

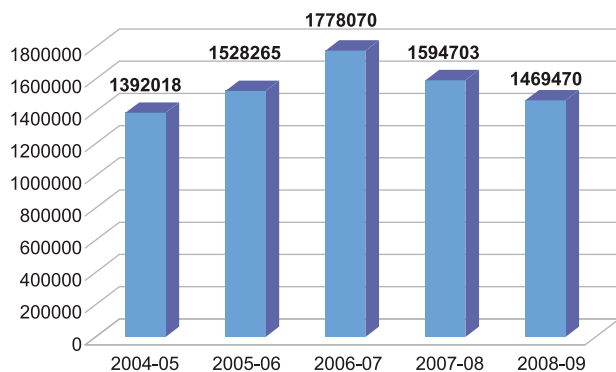
Evergreen  
Gigantic  
Growth



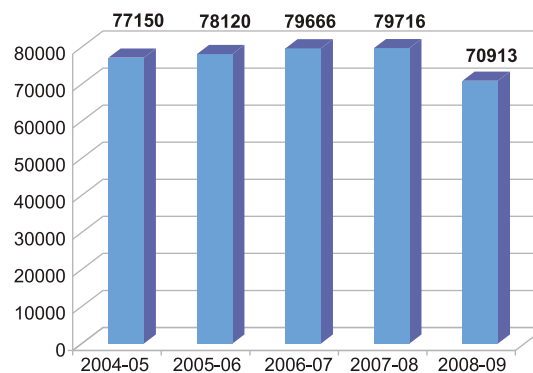
**GUJARAT STATE FERTILIZERS & CHEMICALS LIMITED**

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

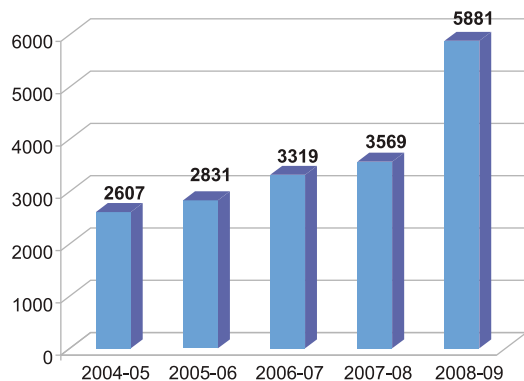
### PRODUCTION (FERTILIZERS) in MTs



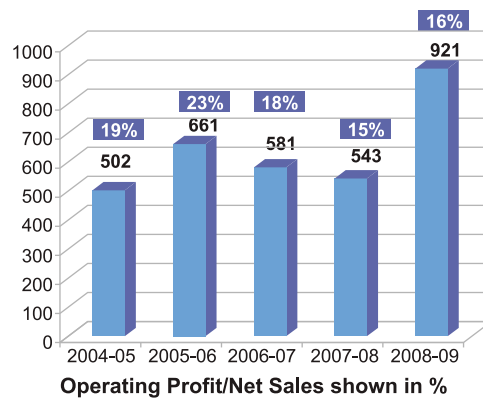
### PRODUCTION (CAPROLACTAM) in MTs



### NET SALES (Rs. Crores)



### OPERATING PROFIT (EBIDTA) (Rs. Crores)



Operating Profit/Net Sales shown in %

## GUJARAT STATE FERTILIZERS & CHEMICALS LIMITED

### 47<sup>th</sup> ANNUAL GENERAL MEETING

Date : 25<sup>th</sup> September, 2009  
 Day : Friday  
 Time : 9.00 a.m.  
 Place : Cultural Centre Auditorium  
 Fertilizernagar Township  
 P.O. Fertilizernagar - 391 750  
 District Vadodara

### BOARD OF DIRECTORS (As on 01-08-2009)

SHRI D. RAJAGOPALAN *Chairman*  
 SHRI D. C. ANJARIA  
 PROF. VASANT P. GANDHI  
 SHRI AJAY N. SHAH  
 SHRI VIJAI KAPOOR  
 SHRI P. N. ROY CHOWDHURY  
 SHRI S. JAGADEESAN  
 SHRI H. V. PATEL *Managing Director*

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### EXECUTIVE DIRECTORS

SHRI V. N. BUCH  
 SHRI H. P. PANDYA

### GENERAL MANAGER (FINANCE)

SHRI B. M. BHORANIA

### COMPANY SECRETARY

SHRI V. V. VACHHRAJANI

### BANKERS

Bank of Baroda  
 Central Bank of India  
 Bank of India  
 Dena Bank  
 Indian Bank  
 Vijaya Bank  
 Yes Bank Ltd.  
 State Bank of India  
 Indian Overseas Bank  
 Axis Bank Ltd.  
 ICICI Bank Ltd.  
 Punjab National Bank

### 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  
 Phone : (0265) 2242451/651/751  
 Website : www.gsfcmlimited.com

### STATUTORY AUDITORS

M/s. S. C. Bapna & Associates, Vadodara

### BRANCH AUDITORS

(Polymers & Fibre Units)  
 M/s. Khedkar Shah & Soni, Vadodara

### COST AUDITORS

M/s. R. K. Patel & Co., Vadodara (for 2008-09)  
 M/s. Diwanji & Associates, Vadodara (for 2009-10)

## FOR MEMBERS' ATTENTION

1. The Register of Members and the Share Transfer Books of the Company will remain closed from Saturday, the 12<sup>th</sup> September, 2009 to Friday, the 25<sup>th</sup> September, 2009 (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 5<sup>th</sup> October, 2009, to those members whose names appear on the Register of Members of the Company as on Book Closure date.
3. To make the payment of dividend through ECS or to print Bank particulars of the members on the dividend warrants, members are requested to furnish their Bank particulars viz. Name of Bank with its branch and address, Bank A/c. No., 9 Digit MICR Code appearing on the MICR cheque issued by the Bank etc. Please also send a copy of the MICR Cheque together with Bank particulars to the Company latest by 12<sup>th</sup> September, 2009.  
The shareholders who hold shares in electronic form are requested to furnish their Bank particulars as aforesaid to their Depository Participant (DP) by the stipulated date.
4. Members are requested to quote Folio Number or DP ID and 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 gate duly signed.
5. 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 alongwith the relevant Share Certificates.
6. Those members who have not yet submitted their old share certificates of Rs.100/- face value for exchange of new equity shares of Rs.10/- each are requested to send the said share certificates to the Registrars & Transfer Agents of the Company.
7. Shareholders of erstwhile Gujarat Nylons Ltd. (GNL) who have yet not surrendered their GNL equity share certificate/s are advised to surrender the same immediately to the Registrars & Transfer Agents of the Company so as to enable to issue shares of the Company in exchange thereof at the earliest.
8. Members holding shares in the Dematerialised Form are requested to intimate changes, if any, in respect of their Bank details, Mandate instructions, Nomination, Power of Attorney, Change of Address, Change of Name etc. to their Depository Participant (DP).
9. The Company's Equity Shares are listed on the following Stock Exchanges :
  1. Bombay Stock Exchange Limited  
Phiroze Jeejeebhoy Tower  
25<sup>th</sup> Floor, Dalal Street, Fort  
Mumbai – 400 001
  2. National Stock Exchange of India Ltd.  
Exchange Plaza, 5<sup>th</sup> 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 2009-10.
10. **Members are requested to send their queries, if any, at least seven days in advance of the meeting so that the information can be made available at the meeting.**
11. **As a measure of economy, the Company does not distribute the copies of Annual Report at the Meeting. Members, therefore, are requested to bring their copies with them.**

### VERY IMPORTANT

- **Members are requested to show their Photo Identity Card at the entry point alongwith original Annual Report for the Financial Year 2008-09 containing the Attendance Slip duly signed by self/ the proxy, failing which the entry to the Annual General Meeting shall be denied.**
- **No bags or belongings shall be permitted to be carried inside the venue of Annual General Meeting.**
- **The Members may kindly note that this is being done for the security reason.**

## NOTICE

NOTICE is hereby given that the **Forty-seventh Annual General Meeting** of the Members of the Company will be held at Cultural Centre Auditorium situated at the Registered Office of the Company at P. O. Fertilizernagar - 391750, Dist. Vadodara at **9.00 a.m. on Friday, the 25<sup>th</sup> September, 2009** to transact the following business :

### Ordinary Business

1. To receive, consider and adopt the Audited Accounts, Balance Sheet as at 31<sup>st</sup> March, 2009, 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 P. N. Roy Chowdhury who retires by rotation and being eligible offers himself for re-appointment.
4. To appoint a Director in place of Shri Ajay N. Shah who retires by rotation and being eligible offers himself for re-appointment.
5. To pass the following resolution, with or without modification, as an **Ordinary Resolution** :  
 "RESOLVED that the Board of Directors of the Company be and is hereby authorized to fix the remuneration *plus* Traveling and other out of pocket expenses, to be paid to the Statutory Auditors and Branch Auditors appointed by the Comptroller and Auditor General of India for audit of accounts of the Company for the financial year 2009-10 at the Head Quarters for Baroda Unit including Sikka Unit and also for audit of accounts of Polymers Unit and Fibre Unit of the Company for the financial year 2009-10, as the Board may deem fit and proper in its absolute discretion."

By Order of the Board

Sd/-

Fertilizernagar  
28<sup>th</sup> July, 2009

**V. V. Vachhrajani**  
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.**

***Please bring your copy of Annual Report and attendance card at the meeting. Persons other than members or proxy will not be allowed to attend the meeting.***

2. As the Company continues to attract the provisions of Section 619-B read with the provision of Section 619(2) of the Companies Act, 1956, an application has been made to the Comptroller & Auditor General of India for the appointment of Statutory as well as Branch Auditors for the Financial Year 2009-10.
3. The particulars of qualification, experience and other directorship etc. of Shri P. N. Roy Chowdhury, IAS, Shri Ajay N. Shah and Shri S. Jagadeesan, IAS are given in the annexure to this notice.
4. As required under the Rule 4A of the Companies Unpaid Dividend (Transfer to General Revenue Account of Central Government) Rules, 1978, the Company hereby informs its Members that all unpaid/ unclaimed dividends declared for and upto the Financial Year ended 31<sup>st</sup> March, 1994 have been transferred to the General Revenue Account of the Central Government. Members who have not encashed the dividend warrants for the said period are requested to claim the amount from the Registrar of Companies (Gujarat), Housing Board Building, Opp. Roopal Park Society, Ankur Char Rasta, Naranpura, Ahmedabad - 380 013.

Consequent upon amendment to Section 205-A of the Companies Act, 1956 and introduction of Section 205-C by the Companies (Amendment) Act, 1999, the amount of dividend for the subsequent years remaining unpaid or unclaimed for a period of seven years from the date of transfer to Unpaid Dividend Account of the Company shall be transferred to the Investors' Education and Protection Fund set up by the Government of India and no payments shall be made in respect of any such claims by the Fund. Accordingly, the unclaimed dividends for the financial year ended 31-03-1995 to 31-03-1999 has been transferred to the said fund.

### **Details of dividend to be transferred to Investors' Education & Protection Fund (IEPF) :**

Dividend No.	Financial year	Date of Declaration	Due for transfer to IEPF on
31	2004-05	23-09-2005	23-10-2012
32	2005-06	22-09-2006	22-10-2013
33	2006-07	21-09-2007	21-10-2014
34	2007-08	26-09-2008	26-10-2015

**Members who have not yet encashed their dividend warrant(s) for the financial year ended 31-03-2005 to 31-03-2008, 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 shall be decided by the Chairman.



## ANNEXURE

### DETAILS OF DIRECTORS APPOINTED / SEEKING APPOINTMENT / RE-APPOINTMENT AT THE ANNUAL GENERAL MEETING (IN PURSUANCE OF CLAUSE 49 OF THE LISTING AGREEMENT)

Name of the Director	Shri P. N. Roy Chowdhury, IAS	Shri Ajay N. Shah	Shri S. Jagadeesan, IAS			
Date of Birth	22-01-1951	08-07-1966	15-01-1953			
Date of Appointment as a Director of GSFC	29-01-2009	15-07-2006	29-01-2009			
Qualification	B.A.(Maths);M.A.(Applied Maths);M.S.(Fin),UK; M.B.A.(Buss.Admn.),USA; IAS	Ph.D. in Economics, University of Southern California, Los Angeles; B. Tech in Aeronautical Engineering from I.I.T., Bombay	B.A.(Eco.Pol.Sci); M.A.(Eco); IAS			
Expertise	He is a senior IAS Officer having vast experience in the field of Management & Administration. He held distinguished positions in the Government of Gujarat. Presently, he is Principal Secretary to Government of Gujarat, Agriculture & Co-operation Department.	He has rich consultancy experience of varied nature in the field of Finance and won many prestigious awards relating to Risk Management, Certified Financial Planning etc. during his career.	He is a senior IAS Officer having vast experience in the field of Management & Administration. He held many important positions in the State/Central Government. Presently, he is Principal Secretary to Government of Gujarat, Energy & Petrochemicals Department.			
No. of Shares held in the Company	500 (jointly with GSIL) + 261	500 (jointly with GSIL)	500 (jointly with GSIL)			
Names of other Companies in which directorship is held	1. Gujarat State Land Development Corporation Ltd. 2. Gujarat State Seeds Corporation Ltd. 3. Gujarat Agro Industries Corporation Ltd. 4. Gujarat State Agri Marketing Board 5. Gujarat Narmada Valley Fertilizers Co. Ltd. 6. Mahindra Gujarat Tractors Ltd.	1. Centre for Monitoring Indian Economy 2. National Securities Clearing Corporation 3. Clearing Corporation of India Ltd. 4. J S W Steel Limited	1. Gujarat Urja Vikas Nigam Limited 2. Gujarat State Electricity Corporation Ltd. 3. Gujarat Energy Transmission Corp. Ltd. 4. GSPC Pipavav Power Co. Ltd. 5. Gujarat Industries Power Co. Ltd. 6. Gujarat State Energy Generation Ltd. 7. Gujarat Power Corporation Ltd. 8. GSPC Gas Co. Ltd. 9. Gujarat State Petroleum Corporation Ltd. 10. Gujarat Alkalies & Chemicals Ltd. 11. Torrent Power Ltd. 12. Gujarat Narmada Valley Fertilizers Co. Ltd. 13. Gujarat State Petronet Ltd. 14. Mahaguj Collieries Ltd.			
Committee position for Audit and Investors' Grievance Committees	Name of the Company	Position in Audit Comm.	Name of the Company	Position in Audit Comm.	Name of the Company	Position in Audit Comm.
	1. Gujarat Agro Industries Corp. Ltd.	Member	1. Gujarat State Fertilizers & Chemicals Ltd.	Member	1. Gujarat Alkalies & Chemicals Ltd.	Member
	2. Gujarat State Fertilizers & Chemicals Ltd	Member				
	Name of the Company	Position in Investors' Grievance Committee	Name of the Company	Position in Investors' Grievance Committee	Name of the Company	Position in Investors' Grievance Committee
	—	—	—	—	1. Gujarat State Petroleum Corporation Ltd.	Chairman
					2. Gujarat Alkalies & Chemicals Ltd.	Chairman
					3. Gujarat State Fertilizers & Chemicals Ltd.	Chairman

## RAIN WATER HARVESTING

GSFC, an environmentally conscious and responsive company has implemented the Rain Water Harvesting project as a part of its 'Growing Green' endeavor.

- The project consists of different water harvesting schemes such as open pond structures, recharge well structures and Furaat system to serve the basic objectives of management and conservation of the storm water during monsoon.
- Four ponds have been dug out to store the rain water, runoff and percolate the same.
- Seven recharge wells and six Furaat systems have been installed at various locations to achieve maximum recharge of rain water flow.
- This recharging activity will not only result in rise in ground water level in and around GSFC, but will also improve the quality of water in general.





## MASSIVE TREE PLANTATION

- Continuing its commitment towards environment and to address the major issue of global warming, GSFC has embarked upon Tree Plantation programme on a massive scale.
- It is planned to plant around 1 lakh trees in and around the industrial complex at all four units of GSFC.
- Saplings of Banyan, Pipal & Neem have been considered for large scale plantation.
- Around 20,000 trees were planted and nurtured during the year 2008-09.
- GSFC strives to contribute to the environment to its fullest potential to avoid irreversible changes in the ecosystem and make earth a better place to live in.





