemicals Limited will be at 11:30 hours Indian Standard Time (IST) on **Tuesday, the 27th September, 2022** through Video conference ("VC") / Other Audio Visual Means ("OAVAM") to transact the following business:

Ordinary Business

1. To receive, consider and adopt:
 - a) the Audited Financial Statements of the Company for the financial year ended March 31, 2022, the reports of the Board of Directors and Auditors thereon; and
 - b) The audited consolidated financial statements of the Company for the financial year ended March 31, 2022 and report of the auditor thereon.
2. To declare Dividend on Equity Shares.
3. To appoint a Director in place of Smt. Mamta Verma, IAS (DIN 01854315), who retires by rotation and being eligible offers herself for re-appointment.

Special Business

4. To approve the remuneration of the Cost Auditors for the Financial Year ending 31st March, 2023 and in this regard, to consider and if thought fit, to pass the following resolution as an **Ordinary Resolution**:

"RESOLVED THAT pursuant to Section 148 and other applicable provisions, if any, of the Companies Act, 2013 read with Rule 14 of Companies (Audit and Auditors) Rules, 2014 (including any statutory modifications or re-enactment thereof, for the time being in force), the remuneration payable to M/s Diwanji & Company, Cost Accountants, Ahmedabad (Firm Registration No. 000339), appointed by the Board of Directors of the Company as cost auditors to conduct the audit of the cost records of the Company, as applicable for the financial year ending March 31, 2023, amounting to Rs. 4,40,000/- plus applicable taxes and reimbursement of out of pocket expenses incurred in connection with the aforesaid audit, be and is hereby ratified.
5. To appoint M/s Parikh Mehta & Company as Statutory Auditors of the Company and to pass the following resolution as an **Ordinary Resolution**:

"RESOLVED THAT pursuant to the provisions of section 139 and other applicable provisions, if any, of the Companies Act, 2013 read with the Companies (Audit and Auditors) Rules, 2014, (including any statutory modification(s) or re-enactment thereof for the time being in force) and pursuant to the recommendations of Audit committee, M/s Parikh Mehta & Associates, Chartered Accountants, Vadodara (Firm Registration No. 112832W) be and are hereby appointed as Statutory Auditors of the Company, who shall hold office from the conclusion of this 60th Annual General Meeting (AGM) till the conclusion of 62nd AGM of the Company, in place of M/s T R Chadha & Co., LLP, Ahmedabad, Chartered Accountants, retiring auditors, upon such terms as to remuneration as may be determined by the Board of Directors based on the recommendation of Audit Committee plus applicable taxes and reasonable out of pocket expenses actually incurred by them during the course of Audit".
6. To consider and if thought fit, approve the material related party transaction(s) proposed to be entered into by the Company during the Financial Year 2022-23 and to pass the following resolution as an **Ordinary Resolution**:

"RESOLVED THAT pursuant to the applicable provisions of the Companies Act, 2013 read with the rules framed thereunder (including any statutory amendment(s) or re-enactment(s) thereof, for the time being in force, if any), and in terms of Regulation 23 of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("SEBI Listing Regulations"), as amended from time to time, the consent of the Members of the Company be and is hereby accorded to the Board of Directors of the Company ("Board"), for entering into and/ or carrying out and/ or continuing with existing contracts/ arrangements/ transactions or modification(s) of earlier/ arrangements/ transactions or as fresh and independent transaction(s) or otherwise (whether individually or series of transaction(s) taken together or otherwise), with Tunisian Indian Fertilizers (TIFERT), related parties of the Company, during the Financial Year 2022-23 as per the details set out in the explanatory statement annexed to this notice, notwithstanding the fact that the aggregate value of all these transaction(s), whether undertaken directly by the Company or along with its subsidiary(ies), may exceed the prescribed thresholds as per provisions of the SEBI Listing Regulations as applicable from time to time, provided,

NOTES (Contd..)

however, that the said contract(s)/ arrangement(s)/ transaction(s) shall be carried out at an arm's length basis and in the ordinary course of business of the Company.

RESOLVED FURTHER THAT the Board be and is hereby severally authorised to execute all such agreements, documents, instruments and writings as deemed necessary, with power to alter and vary the terms and conditions of such contracts/ arrangements/ transactions, settle all questions, difficulties or doubts that may arise in this regard".

