

ANNUAL REPORT

1996-97

MD	✓				BRG	✓
CS	✓				DPY	NA
RO	✓				DIV	✓
TRA	NA				AC	✓
AGM	✓	✓	✓	✓	SH	✓
	✓	✓	✓	✓		

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ADITYA BIRLA GROUP



SHRI ADITYA VIKRAM BIRLA.
(1943 - 1995)



BOARD OF DIRECTORS

Chairman

Mr. Kumar Mangalam Birla

Directors

Mrs. Rajashree Birla
Mr. D. S. Bains
Mr. M. C. Bagrodia
Mr. V. T. Purswani
Mr. S. Suryanarayanan
Mr. S. K. Kanwar
Mr. V. N. Nadkarni
Mr. D. C. Gami

Managing Director

Mr. B. N. Puranmalka

MANAGEMENT

FERTILISER

Sr. Joint President

Mr. S. P. Gupta

Sr. Joint President (Fin & Com)

Mr. N. L. Jain

Sr. Vice President (Mktg)

Mr. N. K. S. Mahapatra

Sr. Vice President (Fin & Com)

Mr. R. K. Malhotra

BIRLA COPPER

Executive President

Mr. S. Malhotra

Jt. Executive President

Mr. S. V. Venkatesh

Jt. Executive President (Works)

Mr. A. K. Sharma

Jt. Executive President (Fin & Com)

Mr. D. D. Jalan

Sr. Vice President (Acids)

Mr. N. V. Thangavelu

Sr. Vice President (Civil)

Mr. D. K. Kochar

New Delhi

Chief Resident Executive

AVM K. K. Jain

Company Secretary

Mr. Devendra Bhandari

PROJECTS & TECHNICAL CELL

Sr. Executive President

Mr. S. N. Jain

Executive President

Mr. N. K. Thusu

Sr. Joint President

Mr. K. S. Rao

Executive President (CTC)

Mr. K. G. Aswani

Sr. Vice President (P&A)

Mr. D. N. Srivastava

Vice President (Projects)

Mr. V. K. Soni

Auditors

M/s. Lodha & Co.,
Chartered Accountants, Calcutta

Solicitors

M/s. Mulla & Mulla & Craigie,
Blunt & Caroe, Mumbai

Registered Office & Fertiliser Works

Jagdishpur Industrial Area
Dist. Sultanpur (U.P.), Pin 227 817

Birla Copper Works

Dahej, Dist. Bharuch
(Gujarat), Pin 392 130

Bankers

State Bank of India
Punjab National Bank



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DIRECTORS' REPORT

Dear Shareholders

Your Directors present the Thirteenth Annual Report together with the Audited Statement of Accounts of the Company for the year ended 31st March, 1997.

**Operational
Performance :**

The Company recorded satisfactory performance given the constraints under which it functioned during the year under review.

Urea production at 6.68 lac tonnes reached 92% of the rated capacity. That this was achieved despite the plant being rendered non-functional for a 3 month period is indeed commendable. The breakdown of the Ammonia Converter Basket due to an initial erection deficiency led to the plant stoppage in the first quarter of the year. Yet another constraint was faced in the supply of Natural Gas by GAIL. These factors put pressure on the profit margin. A substantial part of the production loss has been recovered under the Loss of Profit Insurance cover.

The Company utilised the shutdown period productively, adopting a pro-active stance.

An Equipment Upgradation Scheme slated for October 1996, was preponed and most of the jobs were taken up and put on stream during this time. Additionally, measures towards implementation of Total Productive Maintenance Techniques were continued.

These forward looking steps have led to a substantial improvement in the Plant's overall productivity. The plant is now poised to scale new heights in the coming year and the output may well exceed the earlier annual record of 9.24 lac tonnes.

To ensure the smooth functioning of the upgraded plant and to improve operational flexibility as well, new facilities are being set up using Naphtha in place of Natural Gas as an alternate fuel for the primary reformer of the Ammonia Plant. These will be operational by the first quarter of 1998.

Among other major developments during this period have been the relaunch of "Shaktiman" Urea and the commissioning of the Continuous Cast Copper Rod plant.