## DIRECTORS' REPORT

To  
The Members,

Your Directors have a pleasure in presenting the 47<sup>th</sup> Annual Report and Audited Accounts of the Company for the year ended 31<sup>st</sup> March, 2009.

### A. FINANCIAL RESULTS

(Rs. in Crores)

	Particulars	2008-09	2007-08
1.	<b>Gross Sales</b>	<b>6019.19</b>	3738.43
	Less : Excise Duty Recovered	<b>138.39</b>	169.46
	<b>Net Sales</b>	<b>5880.80</b>	3568.97
2.	Other Income	<b>71.29</b>	80.11
3.	<b>Total Revenue</b>	<b>5952.09</b>	3649.08
4.	Less : Operating Expenses	<b>5030.70</b>	3105.67
5.	<b>Operating Profit</b>	<b>921.39</b>	543.41
6.	Less : Interest	<b>39.17</b>	44.68
7.	<b>Gross Profit</b>	<b>882.22</b>	498.73
8.	Less : Depreciation	<b>143.04</b>	142.42
9.	Prior Period Adjustment	<b>(0.77)</b>	(1.99)
10.	<b>Profit before taxes</b>	<b>739.95</b>	358.30
11.	Taxation		
	- Current Tax	<b>330.37</b>	144.54
	- Deferred Tax (net)	<b>(91.37)</b>	(26.51)
	- FBT	<b>1.50</b>	1.70
	- Wealth Tax	<b>0.12</b>	0.12
	- Excess provision for taxation written back	<b>(0.03)</b>	—
12.	<b>Profit after taxes</b>	<b>499.36</b>	238.45
13.	Balance brought forward from last year	<b>47.35</b>	47.55
14.	Less : Accumulated Loss of subsidiary Company adjusted on merger	<b>—</b>	0.69
15.	<b>Amount available for appropriations</b>	<b>546.71</b>	285.31
16.	Out of which, your Directors have proposed appropriation and transfer as under :		
	a) Proposed Dividend on Equity shares	<b>35.86</b>	35.87
	b) Tax on Proposed Dividend	<b>6.09</b>	6.09
	c) General Reserve	<b>457.00</b>	196.00
17.	Leaving a balance in the Profit & Loss Account	<b>47.76</b>	47.35

### B. OPERATIONAL PERFORMANCE

During the Financial Year (FY) 2008-09, your Company has produced 14.69 Lacs Metric Tons (MTs) of Fertilizers as compared to 15.95 Lacs MTs during the Financial Year 2007-08 despite constraints like availability of major raw materials viz. imported Phosphoric Acid, Natural Gas, Power shortage etc., shut-down of plants and market constraints etc. The Fertilizer sales for the FY 2008-09 was 13.82 Lacs MTs as compared to 16.03 Lacs MTs during the FY 2007-08.

The current financial year witnessed high volatility in the commodity market. The raw material costs have increased substantially and this is mainly due to increase in the prices of major raw materials like Sulphur, Rock Phosphate, Imported Phosphoric Acid, Natural Gas, MOP and MEK. The average price of Imported Phosphoric Acid increased by almost 3.24 times, while of Imported Ammonia by 1.68 times, Rock Phosphate by 1.90 times and of Sulphur by 1.66 times during the FY 2008-09 as compared to the FY 2007-08. Further, the cost of Natural Gas, electrical power & Fuel has also gone up considerably. Your Directors are pleased to report that despite all these odds, your Company has been able to absorb the cost increase by timely adjusting operations and product mix and the sale price.

Your Directors are further pleased to inform that the FY 2008-09 has surpassed all previous records by achieving the ever highest Net Sales, Operating Profit (EBDITA), Profit Before Tax and Profit After Tax. The Net Sales have

## DIRECTORS' REPORT (Contd.)

gone up to Rs. 5880.80 Crores in the financial year under review as compared to Rs. 3568.97 Crores for FY 2007-08, thus registering a growth of 65%. The EBITDA for the year 2008-09 is Rs. 921.39 Crores vis-à-vis Rs. 543.41 Crores for the year 2007-08.

The Interest cost has reduced by 12% from Rs. 44.68 Crores to Rs. 39.17 Crores (FY 2007-08), during FY 2008-09. The Profit Before Tax for the FY 2008-09 was Rs. 739.95 Crores as compared to Rs. 358.30 Crores for the FY 2007-08. The Profit After Tax was Rs. 499.36 Crores for the FY 2008-09 as compared to Rs. 238.45 Crores for FY 2007-08 and this is the ever highest profit in the history of your Company.

### C. DIVIDEND

Your Directors are happy to recommend a Dividend of Rs.4.50 per Equity Share (Previous Year – Rs. 4.50 per share) on 7,96,95,506 Equity Shares of Rs. 10/- per share for the financial year ended on 31st March, 2009. The net outgo on account of Dividend shall be Rs. 4195.79 Lacs including Corporate Dividend Tax. The Dividend shall be paid to those members, whose name shall appear on the Register of Members of the Company on the Book Closure Date i.e. on 12<sup>th</sup> September 2009.

### D. CURRENT PERFORMANCE

During the first quarter of FY 2009-10, the Company produced 4.84 Lacs MTs of Fertilizers which is higher by 1.28 Lacs MTs as compared to 3.56 Lacs MTs in the corresponding quarter of the previous financial year. During the 1st Quarter of FY 2009-10 your Company achieved the highest ever production of Fertilizers as compared to the corresponding quarters of the last five years. Company could sell 5.10 Lacs MTs of Phosphatic Fertilizers during the 1st Quarter of FY 2009-10 which is higher by 1.90 Lacs MTs compared to 3.20 Lacs MTs during 1st Quarter of FY 2008-09. The Company could achieve the Net Sales of Rs. 1143 Crores during the first quarter of FY 2009-10, as compared to Rs. 1301 Crores during 1st Quarter of FY 2008-09. The reduction in Net Sales is mainly due to fall in the prices of Phosphatic Fertilizers and prices of Industrial Products. The reduction of net sales is mainly on account of lower price realization aggregating Rs. 678 Crores while the higher sales volume has improved net sales by Rs. 520 Crores thus showing reduction in net sales by Rs. 158 Crores during 1st Quarter of FY 2009-10.

The EBITDA for the Q-1 of FY 2009-10 is Rs.82 Crores as compared to Rs. 151 Crores in Q-1 of the FY 2008-09. The reduction in EBITDA is mainly due to downslide in the sales price realization and profit margins. The price of DAP is lower by 43%, Ammonium Sulphate by 22%, Caprolactam by 30%, Nylon-6 by 10% and Melamine by 4% during the Q-1 of FY 2009-10 in comparison to the Q-1 of FY 2008-09.

Further, while finalizing the accounts for the year ended on 31/03/2009, the Company has made the provision of Rs. 64.71 Crores towards the Mark to Market(M2M) loss on the Fertilizer Bonds of Rs. 461 Crores held by the Company. The M2M loss as on 30/06/2009 got reduced to Rs. 49.85 Crores. Thus Rs. 14.86 Crores has been written back and included in the Other Income for the Q1 of FY 2009-10.

The Profit Before Tax for the Q-1 of FY 2009-10 was Rs. 38 Crores as compared to Rs. 105 Crores for the corresponding quarter of the previous year. The Profit After Tax for the Q-1 of FY 2009-10 was Rs. 27 Crores as compared to Rs. 71 Crores for the Q-1 of FY 2008-09.

### E. LISTING OF SHARES & DEPOSITORIES

The Equity Shares of your Company are listed on the Bombay Stock Exchange Limited (BSE) and National Stock Exchange of India Ltd. (NSE). As approved by the shareholders, an application for voluntary delisting of Equity Shares from Calcutta Stock Exchange Association Ltd., Kolkatta, was made, however, the approval for delisting is awaited.

Your Directors wish to state that the Equity Shares of your Company are compulsorily traded in the dematerialized form w.e.f. 26/06/2000. Presently, 58% of shares are held in electronic/dematerialised form.

### F. REPORT ON CORPORATE GOVERNANCE AND MANAGEMENT DISCUSSION AND ANALYSIS REPORT TO SHAREHOLDERS

Your Company has complied with all the mandatory requirements of Corporate Governance as required under Clause 49 of the Listing Agreement with Stock Exchanges. A separate report on Corporate Governance together with the Certificate of M/s. S. Samdani & Associates, Company Secretaries, Vadodara forms part of this Annual Report. The Management Discussion & Analysis report also forms part of this Annual Report.

### G. FIXED DEPOSITS

Your Directors report that 679 fixed deposits aggregating Rs.100.60 Lacs remained unclaimed by Depositors, as on 31<sup>st</sup> March, 2009. Letters reminding the depositors for seeking repayment have been sent. Upto and including the date of this report, out of the said deposits 199 deposits amounting to Rs. 27.29 Lacs have been repaid.

## DIRECTORS' REPORT (Contd.)

During the year, the Company has transferred a sum of Rs. 5.77 Lacs being the unclaimed deposits and interest amount to the Investors' Education and Protection Fund as required in terms of Section 205 C of the Companies Act, 1956.

### H. INSURANCE

All the properties and insurable interests of the Company, including buildings, plant & machinery and stocks have been adequately insured. Also, as required under the Public Liability Insurance Act, 1991, your Company has taken all the necessary insurance cover.

### I. PROJECTS UNDER CLEAN DEVELOPMENT MECHANISM (CDM)

Your Company has taken up various projects for reducing emission and energy saving. These projects have also been put up for validation and registration under the clean development mechanism. This will help your Company to earn carbon credit under CDM. Your Company has taken up registration of several projects under voluntary action scheme to avail credit benefits for voluntary reduction of carbon emission.

### J. EXPANSION & DIVERSIFICATION

Your Company has taken up conversion of Ammonia-I Plant for production of Methanol based on technology from M/s. Haldor Topsoe, Denmark. M/s. PDIL have been appointed as consultants for carrying out detailed engineering work for the project. The work relating to the basic design has been completed and the detailed engineering and procurement activities for critical and long term delivery items have been taken up. The project is slated to be commissioned in the last quarter of the year 2010.

Your Company has participated in a joint venture viz. Tunisian Indian Fertilizers (TIFERT) in Tunisia for ensuring consistent supply of Phosphoric Acid for its DAP Plant at Sikka. This project is progressing satisfactory and its financial closure has been achieved in April, 2009. TIFERT project is expected to go into main stream during 2011. This project will help your Company in meeting the demand of Phosphoric Acid, which in turn would help in optimum capacity utilization of its DAP Plant at Sikka. Your Company has been able to commission 1500 MTPY Urea Phosphate Fertilizer project, which will help in meeting the demand of Water Soluble Fertilizer for micro irrigation system.

Your Company has been conscious for the development of green technology and with a view to translate this into a reality, your Company has commissioned its first 10 MW Wind Mill Power Project at Kutchchh in March 2008 and added another 12 MW Wind Mill Power Project at Kutchchh in January 2009. These projects are working satisfactorily and are meeting the Company's captive power requirements. Encouraged by the performance of the commissioned Wind Mill Projects, keeping in mind the additional requirement for power in future and the incentives available from the Government for new technology, your Company is considering implementation of 3rd Wind Mill power project of 25 MW Capacity.

### K. INFORMATION REGARDING CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION, FOREIGN EXCHANGE EARNING AND OUTGO AND PARTICULARS OF EMPLOYEES ETC.

Information as 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 and information as per Section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975 as amended from time to time, is given in Annexure "A" & "B" respectively, which forms part of this report.

### L. DIRECTORS

#### ➤ Chairman :

Upon attaining superannuation, Dr. Manjula Subramaniam, IAS, retired from the services of Govt. of Gujarat on 30-09-2008 and in her place Shri D. Rajagopalan, IAS, Chief Secretary to the Govt. of Gujarat has been appointed as "Govt. Director" and Chairman of the Company w.e.f. 17-10-2008. Your Directors place on record their deep sense of gratitude for the able leadership and vision provided by Dr. Manjula Subramaniam, during her tenure as Chairperson of the Company.

#### ➤ Change in Directors :

Shri P. N. Roy Chowdhury, IAS, Principal Secretary, Agriculture & Co- operation Dept., Govt. of Gujarat, has been appointed by the Govt. of Gujarat with effect from 29-01-2009, as Rotational Director in the vacancy caused due to retirement of Dr. Avinash Kumar, IAS (Retd.).

Shri S. Jagadeesan, IAS, Principal Secretary, Energy and Petrochemicals Dept., Govt. of Gujarat has been appointed by the Govt. of Gujarat w.e.f. 29-01-2009, as Rotational Director in the vacancy caused due to transfer of Shri M. M. Srivastava, IAS as Principal Secretary, Finance Department, Govt. of Gujarat.

## DIRECTORS' REPORT (Contd.)

Pursuant to the provisions of Section 255 & 256 of the Companies Act, 1956, Shri P. N. Roy Chowdhury, IAS, and Shri Ajay N. Shah shall be liable to retire by rotation at the ensuing Annual General Meeting and being eligible, have offered themselves for re-appointment.

Your Directors place on record the valuable contributions made by Dr. Avinash Kumar, IAS (Retd.) and Shri M. M. Srivastava, IAS during their tenure as Directors of the Company.

The appropriate resolutions for reappointment of Directors are placed for the approval of shareholders.

Your Directors also take this opportunity to welcome the new Directors on the Board of your Company.

### M. DIRECTORS' RESPONSIBILITY STATEMENT

As required under Section 217 (2AA) of the Companies Act, 1956, the Directors hereby confirm that:

- i) In the preparation of the annual accounts, the applicable Accounting Standards have been followed and that no material departures have been made from the same;
- ii) The appropriate accounting policies have been selected and applied consistently and judgments and estimates have been made that are reasonable and prudent, so as to give a true and fair view of the state of affairs of the Company as at 31<sup>st</sup> March, 2009 and of the profit of the Company for the period from 1<sup>st</sup> April, 2008 to 31<sup>st</sup> March, 2009;
- iii) Proper and sufficient care has been taken 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; and
- iv) The Annual Accounts have been prepared on a "going concern" basis.

### N. AUDITORS

The provisions of Section 619B of the Companies Act 1956 continue to apply to your Company. The Comptroller & Auditor General of India (CAG) has appointed M/s.S. C. Bapna & Associates, Chartered Accountants, Vadodara, for carrying out audit of accounts of the Company at its Corporate Office, Sikka Unit and Baroda Fertilizernagar Plants for the Financial Year 2008-09. M/s Khedkar Shah & Soni, Chartered Accountants, Vadodara have been appointed as Branch Auditors for the audit of accounts of the Company's Polymers Unit and Fibre Unit for the Financial Year 2008-09. Your Directors recommend the approval of Resolution for fixation of remuneration to the Statutory Auditors and Branch Auditors for the F.Y. 2009-10, who may be appointed by the CAG.

Pursuant to the directive from the Dept. of Company Affairs regarding appointment of Cost Auditor, M/s Diwanji & Associates, Cost Accountants, Vadodara have been appointed as the Cost Auditor for the Financial Year 2009-10. This appointment is, however, subject to the approval of the Central Government and the application for the same has already been made.

Your Company has also appointed M/s Haribhakti & Co., Chartered Accountants, Mumbai as Internal Auditors for carrying out the Internal Audit for its Baroda Unit and Sikka Unit. M/s K. N. Mehta & Co., Chartered Accountants, Vadodara and M/s Parikh, Mehta & Associates, Chartered Accountants, Vadodara have been appointed as Internal Auditors for the Company's Fibre Unit and Polymers Unit respectively.

### O. AUDITORS' REPORT

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

### P. ENVIRONMENTAL PROTECTION

Your Directors wish to reiterate that preservation and promotion of environment is of fundamental concern in all our day to day business activity. As a part of Environment Management System, our conscious efforts are towards wastes minimization, recycling and conservation of natural resources to the maximum possible extent for the protection of environment. The Phosphatic Group of Plants have achieved zero waste discharge. Further, effluents from Urea & Melamine Plants are reused in Phosphatic Group of Plants. Your Company has in place two full fledged Effluent Treatment Plants (ETP) and the treated effluents, conforming to Pollution Control Board norms, are discharged into the sea through the channel of M/s. Effluent Channel Project Limited. Your Company is also going for revamp of its Effluent Treatment Plants to increase their treatment capacity. The emission of gases is controlled via sophisticated Air Pollution Control Devices and their emission level has been maintained well below the permissible limits. Most of the hazardous wastes are sold to the recyclers, while the remaining is sent to the common disposal facility located at Nandesari for safe disposal. Pollutants are monitored on a daily basis within as well as outside the factory premises. Your Company has installed one online ambient air monitoring station within the battery limit to monitor air quality.