7. To consider, and, if thought fit, approve the material related party transaction(s) proposed to be entered into by the Company during the financial year 2022-23 and to pass the following resolution as an **Ordinary Resolution**:

"RESOLVED THAT pursuant to the applicable provisions of the Companies Act, 2013 read with the rules framed thereunder (including any statutory amendment(s) or re-enactment(s) thereof, for the time being in force, if any), and in terms of Regulation 23 of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("SEBI Listing Regulations"), as amended from time to time, the consent of the Members of the Company be and is hereby accorded to the Board of Directors of the Company ("Board"), for entering into and/ or carrying out and/ or continuing with existing contracts/ arrangements/ transactions or modification(s) of earlier/ arrangements/ transactions or as fresh and independent transaction(s) or otherwise (whether individually or series of transaction(s) taken together or otherwise), with Gujarat State Petroleum Corporation Limited (GSPC), a related party of the Company, during the financial year 2022-23 as per the details set out in the explanatory statement annexed to this notice, notwithstanding the fact that the aggregate value of all these transaction(s), whether undertaken directly by the Company or along with its subsidiary(ies), may exceed the prescribed thresholds as per provisions of the SEBI Listing Regulations as applicable from time to time, provided, however, that the said contract(s)/ arrangement(s)/ transaction(s) shall be carried out at an arm's length basis and in the ordinary course of business of the Company.

RESOLVED FURTHER THAT the Board be and is hereby severally authorized to execute all such agreements, documents, instruments and writings as deemed necessary, with power to alter and vary the terms and conditions of such contracts/ arrangements/ transactions, settle all questions, difficulties or doubts that may arise in this regard."

8. To approve terms & conditions of remuneration & perquisites of Shri Mukesh Puri (DIN 03582870) for his appointment as Managing Director of the Company and in this regard, to consider and if thought fit, to pass the following resolution as an **Ordinary Resolution**:

RESOLVED THAT subject to the provisions of Section 196, 197 and any other applicable provisions of the Companies Act, 2013 and the rules made there under (including any statutory modification(s) or re-enactment thereof for the time being in force) read with Schedule V to the Companies Act, 2013, the Company hereby accords its consent and approval of terms and conditions of remuneration & perquisites of Shri Mukesh Puri (DIN 03582870), as Managing Director of the Company 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/ inadequacy of profit in the year.

FURTHER RESOLVED THAT the Board of Directors are hereby authorized to approve any revision/ modification to the remuneration, perquisites or terms & conditions as per the communication by the Government from time to time during the continuity of his appointment.

FURTHER RESOLVED that so long as Shri Mukesh Puri, functions as 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.

By Order of the Board

Sd/-

CS V. V. Vachhrajani

Company Secretary &

Sr. Vice President (Legal & IR)

Place: Fertilizernagar

Date: 22.08.2022

NOTES (Contd..)

EXPLANATORY STATEMENT PURSUANT TO SECTION 102 OF THE COMPANIES ACT, 2013

ITEM NO. 04

The Board, on recommendation of the Audit Committee, has approved the appointment and remuneration of the Cost Auditors to conduct the audit of the cost records of the Company for the financial year ending on March 31, 2023 at a fee of Rs. 4,40,000/- plus applicable taxes and reasonable out of pocket and traveling expenses.

In accordance with the provisions of Section 148 of the Companies Act, 2013 read with Companies (Audit and Auditors) Rules, 2014, the remuneration payable to the cost auditors as recommended by the Audit Committee and approved by the Board of Directors, has to be ratified by the members of the Company.

Accordingly, consent of the members is sought for passing an ordinary resolution as set out at item no. 4 of the notice for ratification of the remuneration payable to the cost auditors for the financial year ending March 31, 2023.

None of the Directors/ Key Managerial Personnel of the Company/ their relatives are, in any way, concerned or interested, financially or otherwise, in the resolution set out at Item No.4 of the notice.

ITEM No. 5.