Financial Results :

	(Rs. in Crores)	
	Year ended 31st March	
	1997	1996
Operating Profit	100.27	
Add: Insurance claim against loss of Profit	34.62	
	134.89	176.96
Other Income & Interest (net)	29.03	50.38
Gross Profit	163.92	227.34
Less: Depreciation	40.08	32.61
Profit Before Tax	123.84	194.73
Less: Provision for Taxation	15.50	49.50
Balance available for Appropriation	108.34	145.23
Appropriations :		
Investment Allowance Reserve	—	1.00
Proposed Dividend on Equity Shares (Including Corporate Dividend Tax)	37.06	33.69
General Reserve	25.00	51.00
Balance of Profit carried forward to Balance Sheet	46.28	59.54



The profit during the year was lower than in 1995-96, largely on account of the following factors:

- ★ The plant shutdown in the first quarter due to the breakdown of the Ammonia Converter Basket and for carrying out the plant upgradation jobs as per the Company's scheme.
- ★ Interest and other income from temporary deployment of surplus funds was lower as part of such funds have been utilised for financing the Company's Copper Smelter Project. (A total sum of Rs. 291 Crores has been provided for the project upto 31.3.1997 which almost fully meets the Promoter's contribution thereof).

Dividend

The Directors recommend a dividend of Rs. 1.80 per share for the year ended 31st March, 1997. In view of the proposed amendments to the Income Tax Act, 1961, Corporate Dividend Tax has been provided @ 10% of the dividend amount.

Depository System

Your Directors have pleasure in informing that the Company has entered into an agreement with the National Securities Depository Limited (NSDL) to facilitate investors hold the securities in the electronic form. The Company has installed the necessary computer hardware and software and the shares of the Company are now available for dematerialisation. Trading of the Company's shares, which are under the Depository system, has commenced.

Shaktiman Urea Relaunched

A major development has been the relaunch of the Company's "Shaktiman" Urea which is a market leader. This move has been greatly welcomed by the dealers and farmers.

Fertiliser Industry Scenario

Within the fertiliser industry, there exists an imbalance between the demand and supply, primarily Urea. Nearly 2 to 3 million tonnes of Urea is being currently imported at a landed farm gate price of over Rs. 8000 per tonne which is significantly higher than your Company's retention price.

The best way to bridge this supply gap for urea is through forward looking policy measures by the Government aimed at encouraging urea producers, particularly the low cost and well managed units, to maximise their output.

Similarly the Joint Parliamentary Committee on Fertiliser Pricing's recommendation (1992) that timely and adequate allocation of gas to fertiliser projects be accorded the highest priority, when implemented, would help facilitate urea production.

Should these happen, your Company would be at an advantage and it would be able to peg production at higher levels.

Copper Smelter Project : CC Rod Plant goes on stream

Considerable progress has been made on the construction work and erection of plant and machinery for the Copper Smelter Project. The Plant will be the largest of its kind in India with an initial capacity of 100,000 TPA of Copper Cathode and an inbuilt provision for expansion upto 150,000 TPA.

The commissioning of the Refinery and the Smelter has been slated for the third and the fourth quarter respectively of the calendar year 1997.

The Continuous Cast Copper Rod plant (CCR) which forms an integral part of the Copper Smelter Complex, has been commissioned. It has been set up under a technology collaboration with Southwire, USA, world renowned CCR manufacturers. Geared to produce rods from 8mm onwards, it is the only plant of its kind in India to produce 19mm diameter rods. The CCRs cater primarily to meet customer needs in the core sectors of Power, Electrical Equipment and Telecommunications. These are all growth-oriented segments.



Notice is hereby given that the Thirteenth Annual General Meeting of the members of Indo Gulf Fertilisers and Chemicals Corporation Limited will be held at the Registered Office of the Company at Jagdishpur Industrial Area, District Sultanpur-227817, U.P. at 11.30 a.m. on Tuesday, the 15th day of July, 1997 to transact with or without modifications, as may be permissible, the following business:-

Item No. 1

To receive, consider and adopt the Audited Balance Sheet of the Company as at 31st March, 1997 and the Profit and Loss Account for the year ended on that date and the Reports of the Directors and Auditors thereon.