## DIRECTORS' REPORT (Contd.)

Your Company has complied with all the applicable statutory requirements and holds a valid Consolidated Consent & Authorization upto 30th May, 2011, from Gujarat Pollution Control Board.

Your Company has received the Environment Clearances for converting the existing Ammonia-I Plant into 525 TPD Methanol Plant in July 2008 from Ministry of Environment & Forest (MOEF), New Delhi and also NOC from Gujarat Pollution Control Board in September 2008.

In the year 2008, your Company has received ICC award for "Excellence in management of EHS" for the year 2007 and "Commendation certificate" for Scope Meritorious Award for "Environment Excellence & Sustainable Development" for the year 2006-07. Subsequently, your Company has received "Srishti Good Green Governance Award 2008" from Srishti Publications, New Delhi.

Apart from controlling pollution, your Company maintains 240 Hectares of Green Belt Area within GSFC premises which constitutes more than one third of its total factory premises. These green belts are natural abode for variety of birds including peacocks, ducks etc. In the Year 2008, your Company has planted large numbers of Banyan, Pipal and Neem trees as a part of its forestation drive. Your Company's encapsulated chalk heap has been successfully converted into a lush green site covering approx.14 hectors of area.

### Q. HUMAN RESOURCES

The strength of your Company lies in its team of its competent and motivated personnel. This has made possible for your Company to make significant improvements and progress in all areas of its working. The employees have from time to time taken up the challenge to improve the performance of plants through efficiency, productivity and economy. Your Directors are happy to place on record their sincere appreciation for the unstinted efforts and contribution put in by the employees of the Company.

The Company has also continued its endeavor to impart appropriate and relevant training to its employees at various levels with a view to equip them to take up the challenges ahead and to enhance their performance in the overall interest of the Company.

Your Directors are also happy to inform that all the pending issues pertaining to the salary revision etc. have been resolved amicably and the wage settlement with the Employees' Unions has been signed and implemented during the year under review.

The industrial relations remained cordial during the year.

### R. ACKNOWLEDGEMENTS

Your Directors place on record their appreciation for the overwhelming co-operation and assistance received from the Government of Gujarat, Government of India, Bank of Baroda and other Banks and agencies. Your Directors also wish to express their gratitude to the investors for their continued support and faith reposed in the Company.

For and on behalf of the Board

Place: Gandhinagar  
Date : 28th July, 2009

Sd/-  
**D. Rajagopalan**  
Chairman

## ANNEXURE TO THE DIRECTORS' REPORT

### Annexure "A"

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

##### A) CONSERVATION OF ENERGY

###### Measures taken at Baroda Unit :

###### 1) Replacement of cooling tower fans by FRP hollow blades in Ammonia-IV Plant.

Existing solid FRP blades replaced by hollow FRP blades to reduce power consumption. It resulted into annual power saving of 7.62 Lacs units (Rs. 34 Lacs).

###### 2) Power conservation in MP BFW pump (P-0201R) at Ammonia-IV Plant.

Looking to the margin available in terms of high pressure drop across level control valve in MP BFW supply loop, impeller size of pump has been reduced from 235 mm to 220 mm which reduced power consumption and resulted into annual power saving of 2.43 Lacs units (Rs. 10.9 Lacs).

###### 3) Stoppage of waste water supply pump in HAS section of Caprolactam-II Plant.

As per the original design waste water generated from HAS section was diverted to storage tank from where it was pumped in controlled way to treatment plant. Minor modification carried out to transfer the waste from HAS section directly to waste water treatment plant. Avoidance of double pumping resulted into stoppage of pump associated with waste water storage tank. It resulted into annual power saving of 0.2 Lac units (Rs. 0.9 Lac).

###### 4) Provision for isolation & drain valves in crystallizers' interconnecting transfer line for saving of 7k flushing steam in Urea Plants.

Inter-connecting line between old and new plant crystallizers are flushed with steam. In absence of necessary isolation system this flush steam was remaining in line for all time. Necessary isolation system provided. This has resulted into steam saving equivalent to annual NG fuel saving by about 0.6 Lac SM<sup>3</sup> (Rs. 5.04 Lacs).

###### 5) Proposal to export off gas bearing Hydrogen, from HAS Plant of Caprolactam-II to Ammonia-IV Plant.

H<sub>2</sub> is purified in PSA section before use in HAS synthesis unit. Purification step generate purge stream that is vented. A system to recover and use this purge gas which is mainly Hydrogen as fuel at Ammonia-IV Plant is implemented. It has resulted into annual NG saving at a rate of 5.04 Lacs SM<sup>3</sup> (Rs. 45.3 Lacs).

###### 6) Replacement of air cooler fans by FRP hollow blades in Ammonia-IV Plant.

ISR outlet gas is cooled down in air cooler having 6 Nos. of fans. Existing solid FRP blades replaced by hollow FRP blades to reduce power consumption. It resulted into annual power saving of 1.54 Lacs units (Rs. 6.9 Lacs).

###### 7) Energy saving by using energy efficient lighting sources.

- \* 40 Nos. 400 W HPMV fittings replaced by 15 Nos. of 150 W Metal halide lighting fittings at Urea Plant which resulted saving of 1.205 Lacs units/Yr.
- \* Installation of magnetic amplifier panel to reduce power consumption of lighting at Ammonia-IV Plant which resulted saving of 0.372 Lac units/Yr.

- \* 11,850 Nos. 40 W tube-lights with electromagnetic choke replaced by 28 W T5 fittings with electronic ballast saving 17.847 Lacs units/Yr.

- \* Magnetic amplifier type lighting energy saver installed at 13 Nos. of various locations with guaranteed power saving of about 15% w.r. to existing gas discharge lamps. Anticipated annual saving on lighting energy is of 2.36 Lacs units/Yr.

Above mentioned measures resulted into aggregate annual saving at a rate of 21.78 Lacs units (Rs. 97.81 Lacs).

###### Measures taken at Fiber Unit :

###### 1) Reduction in supply pressure of Air Compressor.

Pressure reduced from 8.0 Kg/cm<sup>2</sup> to 7.2 Kg/cm<sup>2</sup> after optimization of air pressure. It resulted into annual power saving of 7.36 Lacs units (Rs. 33.03 Lacs).

###### 2) Supply of brine at higher temperature.

Set point of brine chiller outlet temperature increased gradually from 0 to 2.5°C and 3° to 5°C. It resulted into annual power saving of 1.42 Lacs units (Rs. 6.37 Lacs).

###### 3) Replacement of cooling coil in air conditioning.

Due to replacement of cooling coil in air conditioning system of Spinning and D.T. hall, C.F. chiller power consumption reduced. Annual power saving realized by 1.25 Lacs units (Rs. 5.6 Lacs).

###### 4) Stoppage of DT return blower.

After replacement of cooling coil in air conditioning system of DT hall, DT return blower could be stopped. Annual power saving realized by 6.96 Lacs units (Rs. 31.25 Lacs).

###### 5) Replacement of pulley of DT blower.

Pulley of DT blower changed and rpm of blower reduced accordingly from 480 rpm to 412 rpm. Annual power saving realized by 1.55 Lacs units (Rs. 6.97 Lacs).

###### 6) Replacement of pulley of supply fan of spinning line-I.

Pulley of supply fan for air conditioning of spinning line-I changed resulted into reduction in rpm from 1082 to 982. Annual power saving realized by 0.34 Lac units (Rs. 1.51 Lacs).

###### 7) Replacement of raw water pump.

High efficiency pump installed in place of existing low efficiency raw water pump. Annual power saving realized by 0.76 Lac units (Rs. 3.39 Lacs).

###### 8) Replacement of Boiler Feed Water Pump.

High efficiency pump installed in place of existing low efficiency Boiler Feed Water Pump. Annual power saving realized by 0.43 Lac units (Rs. 1.94 Lacs).

###### Measures taken at Polymers Unit :

###### 1) Reduction in contract demand.

The contract demand reduced from 1000 KVA to 600 KVA after successful installation & commissioning of CT-PT. By reducing the contract demand, the annual saving realized at a rate of 1.06 Lacs units (Rs. 4.77 Lacs).

## ANNEXURE TO THE DIRECTORS' REPORT (Contd.)

### 2) Installation of energy saving unit at BOD / COD Plant.

Installation of energy saving unit resulted into annual saving at a rate of 1.0 Lac units (Rs. 4.50 Lacs).

#### Measures taken at Sikka Unit :

### 1) Energy saving by using energy efficient lighting sources.

- \* Replacing 10 nos. of 160 W MLL lamps by 125 W HPMV lamps which save 0.0128 Lac units per annum.
- \* Replacing 600 nos. 50 W tube-lights by 32 CFL lamps which save 0.39 Lac units per annum.

Above mentioned measures resulted into aggregate annual saving at a rate of 0.40 Lac units (Rs. 1.82 Lacs).

#### Measures under consideration at Baroda Unit :

### 1) Modification to maximize 4.5K LPS export from Ammonia-IV Plant.

AS-I D part runs intermittently. Opportunity is available to utilize LPS, which otherwise being vented at Ammonia-IV Plant, at D part of AS-I Plant. This will result into steam saving equivalent to annual NG fuel saving by about 9.2 Lacs SM<sup>3</sup> (Rs. 83 Lacs).

### 2) Use of LPS in place of MPS at various locations at Caprolactam-II Plant.

As LPS at Caprolactam-II Plant is available in excess and is getting vented, various schemes prepared to replace use of MP steam fully or partly for heating up process stream. This mode of practice will result into cumulative reduction in MPS consumption by 8642 MT/Yr, equivalent to annual NG fuel saving by about 6.9 Lacs SM<sup>3</sup> (Rs. 62 Lacs /year).

### 3) Installation of VAHP-2 in CEP-HAS Plant.

While considering sizing of stand by VAHP unit, higher capacity unit is proposed to take load of ANONE AHU having 162 TR capacity operating on electric power. This will reduce power for running A.C. unit making use of excess low pressure steam. The anticipated power saving is 6.80 Lacs units /Year (Rs.30.53 Lacs).

### 4) Power production at SG-COG Plant.

At present, 20 ata & 14 ata steam is produced by throttling 37 ata steam across PRDS system. Possibility is being explored to get 20 ata & 14 ata steam by expanding 37 ata steam across turbine and there by to produce power. Such provision may result into annual power saving of 200 Lacs units (Rs. 898 Lacs).

### 5) Provision of new Cooling Water Pump in AS-I Plant.

Presently 40 years old 9500GPM, 470 KW cooling water pump is being utilized at D-part operation of AS-I Plant. To reduce energy, a pump of 1200 m<sup>3</sup>/hr capacity is proposed for this service. New pump may draw about 185 KWh. Thus, there will be saving @ 285 KWh/hr during D-part operation of 2300 Hrs /year. The annual saving in power is estimated at 6.56 Lacs units (Rs. 29.43 Lacs). Pump is under procurement.

### 6) Utilization of Hydrogen bearing off gases of Caprolactam-I Plant in boiler.

The off gases of Benzene hydrogenation section of Caprolactam-I Anone Plant contains about 18% H<sub>2</sub>. Provisions for using these off gases as fuel in baby boiler (~55 MT/Hr capacity) is made. System is under installation. This measure will result into Annual NG fuel saving by 4 Lacs SM<sup>3</sup> (Rs. 39 Lacs).

### 7) Energy saving by using energy efficient lighting sources.

- \* 8342 Nos. of GLS lamps will be replaced by 28 Watt T5 tube-lights. Anticipated annual saving on lighting energy is of 21.31 Lacs units (Rs. 95.70 Lacs).
- \* 150 Nos. 40 W tube-lights with electromagnetic choke to be replaced by 28 W T5 fittings with electronic ballast, saving 0.263 Lacs units/Yr (Rs. 1.18 Lacs).

### 8) Installation of small capacity make up water pump at Co-Generation – III Plant.

Due to low load operation requirement, make up water pump operates at low capacity. Proposal for providing one pump of lower capacity to reduce power consumption is nearing to completion. The annual saving of power is estimated at 1.6 Lacs units (Rs. 7.18 Lacs).

#### Measures under consideration at Fiber Unit :

### 1) Replacement of existing chillers by energy efficient non CFC based chillers.

It is planned to replace existing chillers by energy efficient non CFC based chillers at Refrigeration and Air Compressor unit. The annual saving in power is estimated at 9.0 Lacs units (Rs. 40.41 Lacs).

### 2) Installation of variable speed drive screw compressor.

It is planned to install screw compressor equipped with variable speed drive mechanism. The annual saving in power is estimated at 15.0 Lacs units (Rs. 67.35 Lacs).

#### Measures under consideration at Polymers Unit :

### 1) Energy saving by using energy efficient lighting sources.

Replacement of 160 Watt Mercury Lamp with 65 Watt of Compact Fluorescent Lamps in Water Treatment Plant, Workshop and Boiler will result into saving of 0.085 Lacs units/Yr (Rs. 0.38 Lac).

### 2) Installation of power saving unit.

It is planned to install Power Saving Unit at Refrigeration and Air Compressor unit. The annual saving in power is estimated @ 0.57 Lac units (Rs.2.57 Lacs).

#### Measures under consideration at Sikka Unit :

- 1) Fossil fuel (FO) change over to Natural Gas in. boiler No.2 & Furnace-3 nos. which will save Rs.304.59 Lacs. per annum.

## B) CONSERVATION OF RAW MATERIALS AND CHEMICALS

#### Measures taken at Baroda Unit :

### 1) Condensate recovery in Dehydrogenation section of Anone Plant, Caprolactam-II Plant.

Plant is operating at higher than design load generating more condensate. Due to system limitation for this higher quantity, condensate was getting drained. Scheme implemented to recover entire quantity of condensate to deaerator. It resulted into saving of ~0.5 Mt/Hr condensate equivalent to Rs. 0.53 lac/Yr.

#### Measures under consideration at Baroda Unit :

### 1) Recovery of sulfuric acid during draining of sulfuric acid main header lines, Caprolactam-II Plant.

It is required to drain SA supply header to Caprolactam-II Plant to attend the leakages. Scheme prepared to minimise the loss of Sulphuric Acid by ~39 MT/Yr equivalents to Rs. 0.17 lacs/Yr.