Present Statutory Auditors M/s. T R Chadha & Co., LLP, Chartered Accountants [Firm Registration Number: 006711N/ N500028] has completed their term as Statutory Auditors. The Board of Directors has recommended the appointment of M/s. Parikh Mehta & Associates, Chartered Accountants, as Statutory Auditors of the Company for a period of two consecutive years, commencing from the conclusion of 60th AGM till the conclusion of the 62nd AGM, subject to approval of Shareholders. M/s. Parikh Mehta & Associates, Chartered Accountants, have consented to the said appointment and confirmed that their appointment, if made, would be within the limits specified under Section 141(3) (g) of the Act. They have further confirmed that they are not disqualified to be appointed as Statutory Auditors in terms of the provisions of the proviso to Section 139(1), Section 141(2) and Section 141(3) of the Act and the provisions of the Companies (Audit and Auditors) Rules, 2014. The details required to be disclosed under provisions of Regulation 36(5) of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 are as under:

- A. Proposed fees payable to the statutory auditor(s): Rs.10.50 Lakh per annum plus applicable taxes and reimbursement of travelling and other out-of-pocket expenses incurred by them in connection with the audit of accounts of the Company to the tune of maximum Rs.100,000/- per annum.
- B. Terms of appointment: Appointment as Statutory Auditors of the Company from conclusion of 60th AGM up to conclusion of 62nd AGM to carry out Audit of the Financial Statements and Annual Financial Results of the Company and Limited Review of the Unaudited Quarterly Financial Results of the Company. All other terms of appointment shall be as per Letter of Engagement.
- C. In case of a new auditor, any material change in the fees payable to such auditor from that paid to the outgoing auditor along with the rationale for such change: Nil*
*Disclosure regarding fees has been made at appropriate places.
- D. Basis of recommendation for appointment: The Board of Directors and Finance-cum-Audit Committee have considered various evaluation criteria with respect to skillset, governance & competitiveness and recommend their appointment to the Shareholders of the Company.
- E. Credentials of the Statutory Auditors proposed to be appointed: M/s PARIKH MEHTA & ASSOCIATES, Vadodara, (Firm Registration No. 112832W) it's a 42-year-old firm, serves as a single window professional outfit rendering an integrated range of advisory and compliance services with the help of a team of professionals. They have sufficient auditing experience with Gujarat Government companies on the SAP ERP platform. The Company has received their eligibility and willingness for their proposed appointment for the period from conclusion of the 60th Annual General Meeting up to the conclusion of 62nd Annual General Meeting of the Company.

None of the Directors/ Key Managerial Personnel of the Company and their relatives are concerned or interested, financially or otherwise in the resolution set out at item No. 5 of the notice.

The Board recommends the resolution set forth in item No. 5 of the notice for approval of the members.

ITEM NO 06

The Audit Committee as well as the Board granted omnibus approval for the proposed related party transactions for Financial Year 2022-23.

NOTES (Contd..)

As per the provisions of Section 188 of the Companies Act, 2013, transactions with related parties which are on an arm's length basis and in the ordinary course of business, are exempted from the obligation of obtaining prior approval of shareholders.

With effect from 1st April, 2022, Regulation 23 of Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 (Listing Regulations), mandates prior approval of the Shareholders through ordinary resolution for all 'material' Related Party Transactions.

For this purpose, a transaction with a Related Party shall be considered 'material', if such transaction(s) to be entered into individually or taken together with previous transactions during a financial year, exceed Rs.1,000 crores or 10% of the annual consolidated turnover of the Company as per the last audited financial statements of the Company, whichever is lower. (10% of the annual consolidated turnover of the Company is Rs.908.26 Crores as per the last audited financial statements of the Company i.e. F.Y. 2021-22).

SEBI, vide its circular dated 30th March, 2022, has clarified that a Related Party Transaction approved by the Audit Committee prior to 1st April, 2022, which continues beyond this date and if it becomes material as per the materiality threshold provided above, requires approval of the shareholders.

In accordance with the change in materiality threshold, the transaction as per the details given below is being placed before the shareholders for their approval.

Tunisian Indian Fertilizer (TIFERT) is a joint venture company promoted by GSFC Limited having 15% equity participation. The TIFERT plant in Tunisia is a strategic JV that aims to ensure a consistent supply of Phosphoric Acid. Due to the said joint venture, TIFERT shall be the related party for the Company and the transactions with the said venture would term as related party transactions.

The Company has existing transactions/contracts/ arrangements/agreements with TIFERT which are at present within the materiality thresholds as prescribed by the Listing Regulations. The value of such transactions in the financial year 2021-22 was Rs.591 crores and in the financial year 2020-21 was Rs.375 crores.

With the unprecedented inflation in the prices of raw material and also the exchange rate, the aggregate value of transactions with TIFERT is now expected to exceed 10% of the annual consolidated turnover of the Company (i.e. Rs.908.26 Crores), the Company is approaching the shareholders for approval of the Material Related Party Transactions with TIFERT.