Item No. 2

To declare a dividend on Equity Shares for the financial year ended 31st March, 1997.

Item No. 3

To appoint a Director in place of Shri Kumar Mangalam Birla, who retires by rotation and being eligible, offers himself for reappointment.

Item No. 4

To appoint a Director in place of Smt. Rajashree Birla, who retires by rotation and being eligible, offers herself for reappointment.

Item No. 5

To appoint a Director in place of Shri D.S. Bains, who retires by rotation and being eligible, offers himself for reappointment.

Item No. 6

To consider and, if thought fit, to pass the following Resolution, which will be proposed as a Special Resolution relating to the appointment of the Auditors of the Company:

"RESOLVED that pursuant to the provisions of Section 224A and all other applicable provisions, if any, of the Companies Act, 1956, M/s. Lodha & Co., Chartered Accountants, Calcutta, the retiring Auditors of the Company, be and are hereby reappointed as Statutory Auditors of the Company to hold office from the conclusion of this meeting until the conclusion of the next Annual General Meeting of the Company, on such remuneration as may be decided by the Board of Directors of the Company plus travelling and out of pocket expenses as may be incurred in the performance of their duties."

Item No. 7

To consider and, if thought fit, to pass, the following Resolution, which will be proposed as an Ordinary Resolution:

"RESOLVED that pursuant to the provisions of Section 293 (1) (a) and all other applicable provisions, if any, of the Companies Act, 1956, and such other approvals of the Government of India/ Reserve Bank of India as may be necessary, consent of the Company, be and is hereby accorded to the Board of Directors of the Company (hereinafter referred to as "the Board") mortgaging and/or charging with such ranking for priority as may be agreed upon with the concerned parties and on such terms and conditions and at such time or times, and in such form and manner, in accordance with the relevant statutory provisions and guidelines issued in that behalf, as it may think fit:

- a) the undertaking of the Company comprising the fertiliser plant located at Jagdishpur Industrial Area, Distt. Sultanpur (U.P.), including the present and/or future properties thereat whether movable or immovable, in favour of the Trustees (appointed/to be appointed by the Board and agreed by Unit Trust of India) to secure the Redeemable Non-Convertible Debentures upto an aggregate value not exceeding Rs. 30 Crores (Rupees Thirty Crores) to be issued to Unit Trust of India on private placement basis or otherwise upon the terms and conditions to be decided by the Board;
- b) the whole or substantially the whole of the Company's any one or more of the Undertakings or all the Undertakings, including the present and/or future properties thereon whether movable or immovable comprised in any existing or new Undertaking, as the case may be in favour of the Trustees (appointed/to be appointed by the Board) to secure the Redeemable Non-Convertible Debentures upto an aggregate value not exceeding Rs. 300 Crores (Rupees Three hundred Crores) to be issued in one or more tranches to such Bodies Corporate, Financial Institutions, Mutual Funds, Banks, Foreign Institutional Investors or Non-Residents and upon such terms and conditions as may be decided by the Board, on private placement basis or otherwise together with interest at the respective agreed rates, compound interest, additional interest, liquidated damages, commitment charges, premia on prepayment or on redemption, costs, charges, expenses and other monies under the respective documents entered into/to be entered into by the Company in respect of the said Debentures and payable by the Company to the Debenture Trustees and to the holders of the Debentures in terms of the issue of the said Debentures."

"RESOLVED FURTHER that the Board be and is hereby authorised to finalise with the Trustees for the holders of the said Debentures and/or other parties, as the case may be, agreements and other documents and deeds for creating the aforesaid mortgages and/or charges and to do all such acts, deeds, matters and things as may be necessary, desirable or expedient for implementing this resolution and to resolve any question or doubt which may arise in relation thereto, or otherwise considered by the Board to be in the best interest of the Company."