## ANNEXURE TO THE DIRECTORS' REPORT (Contd.)

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

#### FORM-A

Form for disclosure of particulars with respect to Conservation of Energy : 2008-09

#### A. POWER AND FUEL CONSUMPTION

PARTICULARS	2008-09	2007-08
1. ELECTRICITY		
(A) PURCHASE		
UNIT : MWH	392605	424786
AMOUNT Rs. in Lacs	19248.75	13559.92
Rate Rs. / KWH	4.90	3.19
(B) Own Generation		
Unit : MWH	162029	169056
KWH Per Ltr. of Fuel/Gas	2.92	2.96
Cost Rs./KWH	3.28	2.63
2. LSHS		
QUANTITY – MTs	5412	4088
Amount Rs. in Lacs	1779.33	1033.92
Average Rate Rs./MT	32877.49	25292.51
3. NATURAL GAS		
Quantity in '000 SM3	145039	153265
Amount Rs. in Lacs	11680.71	10290.84
Average Rate 1000/SM3	8053.50	6714.41

#### C) TECHNOLOGY ABSORPTION

##### EFFORTS MADE IN TECHNOLOGY ABSORPTION

As per enclosed FORM – B

#### D) FOREIGN EXCHANGE USED AND EARNED : 2008-09

##### Foreign Exchange Outgo :

	Rs. Lacs
(i) C.I.F. VALUE OF IMPORTS	
(a) Raw Materials	274744.28
(b) Stores & Spares	1874.71
(c) Capital Goods	840.08
TOTAL (i)	277459.07
(ii) EXPENDITURE IN FOREIGN CURRENCY	
(a) Interest	1098.92
(b) Technical Asstt./Know How	285.16
(c) Others	1819.26
TOTAL (ii)	3203.34
TOTAL (i) + (ii)	280662.41

##### Foreign Exchange Earned :

	Rs. Lacs
FOB VALUE OF EXPORT OF	
Caprolactam	2791.26
MEK Oxime	3419.42
Nylon – 6	13.56
Ammonium Sulphate	1035.73
TOTAL	7259.97

#### B. CONSUMPTION PER UNIT OF PRODUCTION

Sr. No.	Product	Power		Steam		Natural Gas	
		2008-09 KWH	2007-08 KWH	2008-09 MTs	2007-08 MTs	2008-09 SM3	2007-08 SM3
1	Ammonia	390	444	0.779*	0.605*	856	846
2	Sulphuric Acid	36	35	0.828*	0.833*	0.092	0.265
3	Phosphoric Acid	236	217	1.100	1.554	0.628	0.460
4	Urea	195	193	1.627	1.464	-	-
5	DAP	75	58	0.028	0.012	5	5
6	ASP	36	45	0.003	0.009	5	5
7	Melamine	1749	1684	6.320	5.892	328	316
8	Caprolactam (Old)	2424	2314	11.374	10.171	101	92
9	Caprolactam (Exp.)	1397	1370	7.869	7.529	38	33
10	Nylon – 6	997	981	1.957	1.892	-	-
11	ACH	612	594	1.012	0.975	77	115
12	Monomer	813	809	3.220	3.077	-	-
13	MAA	569	506	4.470	4.383	-	-
14	AS	33	37	0.291	0.295	-	-
15	Sheets	1594	1547	8.265	8.382	-	-
16	Pellets	569	633	1.197	1.135	-	-
17	DAP (Sikka Unit)	53	50	0.017	0.020	-	-
18	NPK(12:32:16)(Sikka Unit)	56	47	0.023	0.021	-	-
19	NPK(10:26:26)(Sikka Unit)	0	48	0.000	0.020	-	-
20	Nylon Chips	690	645	-	-	-	-
21	Nylon Filament Yarn	4623	4919	-	-	-	-

\* Indicate Export from Plants



## ANNEXURE TO THE DIRECTORS' REPORT (Contd.)

### FORM-B

#### Form for disclosure of particulars with respect to Technology Absorption : 2008-09

#### RESEARCH & DEVELOPMENT (R & D)

##### (1) SPECIFIC AREAS, IN WHICH R&D IS CARRIED OUT :

Polymers & Fibres, Environment Control & Waste Management, Value added Product(s)/ Derivatives from existing corporate products, specialized agri-inputs for improving quality and yield of agricultural output alongwith conservation of water, support to Plant and Marketing for problem solving, Quality & Process Efficiency improvement and assurance, Customization of Products, Corrosion & Material Evaluation, Failure investigation of Components of Plant Equipment & Machinery, Consultancy and Analytical Service to plants and outside agencies.

##### (2) BENEFITS DERIVED :

###### (A) Development of New Products :

1. Around 143-MTs of 19-19-19, one of the most popular water-soluble fertilizers manufactured indigenously based on in-house process know-how and released in the market under SARDAR NUTRISOL brand.
2. 30,300-Packets of GOG approved Chelated Micronutrient have been produced based on in-house process know-how and released in the market under SARDAR Micro Mix : G-4 brand.
3. Sponsored project on development of indigenous de-hydro catalyst for de-hydrogenation of cyclohexanol for caprolactam synthesis has been completed at National Chemical Laboratory, Pune. The product has been tested on a lab scale reactor for over 700-hours and found to be O.K.
4. The process developed earlier for another water-soluble fertilizer named Urea Phosphate is being commercialized by setting up a 1,500-MTPY capacity commercial plant at a cost of Rs.330 Lacs. The production commenced from July-09.
5. Nylon-6 fibers as secondary reinforcement for reinforced concrete.
6. Development, Customization & Commercialization of Flame Retardant Nylon-6 having various levels of FR rating.
7. Development of cost effective variants of Nano-composites of Nylon-6.
8. Development & commercialization of high impact grade of Nylon-6.
9. Development of new color formulation for Nylon-6.

10. Development of Butylated Melamine Formaldehyde resin for coating applications.

11. Cast Nylon-6 for structural applications in corrosion prone coastal regions.

###### (B) Customization & Market support Services, Plant Support Activities :

1. Plant support services rendered by R&D improved operational efficiency of various plants.
2. The analytical and microbiology group of R&D is providing critical support to R&D Projects, pilot plant production activities, monitoring of cooling towers of 11 plants, non-routine analysis of plant samples, carrying out experimental work required for trouble shooting in plants and testing of catalyst properties. The group has also earned revenue from taking up analytical and microbiological analysis of outside parties on commercial basis. R&D also develops suitable analytical / microbiological methods to cater to the above requirements.
3. Testing of initial performance of various catalysts used by the plant provided valuable support to plants in selection and approval of those catalysts.
4. On-line corrosion monitoring and Microbial monitoring of cooling tower water at various plants by R&D resulted in efficient running of plants and cost effective cooling water treatment.
5. Improving the process efficiency and productivity of Nylon-6 Plant through use of improved antifoaming additives.
6. Development & commercialization of Nano clay based M28RC through compounding route for satisfying customer.
7. Customer approval for Cyclohexanone Formaldehyde resin in ink applications.
8. Process support for improving process efficiency in manufacturing of Nylon-6 chips.
9. Monitoring of Cooling Towers for Biocide Efficacy.

##### (3) FUTURE PLAN OF ACTION :

1. To introduce more FCO approved grades of water-soluble fertilizers under SARDAR NUTRISOL Brand for drip and foliar/ soil applications subject to Marketing's approval.
2. To provide catalyst testing service to plants to evaluate initial performance of various catalysts before being loaded into the plants.

## ANNEXURE TO THE DIRECTORS' REPORT (Contd.)

3. Commissioning of Urea Phosphate Plant, stabilization of product quality and production as per Marketing's off-take.
4. To develop new Nylon-6 and acrylic based value added products having synergy with Company's existing line and business, and associate with marketing for application and technical support, and with process plants for commercialization of the developed technologies, quality improvement and assurance for polymer products of the Company.
5. To continue to extend support services to the process plants for process trouble shooting, product quality up gradation, and improving process efficiency etc.
6. Commercialization of Nylon-6 fibre as secondary reinforcement for reinforced concrete as well as

developing value added Nylon-6 fibre for specialty applications.

### (4) EXPENDITURE ON RESEARCH & DEVELOPMENT :

Rs in Lacs

(a) Capital	0.00
(b) Recurring	930.01
(c) Total	930.01
(d) Total R & D Expenditure as a percentage of Net Sales	0.16%

### TECHNOLOGY ABSORPTION, ADOPTION AND INNOVATION

No new technology was absorbed during the year 2008-09.

Information regarding technology imported during the last five years : NIL

### Annexure "B"

**Statement showing particulars of employees of the companies as required u/s 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of employees) Rules, 1975 and forming part of the report of the Board of Directors for the year ended on 31st March, 2009.**

Employed throughout the financial year under review and were in receipt of remuneration aggregating to Rs. 24,00,000/- or more								
Name of the Employee	Age (Years)	Designation	Remuneration		Qualification	Experience (Years)	Date of Commencement of Employment	Last Employment Held
			Gross (Rs.)	Net (Rs.)				
<b>Baroda Unit</b> Shri J. R. Shah	44	Library Officer	29,88,617	29,18,374	M.Sc. (Chem.)AMIIIE	19	05/11/1989	—
<b>Fibre Unit</b> Shri P. K. Saxena	60	Chief Manager	36,37,723	34,07,491	B.A., MSW	18	15/02/1991	IPCA Labs, Ratlam
Employed for part of the financial year and was in receipt of remuneration aggregating to not less than to Rs. 2,00,000/- per month								
<b>Fibre Unit</b> Shri A. K. Shah	38	Operator	5,15,017	5,07,077	SSC	18	20/04/1990	—

### Notes :

1. The nature of employment of the above employees are non-contractual and as per Company's service rules and other regulations.
2. The employees mentioned above are not a relative of any Director of the Company.

## MANAGEMENT DISCUSSION AND ANALYSIS REPORT

### CAUTIONARY STATEMENT

Statements made in this Management Discussion & Analysis Report on the Financial Condition and Results of Operations of the Company describing the Company's objectives, expectations or predictions may appear to be futuristic within the meaning of applicable laws/regulations. These statements are based on certain assumptions and expectations of events that may or may not take place in future.

The Company does not guarantee that the assumptions and expectations are accurate and/or will materialize. The Company assumes no responsibility to publicly amend, modify or revise the statements made therein nor does it assume any liability for them. Actual performance can vary substantially from those expressed in the foregoing statements. The investors are, therefore, cautioned and requested to take the considered decision in this regard.

### 1 MACRO ECONOMIC OVERVIEW

The Indian economy has entered the Financial Year (FY) 2008-09 with a buoyant growth rate. The average growth rate during the past four years (2004-05 to 2007-08) has been at the record level and it was around 9% as compared to the average growth rate of 5.6% recorded during the four years preceding FY 2004-2005. The overall growth of GDP during 2007-08 has been 9% which, as per the Economic Survey would be 6.7 % during 2008-09. As a fall-out of the global economic crisis, moderation is observed in the growth during the year under review.

The recent global meltdown and its ramifications on the Indian economy necessitated the counter-cyclical fiscal measures that might enhance the expenditure outflow. Compared to other emerging economies, India has several inherent strengths that would help in mitigating the adverse effects of the meltdown. The Government has taken several measures in this direction and the economy is expected to gain momentum soon.

As per the Economic Survey, during 2008-09, Agricultural sector witnessed 1.6% growth as against 4.9%, in 2007-08. Gross Fiscal deficit as a percentage to Gross Domestic Product went up from 2.7 % in 2007-08 to 6.2 % in 2008-09. Revenue deficit as a percentage to GDP went up from 1.1 % in 2007-08 to 4.6 % in 2008-09 and the primary deficit increased from -0.9% in 2007-08 to 2.6% in 2008-09.

The annual growth attained by the mining sector, manufacturing sector and power sector during 2008-09 was 3.8%, 2.4% and 3.4% respectively as against 3.3%, 8.2% and 5.3% during the corresponding period of the previous year. Capital goods projected lower growth while the consumer durables maintained higher growth (Economic Survey 2008-09).

Gujarat, where all the units of the Company are located, has witnessed a spectacular development especially during the period of last five years with an average annual growth rate of 10.4% in gross state domestic product thus surpassing the growth targets fixed by the Planning Commission. Gujarat has demonstrated a high industrial growth rate of 12.5% during the period from 2002 to 2007.

#### World Economic Scenario :

The volatile crude oil prices during the year had affected the global economy. The sub-prime crisis in US is affecting the health of the Banks, Financial Institutions and other sectors of the economy. At present, the entire world is experiencing the economic slow down. Growth estimates for the world economy for 2009 have been successively revised downwards by the multilateral institutions.

In view of the magnitude of the global crisis, the Government of India has initiated pro-active measures that include fiscal stimulus, alongwith the Reserve Bank of India who initiated appropriate monetary measures. The overriding policy objective has been to minimize the impact of global financial crisis on the Indian economy.

#### Thrust on Agriculture :

Agriculture, the mainstay of the Indian Economy, is an important driver of macro economic performance and is also a critical element for the growth strategy. The agricultural sector has witnessed decline of its share in the GDP from 24% in 2001-02 to 17.1% in 2008-09, however, even today approximately 52% of the total Indian population depends on agriculture for its livelihood. The Eleventh Five Year Plan puts greater emphasis on reversal of the deceleration in agricultural growth and identified the areas whereby 4% growth can be achieved. Thrust on increasing area under irrigation, favorable terms

## MANAGEMENT DISCUSSION AND ANALYSIS REPORT (Contd.)

of trade to farmers, better & cheaper access to credit, more investment in agriculture, use of latest technology, use of new and tailor made specialty fertilizers for application based on soil report would certainly help in achieving growth in agricultural production.

Gujarat is the primary market for fertilizers manufactured by the Company. The programs implemented by the State Government has helped in improving the agriculture productivity which enabled the Company to sell more than 50% of the 13.57 Lac Tons fertilizer. The State has emerged as the fastest growing state in the field of agriculture, clocking a growth of 9.6%. The State's agricultural performance is the best in the Country. This is more than double India's agricultural growth rate. The State has witnessed a 23% increase of area under cultivation as well as increase in production and productivity. As a result of Krushi Mahotsav and related programs which are conducted by Government of Gujarat, the State has emerged as one of the major producer of food grains and the commercial crops like cotton, groundnut and cumin.

Favorable monsoon during 2008-09 has brightened the prospects for agriculture. Out of 36 meteorological sub divisions, 27 divisions received excess/normal rainfall, while 09 divisions received deficient rainfall. This has given impetus to the agricultural production. The estimated food grain production during 2008-09 was 229.9 Million Tons (MTs). Wheat production pegged to the level of 77.78 Million Tons and rice production was 98.89 Million Tons. Due to good monsoon, fertilizer consumption got a good boost and all India sales of DAP during the year touched the new height of 94.22 Lacs MTs as compared to 72.73 Lacs MTs during previous year. Sale of potash has also increased from 28.27 Lacs MTs to 40.94 Lacs MTs during the year 2008-09.

This scenario has helped GSFC in selling about 10.46 Lacs MTs of fertilizers in the primary marketing zone viz. Gujarat, Maharashtra, Madhya Pradesh & Rajasthan.

Out of the Company's total fertilizers sales of 13.57 Lacs MTs, 7.05 Lacs MTs of fertilizers was sold in Gujarat which amounts to 52% of total sales. The total sales of Phosphatic fertilizers in Gujarat was 4.69 Lacs Tons (i.e. 66% of total sales of such fertilizers). This could have been more but for the non availability of DAP from Sikka Unit due to un-availability of Phosphoric acid. In case of DAP, by selling 3.59 Lac Tons, GSFC has the highest market share of 44%, followed by IFFCO (33% ) and Indian Potash Ltd. (15%). In case of Ammonium Phosphate Sulphate (APS) also, GSFC has the highest market share of 54%, followed by GNFC at 46%.

## 2 OPPORTUNITIES & THREATS

### 2.1 UREA & AMMONIUM SULPHATE :

Government of India introduced stage-III of New Pricing Scheme (NPS-III) in March 2007 with retrospective effect from 1.10.2006 and the scheme shall remain effective upto 31.03.2010. The classification under the new pricing scheme has continued into six groups. FICC has now decided that Urea Concession rates will be calculated based on the cost of cheapest feedstock that first goes into the Urea production.

As per NPS-III, criteria for subsidy payment has been shifted from "Dispatch" basis to "Receipt" at destination District basis in conformity with the District-wise Monthly Supply Plan of Department of Fertilizers (DoF). Fertilizer Industry Co-ordination Committee (FICC) has started payment of subsidy on "Receipt" basis effective from August 2007.

Availability of natural gas/LNG, a major feedstock for the production of Ammonia as well as Urea and P & K fertilizers remained uncertain during the year 2008-09. However, with the signing of the Gas Sale and Purchase Agreement (GSPA) with M/s Reliance Industries for the supply of gas, the situation is likely to improve and the subsidy bill of the Government of India would also get reduced by approx. Rs. 3000 Crores. This will boost the Urea production in the country as well.

Ammonium Sulphate (AS) was included under the concession scheme w.e.f. July 08 onwards and Government of India has fixed the MRP of Rs. 10,350/- Per MT. Besides, GOI has reduced the MRP of various grades of complex fertilizers including APS (20:20:0:13), which also contains Sulphur. With this change, farmers have demonstrated resistance to purchase our AS and thus the sale of our AS got badly affected. As on 31/03/2009, we had a closing stock of 50033.625 MTs for which GOI has deducted Rs.19.48 Crores on account of negative subsidy, considering the decline of International Price of various raw-materials including Sulphur.

Your Company has now opted out of subsidy regime w.e.f. April 09 and it is likely that the off-take of AS would improve. Your Company has requested Dept. of Fertilizers (DOF) to consider the refund of concession amount deducted as above on the unsold stock.