The Company shall ensure that the said threshold does not exceed Rs. 908.26 Crores (10% of the annual consolidated turnover of the Company as per the last audited financial statements of the Company i.e. F.Y. 2021-22) up to the date of the 60th Annual General Meeting i.e. Tuesday, 27th September, 2022.

The Company has in place a structured process for approval of Material Related Party Transactions and on Dealing with Related Parties. As per the process, necessary details for each of the Related Party Transaction irrespective of the materiality threshold along with the justification are provided to the Audit Committee which enables them to arrive at the right decision.

Details of Material Related Party Transactions in terms of SEBI circular SEBI/HO/CFD/CMD1/CIR/P/2021/662 22nd November, 2021;

Sr. No	Particulars	Details
1	Name of the Related Party	Tunisian Indian Fertilizer (TIFERT)
2	Nature of Relationship with the Company	Joint Venture (other related entity)
3	Type of the proposed transaction	The transaction involves Purchase of raw-material for business purpose during FY 2022-23.
	Material terms and particulars of the proposed transaction	Material terms and conditions are based on the contracts which inter alia include the rates based on prevailing/ extant market conditions and commercial terms as on the date of entering into the contract(s).
4	Tenure of the proposed transaction	Recurring Transactions for financial year 2022-23

NOTES (Contd..)

5	Value of the proposed Transaction	Not exceeding Rs.1,250 crores in a financial year
6	Percentage of the Company's annual consolidated turnover for the immediately preceding financial year that is represented by the value of the proposed transaction	13.76%
7	(a) Details of the source of funds in connection with the proposed transaction (b) where any financial indebtedness is incurred to make or give loans, inter-corporate deposits, advances or investments • nature of indebtedness; • cost of funds; and • tenure; (c) Applicable terms, including covenants, tenure, interest rate, repayment schedule, whether secured (nature of security) or unsecured (d) Purpose for which funds will be utilized	Not Applicable, as the transaction does not relate to any loans, inter-corporate deposits, advances or investments made or given by the listed entity or its subsidiary.
8	Justification as to why the RPT is in the interest of the Company.	The Company ensure a consistent supply of Phosphoric Acid which is used for production of DAP, APS and other NPK fertilizers at Company's Sikka Unit
9	Details about valuation, arm's length and ordinary course of business Arm's length pricing;	combination of cost-plus markup and market benchmarking
10	Valuation or other external report, if any, relied upon by the listed entity in relation to the proposed transaction.	Not Applicable
11	Any other information relevant or important for the shareholders to take an informed decision	All relevant information forms a part of this Explanatory statement setting out material facts.

The above mentioned Related Party Transaction is in the ordinary course of business and on an arm's length basis. The transaction shall also be reviewed/ monitored on an annual basis by the Audit Committee of the Company and shall remain within the proposed limits as placed before the shareholders. Any subsequent 'Material Modification' in the proposed transaction, as defined by the Audit Committee as a part of Company's 'Policy on Related Party Transactions', shall be placed before the shareholders for approval, in terms of Regulation 23(4) of the Listing Regulations.

The Board recommends the resolution set forth as above for approval of the Members by way of an Ordinary Resolution. None of the Directors/ Key Managerial Personnel of the Company/ their relatives are, in any way, concerned or interested, financially or otherwise, in the resolution set out as above.

ITEM NO 07

The Audit Committee as well as the Board granted omnibus approval for the proposed related party transactions for Financial Year 2022-23.

As per the provisions of Section 188 of the Companies Act, 2013, transactions with related parties which are on an arm's length basis and in the ordinary course of business, are exempted from the obligation of obtaining prior approval of shareholders.

With effect from 1st April, 2022, Regulation 23 of Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 (Listing Regulations), mandates prior approval of the Shareholders through ordinary resolution for all 'material' Related Party Transactions.

For this purpose, a transaction with a Related Party shall be considered 'material', if such transaction(s) to be entered into individually or taken together with previous transactions during a financial year, exceed Rs.1,000 crores or 10% of the annual consolidated turnover of the Company as per the last audited financial statements of the Company, whichever is lower. (10% of the annual consolidated turnover of the Company is Rs.908.26 Crores as per the last audited financial statements of the Company i.e. F.Y. 2021-22).

SEBI, vide its circular dated 30th March, 2022, has clarified that a Related Party Transaction approved by the Audit Committee prior to 1st April, 2022, which continues beyond this date and if it becomes material as per the materiality threshold provided above, requires approval of the shareholders.