Item No. 8

To consider and if thought fit, to pass the following Resolution as an Ordinary Resolution:

"RESOLVED that subject to the compliance of the applicable provisions of the Foreign Exchange Regulations Act, 1973 and all other applicable provisions of any other law, and in conformity with the relevant guidelines issued/to be issued by Reserve Bank of India/ Securities and Exchange Board of India/Ministry of Finance, the consent of the Company be and is hereby accorded to the holding by Non-Resident Indians (NRIs) and/or Overseas Corporate Bodies (OCBs) any Equity Shares acquired by market operations or otherwise and/or Convertible Debentures and/or Other permissible Securities of the Company, with or without repatriation benefit, in excess of 5% but not exceeding 24% of the total paid-up value of each class of securities of the Company."

By Order of the Board

Place : Jagdishpur Indl. Area,
Date : 9th May, 1997

DEVENDRA BHANDARI
Company Secretary

**Notes :**

- a) 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.
- b) The instrument appointing a proxy should however be deposited at the Registered Office of the Company not less than forty eight hours before the commencement of the meeting.
- c) An Explanatory Statement pursuant to Section 173 of the Companies Act, 1956, in respect of Item Nos. 6, 7 and 8 of the Notice set out above, is annexed hereto.
- d) The Register of Members and the Share Transfer Books will remain closed from Tuesday, the 1st July, 1997 to Tuesday, the 15th July, 1997 (both days inclusive).
- e) The dividend on Equity Shares, upon its declaration at this meeting will be paid subject to the relevant provisions of law to those shareholders whose names appear on the Register of Members as on 15th July, 1997.
- f) Shareholders are requested to notify immediately change in their address including Pin Code number, if any, to the Company at its Registered Office by quoting their folio numbers.
- g) Shareholders are requested to claim from the Company their unclaimed dividends, if any, for the financial years 1993-94, 1994-95 and 1995-96 at the earliest, as the unclaimed dividends will have to be transferred to the General Revenue Account of the Central Government in terms of Section 205A of the Companies Act, 1956. Those members who have not encashed their dividend warrants for the aforesaid financial years may approach the Company's Share Department at the Registered Office of the Company for revalidating the dividend warrants or for obtaining duplicate dividend warrants.
- h) In terms of the provisions of Section 205A of the Companies Act, 1956, the unclaimed Dividend for the financial year 1992-93 amounting to Rs.13,06,753/- has been transferred to the General Revenue Account of the Central Government. Unclaimed Dividend relating to financial years 1990-91 and 1991-92 have also been transferred to the General Revenue Account of the Central Government. Those Shareholders who have so far not claimed their dividend upto the financial years 1992-93 may claim the same from the Registrar of Companies, U.P., Kanpur by submitting an application in the prescribed Form No. II.
- i) Members are requested to intimate their Bank Account details, if not already sent, so that the same can be printed on the dividend warrant, to avoid the incidence of fraudulent encashment of the dividend warrant.

Annexure to Notice

EXPLANATORY STATEMENT PURSUANT TO SECTION 173 OF THE COMPANIES ACT, 1956.

Item No. 6

Though not strictly necessary, this Explanatory Statement is being given in respect of the Resolution mentioned in this item of the accompanying Notice, since the resolution for the reappointment of the retiring Auditors will be proposed as a Special Resolution in view of the provisions contained in Section 224A of the Companies Act, 1956. The Financial Institutions, Banks and Insurance Companies at present hold and are likely to continue to hold at the date of the ensuing Annual General Meeting, more than 25% of the subscribed share capital of the Company which necessitates the passing of a Special Resolution. As required by the above section, the Auditors have forwarded a Certificate to the Company, stating that the reappointment, if made, will be within the limit specified in sub-section (1B) of Section 224.

This resolution as mentioned in this item of the notice is accordingly commended for your acceptance.

Item No. 7

The Company has approached Unit Trust of India for financial assistance to finance the capital expenditure of its Fertiliser unit at Jagdishpur Industrial Area, Distt. Sultanpur (U.P.) by way of issue of Secured Redeemable Non- Convertible Debentures for an aggregate amount not exceeding Rs. 30 Crores (Rupees Thirty Crores). Further, the Company is also negotiating for financial assistance for an aggregate value not exceeding Rs. 300 Crores with Financial Institutions/Banks/Mutual Funds/Bodies Corporate/ Foreign Institutional Investors/Non-Residents for general corporate purposes of the Company by way of issue of Secured Redeemable Non-Convertible Debentures on such terms and conditions as the Board of Directors of the Company may think fit in the best interests of the Company.