## MANAGEMENT DISCUSSION AND ANALYSIS REPORT (Contd.)

### 2.2 P&K FERTILIZERS (DAP / APS / NPK) :

Upto 31st March, 2008 the formula for concession on Phosphatic & Potassic Fertilizers was based on the Tariff Commission formula based on raw material prices & foreign exchange rate (Rs. v/s USD).

Subsidy on P&K Fertilizers was earlier based on sales certification like Urea. But, with effect from 01st November, 2008, DoF has decided to make subsidy payment for such Fertilizers also on the basis of Receipt in the districts in conformity with the supply plan. As a result of this change in the criteria for subsidy payment from "Sales Based" subsidy to "Receipt Based" subsidy, the subsidy amount will be received early.

However, effective from April 2008, the Govt. of India has announced new policy for DAP, MOP & 11 grades of complex fertilizers based on the fresh cost price study conducted by Tariff Commission. Accordingly, the concessions on DAP will be available on the basis of import parity price. With the decline in the price of DAP in the international market, the production of DAP has become unviable to an extent for indigenous manufacturers.

The Govt. of India has increased the subsidy net for almost all fertilizers which are under Fertilizer Control Order. The subsidy is being given on the basis of nutrients and this has helped in reducing the price of all complex fertilizers. The Govt. of India is giving more emphasis on the production of NP/ NPK fertilizers and has adopted the policy of uniform freight subsidy for all fertilizers. This has resulted in increased consumption of these fertilizers.

Till recently, the availability and movement of fertilizers was being monitored by the DoF upto District level. However, now the Government of India has started to monitor it upto Block / Tehsil / Taluka level. This shift might lead to increase in "Cost of Distribution" as a result of additional cost of transportation, handling and manpower deployment over and above the cost of infrastructure.

#### Raw Material Price Behavior :

The F.Y. 2008-09 (to be precise upto September 2008) witnessed an unprecedented increase in international price of fertilizers, its raw materials & other intermediates. But, from October 2008, these prices started declining. Price of Phosphoric Acid (PA) rose to the level of USD 2310 per MT during July - August 2008 from USD 1789 per MT in April 2008. There has been a decline in the Free on Board (FOB) prices of DAP which made its production unviable for indigenous manufacturers. Thereafter, PA price began to decline but it did not commensurate with the decline in DAP prices. PA suppliers were not ready to reduce PA prices in line with international price of DAP.

Similarly, the price of Rock Phosphate also increased from USD 348 per MT in September 2008 to USD 353 per MT in January 2009. The production of DAP was not economically viable to indigenous manufacturers under the present policy whereby the ad-hoc concession is given on import parity price. Due to the above, uncertainty continued in the price environment, production of DAP in the country declined sharply, as many manufacturers were unable to procure raw material in time. Due to this, import of fertilizers rose sharply to bridge the gap between consumption and domestic production.

### 2.3 Industrial Products :

The first half of the F.Y. 2008-09 witnessed robust demand coupled with highest ever prices of various commodities of Industrial Products. However, there was a steep decline in the prices as well as demand since October 2008 and the same continued till March 2009 as a result of global recession. The global recession has adversely affected the demand across all end use segments viz. Automobile, Textile, Infrastructure, Housing, Consumer Durables etc. The price realization and sales volume of all our major Industrial Products like Caprolactam, Melamine, and Nylon-6 etc. got affected, resulting in lower sales in comparison to the last financial year. In terms of value, our major contributing industrial chemicals are Caprolactam, Melamine & Nylon and they constitute approximately 45% of the total Industrial Products sale. During the year under review, the rupee depreciated by 12.19% and this has further added to the problems.

### 2.4 Cash Crunch & Fertilizer Bonds :

GOI has started releasing part of subsidy payments through a special mechanism in the form of special securities. The Company, in order to meet its working capital requirements, may sell these securities in the market. It is worth mentioning that these securities are often traded at discount in the market. Profitability of your Company may get affected depending upon the quantum of discount to be absorbed on sale of these securities. This has been represented to the Government by the Fertilizer Industry through Fertilizer Association of India (FAI).

## MANAGEMENT DISCUSSION AND ANALYSIS REPORT (Contd.)

### 3 BUSINESS SEGMENT UPDATE

Product wise performance in terms of production and sales for last ten years is as follows:

PARTICULARS	Unit	2008-09	2007-08	2006-07	2005-06	2004-05	2003-04	2002-03	2001-02	2000-01	1999-00
<b>PRODUCTION</b>											
FERTILIZERS	MT	<b>1469470</b>	1594703	1778070	1528265	1392018	1275764	1146668	1360661	1292283	1409520
CAPROLACTAM	MT	<b>70913</b>	79716	79666	78120	77150	68489	60004	59546	65051	64647
NYLON-6	MT	<b>8783</b>	8683	9145	7975	8691	7264	5424	5487	6698	--@
MELAMINE	MT	<b>13655</b>	14741	15335	15323	14823	15237	6643	11521	10527	10797
ARGON	000NM3	<b>3183</b>	3129	2912	3105	2245	3029	2756	2785	2218	2620
MONOMER	MT	<b>3469</b>	4156	4449	4053	4739	4472	3586	2665	4012	1965
ACRYLIC SHEETS	MT	<b>552</b>	642	664	574	398	498	469	358	745	650
ACRYLIC PELLETS	MT	<b>1887</b>	2023	2082	1936	1813	2159	2114	2010	2119	1563
NYLON FILAMENT YARN	MT	<b>4498</b>	4705	5169	5779	6069	5159	5311	4084	5850	5647
NYLON CHIPS	MT	<b>5097</b>	5950	4084	4546	3816	3553	2283	2073	3025	4077
<b>SALES</b>											
FERTILIZERS*	MT	<b>1382463</b>	1602782	1659381	1405491	1373289	1325562	1221559	1330856	1183105	1318744
CAPROLACTAM*	MT	<b>53859</b>	59710	63419	60660	57910	52528	46991	47707	60504	57720
NYLON-6	MT	<b>8496</b>	9138	9806	8285	9017	6613	6307	5777	5254	1544
MELAMINE	MT	<b>14115</b>	14804	15563	16717	15373	13417	10619	10062	17462	3687
ARGON	000NM3	<b>3184</b>	3138	2911	3111	2251	3033	2759	2817	2179	2627
MONOMER*	MT	<b>1374</b>	1706	2090	1762	2976	1610	1309	828	1315	103
ACRYLIC SHEETS	MT	<b>584</b>	598	692	590	460	588	600	555	503	842
ACRYLIC PELLETS	MT	<b>1916</b>	2038	2178	1890	2012	1938	2149	2361	1909	1552
NYLON FILAMENT YARN	MT	<b>4740</b>	4391	4788	5619	5493	4948	5251	3964	5404	5784
NYLON CHIPS	MT	<b>5500</b>	5737	4095	4312	4133	3324	2351	2048	2642	3361

@ Plant under reconstruction

\*excluding captive consumption

#### 3.1 Turnover :

In the Year 2008-09, Turnover of the Company (including trading activities) was Rs. 5880.80 Crores as against Rs. 3557.69 Crores in 2007-08 thus registering an increase of Rs. 2323.10 Crores. The sale of Fertilizers was higher by Rs. 2425.41 Crores. For industrial products, the Company has registered net sales of Rs. 1057.10 Crores as compared to Rs. 1197.64 Crores in the previous year.

The following table depicts the proportion of Fertilizer products segment and Industrial Products Segment in the net sales of the Company during the last two years:-

	2008-09		2007-08	
	Rs. Crores	%	Rs. Crores	%
Fertilizers segment	<b>4823.70</b>	<b>82.02</b>	2360.06	66.34
Industrial Products Segment	<b>1057.10</b>	<b>17.98</b>	1197.64	33.66
Total	<b>5880.80</b>	<b>100.00</b>	3557.70	100.00

#### 3.2 Exports :

The Company is mainly exporting MEK-Oxime and Caprolactam. During the year, export of Caprolactam was 4955 MTs as against 12 MTs in 2007-08 due to lower demand in domestic market during October 2008 to February 2009. MEK-Oxime has been exported to about 40 countries and the export quantity was 2695 MTs in 2008-09 as compared to 3831 MTs in 2007-08. The 30% decrease in quantity is attributed to slump demand particularly from European Union.

## MANAGEMENT DISCUSSION AND ANALYSIS REPORT (Contd.)

### 4 OUTLOOK FOR 2008-09

Uncertainties in global markets, sub-prime crisis & overall recessionary trends in major economies of the world have certainly put a dent to the Indian economy.

For production of DAP, the availability of raw material is the main concern and its availability at cheap price would help in enhancing the production of DAP. However, the declining prices of DAP in the International Market and the present dispensation of import parity would continue to have a dent on the viability of DAP manufacturers.

Given the greater emphasis on agriculture in the Union Budget for the year 2009-10, easy access to credit and more emphasis on irrigation and micro irrigation, rural infrastructure and soil testing, would afford growth opportunities to the agriculture sector.

The behavior of the South - West monsoon in the Country is not proper till mid of July 2009. Rainfall was excess/normal in 14 Meteorological sub-divisions while it is deficient/ scanty in 22 Meteorological sub- divisions. In Gujarat, the total rainfall received till 23 July 2009 was 421 mm, which is only 44% of its average rainfall. The remaining states in our primary marketing zones, viz. Maharashtra, Rajasthan & Madhya Pradesh have also received deficient rains. This will affect the area under cultivation and thus the Fertilizer sales.

It is also expected that the Government may strengthen the nutrient based policy to encourage balanced use of nutrients. The conducive policy of the Government of India would certainly help in providing relief to the fertilizer industry.

### 5 RISK MANAGEMENT

Your Company is exposed to different types of risks associated with the Fertilizer business mainly due to uncertainty in the input prices and changes in pricing policy by the Govt. of India. Volatility in fuel prices also have a dent on the profitability for e.g. availability of Reliance gas at a higher price of USD 6 per MMBTU would result in the increase of cost of production. At the same time, the availability of natural gas is of prime importance to accelerate the production of fertilizers.

In the International Market, the prices of Ammonia and Sulphur had started to rise while the price of Rock Phosphate and Phosphoric Acid did not commensurate with declining prices of DAP and thus the economic viability of Phosphatic Fertilizers got the hit. In the current scenario, good rains, proper distribution of rainfall and timely reimbursement of subsidy by the Govt. of India are of prime importance for the Company to sustain its operations else, it shall be difficult for the Company to maintain the profitability.

In above likely scenario, the Company is focusing on the efficiency improvement with higher production levels, efficiencies in raw material procurement, reduction in marketing & distribution costs and proper product/segment strategies to maximize the sales to achieve better contribution from its product basket.

The Company has taken adequate steps to conform to international Quality, Environmental, Occupational Health and Safety standards by installing environmental friendly technology, equipments and developing green belt etc. Integrated Management System viz. ISO 9001:2000, ISO14001:2004 and OHSAS 18001:2007 have been adopted, which fosters in ensuring integrated approach by one and all.

Your Company is committed to improve the Occupational Health and Safety Performance. Your Company has obtained OHSAS 18001:2007 as well as 'Responsible Care (RC) Logo Certification during the year 2008-09 for all its units. Your Company is the 1<sup>st</sup> Fertilizer Company and 9<sup>th</sup> Company in India to have the RC Logo certification. This will help your Company in improving Environmental, Safety and Occupational Health aspects and in consolidating confidence of the stakeholders.

### 6 DISCUSSION ON FINANCIAL PERFORMANCE

The Financial Year 2008-09 witnessed global financial crisis and also high volatility in the commodity prices. Particularly, the price fluctuation in the Phosphatic fertilizers and input materials for Phosphatic Fertilizers was substantially high. Your Company was able to manage these challenges under the new P&K Fertilizer concession policy of the Government of India, with timely fine tuning of its business strategies.

During FY 2008-09, your Company has amicably settled the long term Wage Revision and other pending issues with Employees' Union at Baroda, Sikka, Fibre and Polymers Units and has provided for its total implication in line with the applicable Accounting Standard/s.

## MANAGEMENT DISCUSSION AND ANALYSIS REPORT (Contd.)

It is heartening to note that despite all above factors, your Company has achieved ever highest Net Sales & Profits. The net sales of the Company for the year ended 31st March 2009 was Rs. 5880.80 Crores as compared to Rs. 3568.97 Crores in the previous year, thus registered the growth of 65%.

Similarly, the EBITDA for the financial year 2008-09 was Rs. 921.39 Crores as compared to Rs. 543.41 Crores for previous financial year and this is the ever highest EBITDA in the Company's history. With the improved liquidity position and use of cheaper source of finance, the interest cost has gone down to Rs. 39.17 Crores during FY 2008-09 as compared to Rs. 44.68 Crores in the FY 2007-08, thus showed a reduction of 12%. The profit before tax was Rs. 740 Crores in 2008-09 as compared to Rs.358 Crores in 2007-08.

The provision for taxation for the FY 2008-09 was Rs. 240.58 Crores as against Rs. 119.85 Crores for FY 2007-08. Thus the financial year 2008-09 ended with a highest ever Profit after Tax of Rs. 499.36 Crores as against Rs. 238.45 Crores for FY 2007-08.

The earning per share of the Company for the FY 2008-09 was Rs. 62.66 as compared to Rs. 29.92 for FY 2007-08. The Debt Equity Ratio has improved from 0.37:1 at the end of March 2008 to 0.17:1 at the end of March 2009. The book value per share as on March 31, 2009 was Rs. 242.36 as compared to Rs. 184.87 as on March 31, 2008.

### 7 PROMOTIONAL ACTIVITIES

Your Company has been the leader in producing Banana tissue culture plants in Gujarat and has introduced two new varieties of banana viz. Ambamore & Williams and these two new varieties are being produced on pilot scale and shall be available for field trial soon. Further, at the Tissue Culture - R & D area, a new Tissue Culture (TC) protocol has been developed for medicinal plants viz. Stevia. R&D work for standardization of protocol has also been undertaken for various other varieties of banana to name the few - Red Banana, Udayam, Velchi Banana. R&D work has also been undertaken on plants like Banyan and Pipal tree.

Your Company has been producing and marketing various kinds of Bio-Fertilizers since 1984 and these Bio-Fertilizers play a vital role as one of the ingredients in organic farming. In its quest for serving farming community of Gujarat, your Company has won five awards from National Productivity Council, New Delhi and four awards from The Fertilizer Association of India, New Delhi for Bio-fertilizers.

With a view to cater to the needs of farmers for quality seeds of various crops, your Company is producing and marketing its in-house developed and certified seeds of notified hybrids and of varieties with disease and pest resistance. These seeds have been proved to be highly effective in augmenting crop productivity.

With a view to improve the soil health, your Company has been analyzing soil and water samples and it recommends to the farmers, the balanced use of NPK mingled with micro nutrients & soil amendments. Your Company is also advising farmers for the judicious use of irrigation water for maintaining soil health. For designing and proper implementation of Micro Irrigation System (MIS) in the state, analysis of soil and water is necessary and your Company has been playing key role in testing soil and water samples.

Sardar Agri-Net cell of GSFC has equipped the farmers of Gujarat with excellent knowledge base on new technologies implementation in farming of different crops under cultivation, productivity enhancement techniques and dissemination of the market information. During the year under review, your Company has organized three regular & one re-orientation Farm Youth Training Programs with a view to promote high agri-tech concepts among the farmers.

Your Company has demonstrated its consciousness about the green philosophy and ecological balance by promoting different types of horticulture activities in urban areas. With a view to encourage such activities, your Company has sponsored 'Fruit, Flower & Vegetable Shows' in association with Baroda Agri Horti Committee during the year and participated in the different competitions and have also won accolades. Your Company has also sponsored 'Flower Show' in association with the Society for Clean Environment (SOCLEEN).

Horticulture Department of your Company has taken initiative to make GSFC greener by planting large number of trees like Banyan, Pipal, Neem etc, thus making GSFC a clean and beautiful "NIRMAL". In this way, it is supporting the green initiative of Govt. of Gujarat also. Your Company has initiated the use of biomass by promoting Vermi-Compost, Composting & Briquetting of biomass.

Publication of 'KRISHI JIVAN', a unique monthly magazine having the highest circulation, fosters dissemination of knowledge amongst farmers pertaining to different activities of agriculture and it acts as a link for transfer of technology from "lab" to "field".



## MANAGEMENT DISCUSSION AND ANALYSIS REPORT (Contd.)

### 8 SAFETY, HEALTH AND ENVIRONMENT

Your Company continues to give priority to the Safety, Health and Environment and has been awarded 'Certificate of Merit' for the year 2007 for continuous three million accident free man-hours without any lost time accident jointly by Gujarat Safety Council & Directorate of Industrial Safety & Health, Gujarat State.

Your Company has also won the prestigious International Safety Award-2008, from the world's renowned advisory body viz. British Safety Council of United Kingdom (UK). This award is conferred for making significant leap in the field of Health and Safety, commitment towards issues concerning the Health and Safety. Your Directors are happy to inform that this is the 2nd consecutive year, your Company got this prestigious award.

The Occupational Health & Safety (OH&S) audit was conducted by British Safety Council (BSC) in December 2008 at Baroda Unit and your Company has attained "5 - Star" rating by earning score of 93.80% which is higher by 1.80% than what is required score of 92%. Moreover your Company becomes eligible to apply for "SWORD OF HONOUR" award based on this rating.

Your Company holds the valid Consolidated Consent & Authorization from Gujarat Pollution Control Board up to 30th May, 2011 and has complied with relevant statutory requirements.

Preservation & promotion of environment is of fundamental concern in all our business activities. As a part of Environment Management System, our conscious efforts are focused on wastes minimization, recycling and conservation of natural resources to the maximum possible extent for the protection of environment. The Phosphatic Group of Plants have achieved zero waste discharge system. Further, effluent from Urea & Melamine Plants is reused in Phosphatic Group of Plants. Your Company has two full fledged Effluent Treatment Plants (ETP) and the treated effluents, conforming to the Pollution Control Board norms, are discharged into sea through the channel of M/s. Effluent Channel Project Limited. Your Company is also going for revamping of these Effluent Treatment Plants to enhance their treatment capacity. The gaseous emission is controlled through sophisticated Air Pollution Control Devices and is being maintained well below the permissible limits. Most of the hazardous wastes are sold to the recyclers and the remaining is sent to the common disposal facility located at Nandesari for their safe disposal. Pollutants are monitored on daily basis within as well as outside the factory premises. One online ambient air monitoring station is installed within the premises to monitor air quality.

Your Company has received the Environment Clearances for converting the existing Ammonia - I Plant into 525 TPD Methanol Plant in July 2008 from Ministry of Environment & Forests (MOEF), New Delhi and also NOC from Gujarat Pollution Control Board in September 2008.

In the year 2008, your Company has received ICC award for "Excellence in management of EHS" for the year 2007 and "Commendation certificate" for Scope Meritorious Award for "Environment Excellence & Sustainable Development" for the year 2006-07. Subsequently, your Company has received "Srishti Good Green Governance Award 2008" from Srishti Publications Pvt. Ltd., New Delhi.

Apart from controlling pollution, your Company is maintaining a large Green belt area admeasuring 240 Hectors within its premises and it constitutes 35% of its factory premises area. These green belts are natural abode for variety of birds including Peacock. In Year 2008, your Company has planted large number of Banyan, Pipal and Neem trees as a part of its afforestation drive within the entire complex. Your Company's encapsulated chalk heap is successfully converted into a lush green site covering approx.14 hectors of area.

### 9 HUMAN RESOURCES

The Company continued to have cordial & harmonious relations with its employees. The Company recognizes and sincerely appreciates the hard work put in by all its employees. The Company has revised salary & other benefits of all the Units by signing Memorandum of Settlement with Unions. Unions have withdrawn all the Court cases/References pending before the Court of Law/Tribunals etc. with regard to revision of salary and benefits.

For and on behalf of the Board

Place: Gandhinagar  
Date : 28th July, 2009

Sd/-  
**D. Rajagopalan**  
Chairman

Data Source: Economic Survey-2008-09; [www.finmin.nic.in](http://www.finmin.nic.in); [www.gswan.com](http://www.gswan.com); [www.urvarak.co.in](http://www.urvarak.co.in), [www.faidelhi.org](http://www.faidelhi.org); etc.

## CORPORATE GOVERNANCE REPORT

### (PURSUANT TO CLAUSE 49 OF THE LISTING AGREEMENT)

#### 1 THE PHILOSOPHY

Good Governance is all about commitment to values and ethical business conduct. It is also about managing an organization, its corporate and other structures, its culture, policies and the manner in which it deals with various stakeholders. Proper, accurate and timely disclosure of information regarding the affairs of the company, its financial position, performance, ownership and governance is an indispensable part of the philosophy of Corporate Governance.

##### **Our Perspective for Good Governance :**

The Company's Corporate Governance philosophy rests on the following canons :

- 1 Follow laws of the land, not only in letter, but also in spirit.
- 2 Candid and truthful disclosure of information.
- 3 Understanding distinction between personal conveniences and Company's resources and properties.
- 4 Management is not the Owner, it is the Trustee to its stakeholders.

The Company's Corporate Governance Policy emanates from the very basics of the Shareholders' own institution (Company) which they own, no matter what number of shares they hold. The apex governing body of the Company viz. the Board of Directors believes that there should be proper admixture of responsibility and accountability of the Board vis-à-vis its vital constituents like Consumers, Investors, Employees and Regulators.

The Company firmly believes and proclaims that the shareholders are the very cause of and the ultimate beneficiaries of its business and are the economic epicenter.

##### **Our Endeavor :**

The Board of Directors of the Company are proud to assert that much before the formal code on Corporate Governance, in its present form, was thought of, GSFC was following it in its literal sense.

The enhancement of Shareholders' value was, is and shall continue to remain GSFC's top-most priority.

The Company is managed and controlled through a professional Board. The Chairman of the Company is a Non- Executive Director, however half of the Board comprises of Independent Directors. In fact, the Board of GSFC consists of entirely non-executive Directors except the Managing Director, who is the Executive Director. The Company's Board comprises of eminent professionals who brings with them considerable vision, expertise and experience in their respective fields which is advantageous for the growth of the Company.

The Company confirms to the requirements of revised clause 49 of Listing Agreement which has been made effective from 15/04/2008 and accordingly all its Directors are above 21 years of age. The Company's Board has mandated the composition of the Board.

All the Committees of the Board like Shares / Debentures Transfer and Investors' Grievance Committee, Finance-cum- Audit Committee, etc. that is required under the code of corporate governance have been constituted and are functioning effectively.

##### **Code of Business Conduct and Ethics :**

The Code of Conduct generally encompasses acceptable pattern of behavior expected from Company's Directors and Senior Management Team with a view to maintain highest standards of Professionalism and Ethics. *Inter-alia*, the code should include honesty and integrity in transactions affecting the Company, conflict of interest, insider trading, protection of assets, communication etc.

The Board of Directors of the Company has formally adopted the code of conduct at their meeting held on 28-01-2005. The code has been made applicable to the Board of Directors and also to the Senior Officers of the Company, i.e. all the members of the Internal Management Committee of the Company.

The Company firmly believes and accepts that this code of conduct cannot be expected to remain static and it would need constant improvisation from time to time and as per moral, cultural and ethical sense of values encountered by the Company with time.

#### 2 BOARD OF DIRECTORS

##### **Composition and Category of Directors :**

The strength of the Board of Directors as on 31<sup>st</sup> March, 2009 was eight, its composition is tabulated below :

	<b>Name of Director</b>	<b>Category</b>
1	Shri D. Rajagopalan, IAS, Chairman	Promoter, Non-executive, Non-independent, Non-rotational Director
2	Shri H. V. Patel, IAS, Managing Director	Promoter, Executive, Non-independent, Non-rotational Director
3	Shri D. C. Anjaria	Non-executive, Independent, Rotational Director
4	Prof. Vasant P. Gandhi	
5	Shri Ajay N. shah	
6	Shri Vijai Kapoor	
7	Shri P. N. Roy Chowdhury, IAS	
8	Shri S. Jagadeesan, IAS	

## CORPORATE GOVERNANCE REPORT (Contd.)

In all, seven meetings of the Board of Directors of the Company were held during the Financial Year 2008-09 as detailed below :

Sr. No.	Dates of Board meeting	Board strength	No. of Directors present
1	30-05-2008	7	4
2	25-07-2008	9	5
3	21-08-2008	9	7
4	26-09-2008	9	4
5	27-10-2008	8	6
6	29-01-2009	8	7
7	09-03-2009	8	7

The details relating to the names and categories of the Directors on the Board, their attendance during FY 2008-09 at the Board Meetings and the 46<sup>th</sup> Annual General Meeting, their other Chairmanship / Membership on the Committees in various companies is given below :

Sr. No.	Name	Category	No. of Equity shares of the Company held	No. of Meetings attended	Attendance at the last AGM	No. of other Directorships/ Memberships	No. of Committees in which Chairman/ Member (Including GSFC Ltd.)
							Chairman(*) Member(*)
1	Shri D. Rajagopalan Chairman w.e.f. 17-10-08 Director from 25-07-08	Nominee of GOG (As promoter) Non-Executive Director	@500	5	No	4	-
2	Shri D. C. Anjaria	Non-Executive Independent Director	@790	5	Yes	7	5
3	Prof. Vasant P. Gandhi	Non-Executive Independent Director	@500	6	No	2	-
4	Shri Ajay N. Shah	Non-Executive Independent Director	@500	2	No	4	-
5	Shri Vijai Kapoor	Non-Executive Independent Director	@500	5	No	2	-
6	Shri P. N. Roy Chowdhury w.e.f. 29-01-09	Non-Executive Independent Director	@761	2	N.A.	6	-
7	Shri S. Jagadeesan w.e.f. 29-01-09	Non-Executive Independent Director	@500	2	N.A.	14	3
8	Shri H. V. Patel Managing Director w.e.f. 10-04-08	Nominee of GOG (As promoter) Executive Director	-	7	Yes	8	1

@ Holding 500 Equity Shares in joint account with Gujarat State Investments Ltd. as qualification shares and balance in personal capacity.

(\*) In accordance with Clause 49, Memberships/Chairmanships of only the Audit Committee and Shareholders'/Investors' Grievance Committee of all Public Limited Companies including GSFC have been considered.

None of the Directors is a member in more than ten committees or is a Chairman in more than five committees, across all companies in which he is a Director.

### Details of Director who ceased to be Director during FY 2008-09 :

Name	Category	No. of Board meetings held during his/her tenure	No. of Meetings attended	No. of Membership on the Board of other Companies	Whether attended last AGM held on 26/09/08
Shri P. K. Taneja Managing Director Upto 10-04-08	Nominee of GOG (As promoter) Executive Director	-	-	N.A.	N.A.
Smt. Vijay Laxmi Joshi Upto 30-05-08	Non-Executive Independent Director	-	-	N.A.	N.A.
Dr. Manjula Subramaniam Chairperson Upto 17-10-08	Nominee of GOG (As promoter) Non-Executive Director	4	4	N.A.	Yes
Dr. Avinash Kumar Upto 29-01-09	Non-Executive Director Independent Director	5	-	N.A.	No
Shri M. M. Srivastava from 25-07-08 to 29-01-09	Non-Executive Independent Director	4	2	N.A.	Yes

Notes : (i) None of the Directors is related to any other Director.  
(ii) None of the Directors has any business relationship with the Company.  
(iii) None of the Directors received any loans and advances from the Company during the year.

## CORPORATE GOVERNANCE REPORT (Contd.)

In addition to the Audit Committee viz., Finance-cum-Audit Committee and Shareholders' Committee viz. Shares-cum- Debentures Transfer and Investors' Grievance Committee, as required to be constituted under the code of Corporate Governance, the Board has constituted four more committees viz. Project Committee, Personnel Committee, Remuneration Committee and Advisory Committee to deal with the specialized issues.

### Disclosure regarding appointment / reappointment of Directors at the Annual General Meeting :

W.e.f. 10-04-2008, Shri H. V. Patel, IAS, Managing Director has been appointed as the Government of Gujarat Nominee Director of the Company vice Shri P. K. Taneja, IAS.

Consequent upon transfer of Smt. Vijay Laxmi Joshi, IAS from Energy & Petrochemicals Dept., she resigned as Director of the Company and in her vacancy, Shri M. M. Srivastava, IAS was appointed as Director of the Company w.e.f. 25-07-2008. Subsequently upon his transfer to Finance Dept. he resigned as Director of the Company and in his vacancy, Shri S. Jagadeesan, IAS was appointed as Director of the Company w.e.f. 29-01-2009.

The Government of Gujarat has appointed, Shri D. Rajagopalan, IAS as the Government Nominee Director and the Chairman of the Company w.e.f. 17-10-2008 vice Dr. Manjula Subramaniam, consequent upon her retirement from the services of the Govt. of Gujarat.

Shri P. N. Roy Chowdhury, IAS was appointed as Director of the Company w.e.f. 29-01-2009 vice Dr. Avinash Kumar, IAS (Retd.).

Shri P. N. Roy Chowdhury and Shri Ajay N. Shah shall retire by rotation at the ensuing Annual General Meeting and being eligible, have offered themselves for re-appointment. The brief resume of Directors appointed during the year/under re-appointment at the 47<sup>th</sup> Annual General Meeting is annexed to the Notice convening the 47<sup>th</sup> Annual General Meeting, which forms part of this Annual Report.

### Code of Conduct :

The Company has laid down a code of conduct for all its Board Members and Senior Management Personnel to avoid any conflict of interest. The confirmation to the adherence of the Code of Conduct in the form of declaration is received from all the Directors and Members in the Senior Management of the Company, to whom it is made applicable, for the Financial Year 2008-09.

The Board of Directors has noted the adherence to the code of conduct. The code of conduct of the Company is available on the Company's web-site viz. [www.gsfclimited.com](http://www.gsfclimited.com).

### Availability of Information to the Board of Directors :

The Board of Directors of the Company is apprised of all the relevant and significant information and developments regarding the functioning of the Company, which facilitate them to take the corporate decisions. There is comprehensive management reporting systems involving preparation of operating results by divisions in place and their reviews are carried out by senior management and by the Board at every Board Meeting.

The Board of Directors has complete access to any information within the Company and to any of its employees. At the meetings of the Board, the Senior Executives of the Company, and if required, even Managers, who can provide additional insights into the agenda items, are being invited.

All the mandatory information that is required to be placed before the Board of Directors and as required under Annexure - I A to Clause 49 is placed before the Board of Directors as and when the occasion arise.

Apart from matters that require mandatory Board approval, following matters are also put up for information to the Board, as and when the occasion arise :

- 1 Quarterly and Annual Operating Performance, plans, budgets and updates.
- 2 Minutes of all committee meetings are put up for noting and Circular Resolution, if any.
- 3 General Notice of interest for Board Members.
- 4 Information on recruitment and remuneration of senior officers just below the Board level and also Company Secretary, including their appointment or removal, if any.
- 5 Materially important litigations, show cause notices, demand, prosecution and penalty notices.
- 6 Fatal or serious accidents or dangerous occurrences having bearing on the safety and welfare of employees and property of the Company.
- 7 Future expansion plans, their progress and action plan for achievement thereof.

A certificate of compliance with all the applicable laws to the Company is being put up to the Board at its every meeting.

## COMMITTEES OF THE BOARD

### 3 AUDIT COMMITTEE

The Finance-cum-Audit Committee presently comprises of four Directors and all of them are the Independent and Non- Executive Directors. All the members of the Committee have wide knowledge and experience in the field of Corporate Finance and Accounts. The scope of the activities of the said Committee is as set out in Clause 49 II(D) of the Listing Agreements with Stock



## CORPORATE GOVERNANCE REPORT (Contd.)

Exchanges read with Section 292-A of the Companies Act, 1956.

Major terms of reference of the committee are :

- 1 To review the Company's Financial Reporting Process and its financial statements.
- 2 To review the accounting and financial policies and practices.
- 3 To review the adequacy of Internal Control Systems.
- 4 To review the Company's Financial and Risk Management Policies and ensure compliance with regulatory guidelines.
- 5 To review reports furnished by the internal and statutory auditors.