Section 293 (1) (a) of the Companies Act, 1956 provides, inter alia, that the Board of Directors of a public company shall not, without the consent of such public company in general meeting, sell, lease or otherwise dispose off the whole or substantially the whole of the undertaking of the Company or where the Company owns more than one undertaking, of the whole, or substantially the whole, of any such undertaking(s). Since, the mortgage and/or charge to be created, as in the resolution, may be regarded as disposal of the Company's undertaking(s), it is considered advisable that the proposed creation of mortgage and/or charge be approved by the members of the Company pursuant to Section 293 (1) (a) of the above Act.

Shri S. Suryanarayanan and Shri S. K. Kanwar who are Directors nominated on the Board by Industrial Development Bank of India (IDBI) and General Insurance Corporation of India (GIC) respectively, may be deemed to be interested to the extent, the Debentures that may be allotted to IDBI and/or GIC, as the Board of Directors may think fit in the best interests of the Company.

Item No. 8

Under the current liberalisation policy of the Government of India, considerable relaxations have been made in respect of Non Resident Indians (NRIs) and Overseas Corporate Bodies (OCBs) predominantly owned by NRIs making investments in Shares and Convertible Debentures of Indian Companies. Upto now the limit of investments by NRIs/OCBs in a Company is subject to an overall ceiling of 5% of the paid up value of each security (other than in respect of Preference Share and Non Convertible Debentures) of the Company, with repatriation and Non repatriation benefits, under Portfolio Investment Scheme. The aggregate investments by NRIs and/or OCBs in a single Company (otherwise than through GDRs etc.) can be upto 24% of the paid up value of the each security, provided the same are within the overall aggregate limit of 24% of the total paid up value of each class of securities, if the Company has passed General Body Resolution to that effect. Prevailing healthy investment environment has encouraged the Non Resident Investors to repose confidence in the Indian Capital Market. In order to take advantage of this foreign exchange inflow, it is thought expedient to pass a Resolution as set out in this item of the notice.

It is in the above circumstances that the Resolution is commended for your acceptance.

None of the Directors of the Company is concerned or interested in the Resolution.

By Order of the Board

Place : Jagdishpur Indl. Area,
Date : 9th May, 1997

DEVENDRA BHANDARI
Company Secretary



ATTENDANCE SLIP

INDO GULF FERTILISERS AND CHEMICALS CORPORATION LIMITED

Registered Office :

Jagdishpur Industrial Area, Dist. Sultanpur (U.P.) 227 817

Please complete the Attendance Slip and hand it over at the entrance of the Meeting Hall.
Joint Shareholders may obtain additional Attendance Slip on request.

Name & Address of the Shareholder(s)

Ledger Folio No.

No. of shares held:

--

I hereby record my presence at the 13th ANNUAL GENERAL MEETING of the Company held on Tuesday, the 15th July, 1997.

SIGNATURE OF THE SHAREHOLDER/REPRESENTATIVE/PROXY*

*Strike out whichever is not applicable.

FORM OF PROXY

INDO GULF FERTILISERS AND CHEMICALS CORPORATION LIMITED

Registered Office :

Jagdishpur Industrial Area, Dist. Sultanpur (U.P.) 227 817

Proxy No.	:
Ledger Folio No.	:
No. of Shares	:

I/We of
being a member/members of Indo Gulf Fertilisers and Chemicals Corporation Limited hereby
appoint
..... of
or failing him of
as my/our proxy to vote for me/us on my/our behalf at the 13th Annual General Meeting of
the Company to be held on Tuesday, the 15th July, 1997 and at any adjournment thereof.

Signed this day of 1997

Affix Re 1 revenue stamp

(Signature)

NOTE: The proxy duly completed must be returned so as to reach the Registered Office of the Company not less than 48 hours before the time for holding the aforesaid meeting.
The Proxy need not be a member of the Company.