During the Financial Year 2008-09, four meetings of Finance- cum-Audit Committee were held i.e. on 20-05-2008, 22-07-2008, 24-10-2008 and 27-01-2009. The Composition of the Audit Committee and the attendance details are as under :

Sr. No.	Name of the Member	Category	Tenure	No. of meetings held during the tenure of Directors	No. of meetings attended
1	Shri D. C. Anjaria (Chairman of the Committee)	Independent Non-Executive	From 01-04-08	4	4
2	Prof. Vasant P. Gandhi	Independent Non-Executive	From 01-04-08	4	4
3	Shri Ajay N. Shah	Independent Non-Executive	From 01-04-08	4	2
4	Dr. Avinash Kumar	Independent Non-Executive	From 01-04-08 to 29-01-09	4	-
5	Shri D. Rajagopalan *	Independent Non-Executive	From 25-07-08 to 17-10-08	-	-
6	Shri P. N. Roy Chowdhury	Independent Non-Executive	From 29-01-09	-	-

\* In his capacity as Nominee of Finance Dept., Govt. of Gujarat during the period.

The Finance - cum - Audit Committee meetings are usually attended by the Head of Finance Dept. Managing Director is also invited to attend the meetings as a Special Invitee. The Internal Auditors, Statutory Auditors, Cost Auditors and Branch Auditors are also invited to attend the meetings as and when required. The Company Secretary acts as Secretary to the Committee.

Shri D.C. Anjaria, Chairman of the Finance-cum-Audit Committee remained present at the last Annual General Meeting held on 26-09-2008.

#### 4 REMUNERATION POLICY & DETAILS OF REMUNERATION

- (a) The remuneration of the Directors is decided by the Board of Directors, keeping in view the provisions of the Articles of Association of the Company and the Companies Act, 1956 subject to such approvals from shareholders as and when necessary. The Managing Director of the Company is appointed from amongst the Directors nominated by the Government of Gujarat, who is a Senior Officer of Indian Administrative Service (IAS Cadre). He is being paid remuneration applicable to his scale in the Government and in line with the terms & conditions prescribed by the Govt. of Gujarat. The Company pays sitting fee @ Rs.5,000/- per meeting and Rs. 1,500/- per day towards the incidental expenditures to the Directors, other than Managing Director. The details of the remuneration paid to the Directors during the financial year 2008-09 are as under :

Name	Salary & allowances	Perquisites	Sitting Fees	(Rupees) Total
Shri D. Rajagopalan (Chairman from 17-10-2008)	-	-	30,000/-	(*) 30,000/-
Shri D. C. Anjaria	-	-	55,000/-	55,000/-
Prof. Vasant P. Gandhi	-	-	75,000/-	75,000/-
Shri Ajay N. Shah	-	-	20,000/-	20,000/-
Shri Vijai Kapoor	-	-	30,000/-	30,000/-
Shri P. N. Roy Chowdhury	-	-	10,000/-	(*) 10,000/-
Shri S. Jagadeesan	-	-	15,000/-	(*) 15,000/-
Shri H. V. Patel	9,61,718/-	1,03,515/-	-	10,65,233/-
Managing Director (w.e.f. 10.04.2008)				
Shri P. K. Taneja	21,203/-	-	-	21,203/-
Managing Director (upto 10-04-2008)				
Dr. Manjula Subramaniam (Chairperson upto 17-10-2008)	-	-	20,000/-	(*) 20,000/-
Shri M. M. Srivastava	-	-	10,000/-	(*) 10,000/-

(\*) Deposited in the Govt. Treasury.

The Company currently does not have any Stock Option Plan.

#### (b) Remuneration Committee :

The Remuneration Committee of Directors is also in place. As on 31-03-2009 it comprises of following Directors viz. (1) Shri D. C. Anjaria, as Chairman of the Committee, (2) Shri P. N. Roy Chowdhury and (3) Shri S. Jagadeesan.

All the members of the Remuneration Committee are Independent and Non-Executive Directors.

During the financial year 2008-09, no business warranted the holding of the meeting of the Remuneration Committee.

## CORPORATE GOVERNANCE REPORT (Contd.)

### 5 SHARES-CUM-DEBENTURES TRANSFER AND INVESTORS' GRIEVANCE COMMITTEE

As a measure of good Corporate Governance and accepting the shareholders as their esteemed customers, the Company has well designed Investors' Grievance Redressal System wherein the average time taken for grievance redressal is quite less and the Committee monitors the investors' grievance redressal periodically. There are no major complaints pending, which are not redressed to the satisfaction of the shareholders. There are no share transfer cases pending except under sellers' notice/court cases under injunction order, if any.

With a view to facilitate and ensure timely transfer, transmission, transposition etc. the Board of Directors have granted such authority in favour of the Company Secretary/Dy. Company Secretary upto 1,000 shares per transfer deed and the authority for approval of more than 1,000 shares per transfer deed have been delegated in favour of the Managing Director.

The report on various issues concerning the shareholders such as issue of share certificates, redressal of shareholders' complaints etc. is being periodically placed before the Committee.

The jurisdiction of the Committee encompasses the following areas :

- Timely transfer of Shares and Debentures.
- Dematerialisation and/or Rematerialisation of shares.
- Transmission of Shares/Deletion of Name in case of death of the shareholder/s.
- Issue of duplicate shares/debentures in case of lost/misplaced/torn/mutilated ones.
- Timely redressal of complaints pertaining to the non-receipt of dividends, interests on debentures, redemption amount of Non Convertible Debentures/Partly Convertible Debentures redeemed etc.
- Any other related issue/s.

During the year 2008-09, four meetings of the Committee were held on 30-05-2008, 26-09-2008, 27-01-2009 and 09-03-2009. As on 31-03-2009, the Committee comprised of three Directors viz. Shri S. Jagadeesan, Chairman of the Committee, Prof. Vasant P. Gandhi and Shri H. V. Patel.

The details of Committee members and their attendance at the Committee meetings during the Financial Year 2008-09 are furnished below :

Sr. No.	Name of the Member	No. of meetings held during the tenure of Directors	No. of Meetings attended
1	Shri S. Jagadeesan	1	1
2	Prof. Vasant P. Gandhi	4	3
3	Shri H. V. Patel	4	4
4	Smt. Vijay Laxmi Joshi - Upto 31-05-08	1	-
5	Shri M. M. Srivastava - From 25-07-08 to 29-01-09	2	1
6	Shri P. K. Taneja - Upto 10-04-08	-	-

(a) Name of the Non-Executive Director heading the Committee : Shri S. Jagadeesan

(b) Name and Designation of Compliance Officer : Shri V. V. Vachhrajani  
Company Secretary

All the shares received for Transfer/Transmission/Transposition/Split/Consolidation etc. are processed and dispatched within the period not exceeding one month and a Certificate from a Practicing Company Secretary to that effect is being obtained pursuant to Clause 47 of the listing agreement once in six months.

The following table gives the details of the complaints received during the FY 2008-09 and their status as on date. It is further reported that as on 31-03-2009 there are no outstanding complaints pertaining to and received during the FY 2008-09 :

- |  |         |
|--|---------|
| (c) No. of complaints received from Shareholders/Investors during the financial year 2008-09                           | : 77    |
| (d) No. of complaints not redressed to the satisfaction of shareholders/investors                                      | : Nil   |
| (e) No. of applications received for transfers/transmissions/transposition of shares during the financial year 2008-09 | : 1,243 |
| (f) No. of pending requests for share transfers, transmissions and transposition of shares as on 31-03-2009            | : Nil   |

As mandated by SEBI, the Quarterly Secretarial Audit, highlighting the reconciliation of total admitted capital with National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL) vis-à-vis the total issued and listed capital is being carried out by the Practicing Company Secretary. This Audit confirms that the total issued and paid up capital is in agreement with the total number of shares in physical form and the total number of dematerialised shares held with the depositories viz. the NSDL and the CDSL.

As on 31<sup>st</sup> March, 2009 total 4,61,94,102 Equity Shares representing 58% of the total no. of Shares were dematerialised.

## CORPORATE GOVERNANCE REPORT (Contd.)

### Other Committees of the Board :

#### ➤ Project Committee :

A Project Committee having following details is in place, to review and recommend to the Board on the various new projects and also to review the projects under expansion and matters related thereto :

Sr. No.	Name	No. of meetings held during the tenure of Directors	No. of Meetings attended
1	Shri S. Jagadeesan (Chairman of the Committee) from 29-01-2009	-	-
2	Shri P. N. Roy Chowdhury (from 29-01-2009)	-	-
3	Shri Ajay N. Shah	2	-
4	Shri Vijai Kapoor	2	1
5	Prof. Vasant P. Gandhi	2	2
6	Shri H. V. Patel	2	2
7	Smt. Vijay Laxmi Joshi (Chairperson of the Committee) (upto 30-05-2008)	1	-
8	Dr. Avinash Kumar (upto 29-01-2009)	2	-
9	Shri P. K. Taneja - Managing Director (upto 10-04-2008)	-	-
10	Shri D. Rajagopalan (from 25-07-2008 to 26-09-2008)	1	1

#### ➤ Personnel Committee :

The Company also has a Personnel Committee consisting of four Directors as on 31-03-2009 viz. Shri S. Jagadeesan, Chairman of the Committee, Shri D. C. Anjaria, Prof. Vasant P. Gandhi and Shri H. V. Patel to formulate personnel policies, negotiate wage settlement, etc. During the F.Y. 2008-09, no meeting of the Personnel Committee was held.

#### ➤ Advisory Committee :

The Company also has an Advisory Committee consisting of three Directors viz. Shri D. C. Anjaria, Prof. Vasant P. Gandhi and Shri H. V. Patel. In absence of Shri H. V. Patel, Shri C. R. Rao, Special Director attends the said meeting. During the F.Y. 2008-09, no meeting of this Committee was held.

## 6 GENERAL BODY MEETINGS

#### ➤ Date & Venue of the last three Annual General Meetings :

Date	Venue	Time	No. of Special Resolutions passed*
22-09-2006	Registered Office : P.O. Fertilizernagar – 391750, Dist. Vadodara	0900 Hrs.	No Special Resolution
21-09-2007	Registered Office : at Cultural Center Auditorium situated at P.O. Fertilizernagar – 391750, Dist. Vadodara	0900 Hrs.	No Special Resolution
26-09-2008	Registered Office : at Cultural Center Auditorium situated at P.O. Fertilizernagar – 391750, Dist. Vadodara	0930 Hrs.	No Special Resolution

\* No resolutions were passed through Postal Ballot at aforesaid meetings.

## 7 DISCLOSURES

There are no materially significant related party transaction made by the Company with its Promoters, Directors or Management, their subsidiaries or relatives etc. which may have potential conflict with the interest of the Company at large. Adequate disclosure regarding related party transactions is contained in the Annual Accounts of the Company in Item No. 15 at "Scheduled-22-Notes on Accounts" and the same forms a part of this Annual Report.

**There are no non compliance by the Company, penalties, strictures imposed on the Company by Stock Exchanges or SEBI or any statutory authority on any matter related to capital markets, during the last three years.**

The Company complied with all the mandatory requirements of Clause 49 of the Listing Agreement on Code of Corporate Governance. The Board of Directors have approved the Code of Conduct and Ethics for the Directors and the Senior Management of the Company.

#### CEO Certification :

The Managing Director (CEO) of the Company has certified the compliance of Code of Conduct in respect of the Financial Year 2008-09 by the Board Members & Senior Management and the said certificate forms part of this report.

The Company has also adopted non-mandatory requirements relating to (1) Remuneration Committee and (2) Establishment of a mechanism for Whistle Blower Policy for employees. Statutory Compliance of all applicable Laws are complied with by the Company and is reported regularly to the Board. Further in preparation of the financial statements, all those Accounting Standards that are applicable have been complied with by the Company.

## CORPORATE GOVERNANCE REPORT (Contd.)

### Risk Management :

Considering the nature of business and the plant processes, it was felt necessary to engage an expert who should advise the Company on the entire process of risk identification and the steps that may be required to mitigate those risks. The Company has appointed a Consultant viz. M/s. Vibhakar J. Trivedi & Co., Chartered Accountants, Ahmedabad, who shall advise on setting up a procedure for risk identification, its minimization, its mitigation/control and to periodically report it to the Board.

### 8 MEANS OF COMMUNICATION

Apart from furnishing the copies of the Unaudited Quarterly & Half Yearly Results and Audited Annual results to all the Stock Exchanges where the shares of the Company are listed, the Company also publishes the results at least in one English newspaper and one vernacular newspaper. The Financial Results and Shareholding Pattern of the Company are posted on the EDIFAR section of the SEBI's website regularly.

The Company's financial results are sent well in time to the Stock Exchanges so that they may be posted on the Stock Exchange's website. The financial results of the Company and other information pertaining to the Company is available on the Company's website [www.gsfclimited.com](http://www.gsfclimited.com). The Company also supplies copies of its financial results to the investors free of cost, if requested for and at the same time, they are also made available on the Company's website. The Management Discussion & Analysis Report shall form as a part of the Directors' Report to shareholders.

The Company has voluntarily adopted the procedure of getting the Compliance of Code on Corporate Governance audited on quarterly basis and a Certificate to that effect together with the quarterly compliance report has been submitted to Stock Exchange(s) as follows:

Quarterly Report for the quarter ended	Date of submission to Stock Exchange(s)
30-06-2008	10-07-2008
30-09-2008	10-10-2008
31-12-2008	12-01-2009
31-03-2009	10-04-2009

As required by the amended Clause 47(f) of the Listing Agreement, the Company has designated an email account specifically for investor service and the same is displayed on the website of the Company. Investors may lodge their complaints at [vishvesh@gsfcld.com](mailto:vishvesh@gsfcld.com).

### 9 GENERAL SHAREHOLDER INFORMATION

#### a) Annual General Meeting :

As is indicated in the notice convening the 47<sup>th</sup> Annual General Meeting, the 47<sup>th</sup> AGM of the Company will be held on Friday the 25<sup>th</sup> September, 2009 at 9.00 A.M. at the Cultural Centre Auditorium situated at P.O. Fertilizernagar – 391750, Dist. Vadodara (Registered Office of the Company).

#### b) Financial Calendar :

The financial year of the Company is from 1<sup>st</sup> April to 31<sup>st</sup> March. The tentative financial calendar is given below :

Unaudited Results for Quarter ending June 30, 2009	Latest by 31 <sup>st</sup> July, 2009
Unaudited Results for Quarter ending September 30, 2009	Latest by 31 <sup>st</sup> October, 2009
Unaudited Results for Quarter ending December 31, 2009	Latest by 31 <sup>st</sup> January, 2010
Unaudited Results for Quarter ending March 31, 2010; OR	Latest by 30 <sup>th</sup> April, 2010
In case Company takes Audited Results for the whole Financial Year.	Latest by 30 <sup>th</sup> June, 2010

#### c) Book closure date :

The Register of Members of the Company shall remain closed from Saturday, the 12<sup>th</sup> September, 2009 to Friday, the 25<sup>th</sup> September, 2009 (both days inclusive).

#### d) Dividend payment date :

Within 30 days from the date of declaration (AGM Date) i.e. 25<sup>th</sup> September, 2009.

#### e) (i) Listing of Equity Shares :

The Equity Shares of the Company are listed at the following stock exchanges :

Sr.No.	Name of the Exchange	Scrip Code
01	Bombay Stock Exchange Limited	500690
02	National Stock Exchange of India Limited	GSFC - EQ



## CORPORATE GOVERNANCE REPORT (Contd.)

An application for delisting of Equity Shares from Calcutta Stock Exchange (CSE) has been made to CSE and their approval is yet not received. The Annual Listing Fees in respect of Bombay Stock Exchange Limited and National Stock Exchange of India Limited for the FY 2008-09 have been paid by the Company.

(ii) **Demat ISIN Number in NSDL & CDSL for Equity shares :** INE026A01017.

(iii) **Stock Market Data :**

High - Low share price performance in comparison to broad-based indices - BSE Sensex and NSE Nifty :

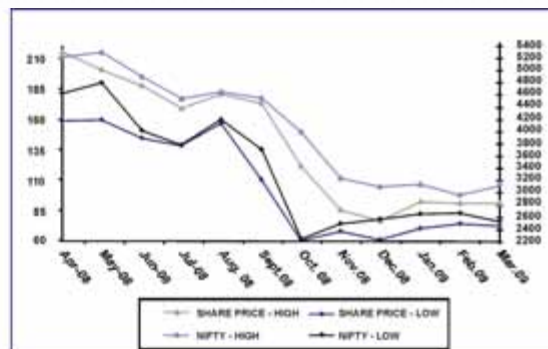
Month & Year	BSE				NSE			
	GSFC's Share Price (Rs.)		Sensex		GSFC's Share Price (Rs.)		Nifty	
	High	Low	High	Low	High	Low	High	Low
April 08	215.00	160.10	17,480.74	15,297.96	215.90	159.50	5,230.75	4,628.75
May 08	200.00	161.00	17,735.70	16,196.02	200.50	159.65	5,298.75	4,801.90
June 08	187.25	147.00	16,632.72	13,405.54	188.00	145.00	4,908.80	4,021.70
July 08	169.50	140.00	15,130.09	12,514.02	169.00	139.05	4,539.45	3,790.20
Aug. 08	181.90	156.10	15,579.78	14,002.43	180.95	157.00	4,649.85	4,201.85
Sept.08	173.20	110.75	15,107.01	12,153.55	173.45	111.00	4,558.00	3,715.05
Oct. 08	121.90	61.00	13,203.86	7,697.39	122.00	61.20	4,000.50	2,252.75
Nov.08	86.50	68.00	10,945.41	8,316.39	85.95	68.80	3,240.55	2,502.90
Dec.08	77.35	64.00	10,188.54	8,467.43	77.45	62.00	3,110.45	2,570.70
Jan.09	92.45	71.00	10,469.72	8,631.60	93.00	71.35	3,147.20	2,661.65
Feb.09	91.80	77.00	9,724.87	8,619.22	91.75	75.20	2,969.75	2,677.55
Mar.09	91.20	72.05	10,127.09	8,047.17	91.90	73.55	3,123.35	2,539.45

The following graphical presentations depict the movement of monthly high/low share prices of Company's Shares on BSE and NSE vis-à-vis the movements in the Sensex and Nifty during the period from April 2008 to March 2009 :

➤ **Company's Share Price Movements on BSE vis-à-vis movements in Sensex :**



➤ **Company's Share Price Movements on NSE vis-à-vis movements in Nifty :**



### f) **Share Transfer System and Registrars & Share Transfer Agents of the Company :**

The entire share transfer process, physical as well as dematerialised, is being handled by the Company's Registrar and Transfer Agents viz. **MCS Ltd., situated at 1<sup>st</sup> Floor, Neelam Apartment, 88, Sampatrao Colony, Alkapuri, Vadodara – 390 007.** Share Transfer in physical form can be lodged either with the Registrars & Transfer Agents **OR** at the Registered Office of the Company. Share Transfer requests received are processed within 15-25 days from the date of receipt, if the documents are complete in all respect. All requests for de-materialisation/re-materialisation of shares are processed and confirmation is sent to the depositories by the Registrars & Share Transfer Agents of the Company within 7 to 15 days from the date of the receipt thereof.

The Company representatives regularly visit the office of the Registrar and Share Transfer Agents to monitor, supervise and ensure that there are no unusual delays or lapses in the system.

## CORPORATE GOVERNANCE REPORT (Contd.)

### g) Distribution of Shareholding as on 31<sup>st</sup> March, 2009 :

#### ➤ Pattern of Shareholding (Category wise) :

Category	No. of Shares	% to Total Capital
State Financial Corporations & its Associates	3,06,59,981	38.47
Public Financial Institutions and Insurance Companies	1,90,25,719	23.87
Companies & Banks	1,42,49,174	17.88
Individuals, Co-operative Societies & Banks	1,57,60,632	19.78
Total	7,96,95,506	100.00

#### ➤ Pattern of Shareholding (Shareholding wise) :

Category (No. of Shares)	No. of Shareholders	%	No. of Shares	%
From To				
Upto 500 Shares	90,281	95.85	59,97,591	7.53
501 – 1000	2,125	2.26	15,98,611	2.00
1001 – 2000	931	0.99	13,68,585	1.72
2001 – 3000	274	0.29	6,87,824	0.86
3001 – 4000	125	0.13	4,46,782	0.56
4001 – 5000	88	0.09	4,09,554	0.51
5001 – 10000	154	0.16	11,29,025	1.42
10001 & above	211	0.23	6,80,57,534	85.40
TOTAL	94,189	100.00	7,96,95,506	100.00

- 58% of the Equity Shares have been Dematerialised till 31/03/2009. The Company's Equity Shares are to be compulsorily dealt in dematerialised form since 26/06/2000 and the ISIN no. of the Company's Equity Shares is INE026A01017.
- The Company has paid the Annual Custody Charges to National Securities Depository Limited (NSDL) and Central Depository Services (India) Ltd. (CDSL) for the year 2008-09.
- Dividend @ Rs. 4.50 per share has been recommended by the Board of Directors on the Equity Shares which shall be paid/ distributed within a period of 30 days from the date of the 47<sup>th</sup> Annual General Meeting upon its approval by Shareholders in the ensuing 47<sup>th</sup> Annual General Meeting.
- **Unit wise Plant locations :**

The Company's Units are located as follows :

Baroda Unit	:	P.O. Fertilizernagar – 391 750, Dist. Vadodara.
Polymers Unit	:	Nandesari GIDC, Dist. Vadodara.
Fibre Unit	:	Kuwarda, Dist. Surat.
Sikka Unit	:	Moti Khawdi, Dist. Jamnagar

### h) Address for Correspondence :

The shareholders may send their communications at the registered office of the Company at the following address :

#### Company Secretary & Dy. General Manager (Legal & Industrial Relations)

Gujarat State Fertilizers & Chemicals Limited  
P.O. Fertilizernagar - 391 750, Dist. Vadodara  
E-mail: [vishvesh@gsfcltd.com](mailto:vishvesh@gsfcltd.com)  
Website: [www.gsfclimited.com](http://www.gsfclimited.com)

Or

#### Registrars & Transfer Agents for Equity Shares of the Company

M/s. MCS Limited (Unit - GSFC)  
Neelam Apartments, 1st Floor  
88, Sampatrao Colony  
Behind Standard Chartered Bank  
Productivity Road, Vadodara - 390 007  
Tel. Nos. 0265-2339397/2314757  
Fax No. 0265-2341639  
E-mail [mcsbaroda@yahoo.com](mailto:mcsbaroda@yahoo.com)

## CORPORATE GOVERNANCE REPORT (Contd.)

### Certificate of compliance with the Code of Conduct by all Board Members & Sr. Management of the Company

I hereby certify that all the Board Members & Members of Sr. Management of the Company have complied with the Code of Conduct as approved by the Board of Directors of the Company.

Date : 8<sup>th</sup> May, 2009  
Place : Fertilizernagar

Sd/-  
**H. V. Patel**  
Managing Director

### AUDITORS' CERTIFICATE

To the Shareholders,

We have examined the compliance of the conditions of Corporate Governance by Gujarat State Fertilizers & Chemicals Limited for the year ended 31<sup>st</sup> March, 2009 as stipulated in clause 49 of the Listing Agreement of the said Company with stock exchanges in India.

The compliance of conditions of Corporate Governance is the responsibility of the Company's management. Our examination was limited to the procedures and implementation thereof, adopted by the Company for ensuring the compliance of the conditions of Corporate Governance. It is neither an audit nor an expression of opinion on the financial statement of the Company.

In our opinion and to the best of our information and according to the explanations given to us, we certify that the Company has complied with the conditions of Corporate Governance as stipulated in the above mentioned Listing Agreement.

We state that in respect of investor grievances received during the year ended 31<sup>st</sup> March, 2009, no grievances are pending for the period of exceeding one month against the Company as per the records maintained by the Company and presented to the Shares/Debentures Transfer and Investors' Grievance Committee.

We further state that such compliance is neither an assurance as to the future viability of the Company nor the efficiency or effectiveness with which the management has conducted the affairs of the Company.

**S. Samdani**  
Practicing Company Secretary

**S. Samadani & Associates**  
Company Secretaries  
C. P. No. 2863

Date : 17<sup>th</sup> June, 2009  
Place : Vadodara

## FINANCIAL HIGHLIGHTS OF TEN YEARS

PARTICULARS	2008-09	2007-08	2006-07	2005-06	2004-05	2003-04	2002-03	2001-02	2000-01	1999-00
<b>OPERATING RESULTS</b>		(Rs. in Crs.)								
GROSS INCOME	5952	3649	3413	2940	2670	2182	1887	2002	2111	2074
GROSS PROFIT	883	500	496	579	395	187	(86)	49	138	111
DEPRECIATION	143	142	143	142	143	145	142	137	132	88
PROFIT/(LOSS) BEFORE TAX	740	358	353	437	252	42	(228)	(88)	* 6	23
TAX	241	120	86	143	114	(132)	—	(21)	—	3
PROFIT/(LOSS) AFTER TAX	499	238	267	294	138	174	(228)	(67)	* 6	20
EXCEPTIONAL ITEMS	—	—	—	—	—	—	(163)	19	—	—
PROFIT/(LOSS) AFTER TAX & EXCEPTIONAL ITEMS	499	238	267	294	138	174	(391)	(48)	* 6	20
DIVIDEND	36	36	36	36	12	—	—	—	—	4
DIVIDEND TAX	6	6	6	5	2	—	—	—	—	—
RETAINED EARNINGS	457	196	225	253	124	174	(391)	(48)	* 6	16
<b>SOURCES &amp; APPLICATION OF FUNDS</b>		(Rs. in Crs.)								
<b>SOURCES OF FUNDS</b>										
SHARE CAPITAL	80	80	80	80	80	80	80	80	113	113
RESERVES & SURPLUS	1852	1394	1285	1060	808	671	437	828	1177	1394
LOANS	324	559	965	1086	1159	1391	1470	1473	1519	1507
DEFERRED TAX LIABILITY (NET)	171	263	326	336	233	138	272	272	—	—
	2427	2296	2656	2562	2280	2280	2259	2653	2809	3014
<b>APPLICATION OF FUNDS</b>										
FIXED ASSETS (GROSS)	3266	3147	3073	3037	3023	3031	3060	3029	3023	2902
DEPRECIATION	2013	1874	1737	1583	1441	1305	1162	1023	911	781
FIXED ASSETS (NET)	1253	1273	1336	1454	1582	1726	1898	2006	2112	2121
INVESTMENTS	606	221	139	130	129	121	127	134	138	136
CURRENT ASSETS (NET)	568	802	1181	977	567	428	226	505	549	756
MISC.EXP. (to the extent not w/off)	—	—	—	1	2	5	8	8	10	1
	2427	2296	2656	2562	2280	2280	2259	2653	2809	3014
<b>AMOUNT PER SHARE</b>		(Rupees)								
SALES	738	448	416	355	327	264	230	245	255	248
EARNING	63	30	33	37	17	22	(49)	(6)	* 1	2
CASH EARNING	69	44	50	68	47	23	(31)	8	* 17	14
EQUITY DIVIDEND	4.50	4.50	4.50	4.50	1.50	—	—	—	—	—
BOOK VALUE	242	185	171	143	111	94	64	113	156	185
MARKET PRICE : HIGH	216	370	251	208	135	74	41	27	41	66
LOW	61	141	142	103	40	14	13	8	19	32

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



## Auditors' Report

### To the Members of Gujarat State Fertilizers & Chemicals Limited, Vadodara

1. We have audited the attached Balance Sheet of Gujarat State Fertilizers & Chemicals Limited as at 31st March, 2009 and the Profit and Loss Account and the Cash Flow Statement for the year ended on that date annexed thereto in which are incorporated the accounts of the Polymers Unit and Fibre Unit of the Company, audited by another firm of Chartered Accountants. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with the auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditor's Report) Order, 2003 as amended by the Companies (Auditor's Report) (Amendment) Order, 2004, issued by the Government of India in terms of sub-section (4A) of section 227 of the Companies Act, 1956, we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.
4. Attention is drawn to Note No. 9 of Schedule 22 regarding providing of the difference between the estimated rate and the base rate of concession on DAP and Complex fertilizers of Rs. 977 lacs pending notification of final rate of concession by Government of India, and also accounting of freight subsidy of Rs. 8152 lacs on the basis of average per ton rates indicated by Department of fertilizers vide its notification dated 17th July, 2008.
5. Further to our comments in the Annexure referred to above, we report that :
  - (a) we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit;
  - (b) in our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of those books;
  - (c) the Balance Sheet, the Profit and Loss Account and the Cash Flow Statement dealt with by this report are in agreement with the books of account;
  - (d) in our opinion, the Balance Sheet, the Profit and Loss Account and the Cash Flow Statement dealt with by this report comply with the Accounting Standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956.
  - (e) On the basis of written representations received from certain directors of the Company and from the management in respect of other directors exempted vide General Circular No. 8/2001-CLV dated 22/03/2002 issued by Ministry of Law, Justice and Company Affairs, Department of Company Affairs and taken on record by the Board of Directors, we report that none of the directors is disqualified as on 31<sup>st</sup> March, 2009 from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956.
  - (f) In our opinion and to the best of our information and according to the explanations given to us, the said accounts *read with para 4 above* give the information required by the Companies Act, 1956 in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India :
    - (i) in the case of the Balance Sheet, of the state of affairs of the Company as at 31<sup>st</sup> March 2009;
    - (ii) in the case of the Profit and Loss Account, of the profit of the Company for the year ended on that date; and
    - (iii) in the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

For **S. C. BAPNA & ASSOCIATES**  
Chartered Accountants

**Subhash Chand Bapna**  
Partner  
Membership No. 71765

Place : Gandhinagar  
Date : 17-06-2009

## Annexure to the Auditors' Report

### (Referred to in paragraph 3 of our Report of even date)

- (i) (a) The Company has maintained proper records showing full particulars, including quantitative details and situation, of its fixed assets.
- (b) As explained to us, all major items of fixed assets were physically verified by the Management at the end of the year, in accordance with the regular programme of verification which in our opinion is reasonable, having regard to the size of the Company and nature of its assets. No material discrepancy was noticed on such physical verification.
- (c) The Company has not disposed off any substantial part of its fixed assets during the year as would affect its going concern status.
- (ii) (a) In our opinion, physical verification of inventory has been conducted by the management at reasonable intervals.
- (b) In our opinion and according to the information and explanations given to us, the procedure of physical verification of inventory followed by the Management is reasonable and adequate in relation to the size of the Company and the nature of its business.
- (c) On the basis of our examination of records of inventory, in our opinion, the Company is maintaining proper records of inventory. No material discrepancy was noticed on physical verification of the inventory.
- (iii) (a) As per the information and explanations given to us, the Company has not granted any loans, secured or unsecured, to companies, firms or other parties covered in the Register maintained under Section 301 of the Companies Act, 1956.
- (b) As per the information and explanations given to us, the Company has not taken any loans, secured or unsecured, from companies, firms or other parties covered in the Register maintained under Section 301 of the Companies Act, 1956.
- (iv) In our opinion and according to the information and explanations given to us, there is adequate internal control system commensurate with the size of the Company and the nature of its business, for the purchase of inventory, fixed assets and with regard to the sale of goods and services.  
During the course of audit, we have not observed any continuing failure to correct major weakness in Internal Control System.
- (v) (a) In our opinion and according to the information and explanations given to us, the particulars of contracts or arrangements referred to in Section 301 of the Companies Act, 1956 have been entered in the Register maintained under that Section;
- (b) In our opinion and according to the information and explanations given to us, the transactions made in pursuance of contracts or arrangements entered in the register maintained under Section 301 of the Companies Act, 1956 have been made at prices which are reasonable having regard to the prevailing market prices at the relevant time.
- (vi) In our opinion and according to the information and explanations given to us, the Company has complied with the provisions of section 58A and 58AA or any other relevant provision of the Companies Act, 1956 and the Companies (Acceptance of Deposits) Rules 1975 with regard to the deposits accepted from the public. We are informed by the management that, no order has been passed by the Company Law Board or National Company Law Tribunal, Reserve Bank of India or any court or any other tribunal.
- (vii) In our opinion, the Company has an internal audit system commensurate with the size and nature of its business.
- (viii) We have broadly reviewed the books of account relating to materials, labour and other items of cost maintained by the Company pursuant to the Rules made by the Central Government for the maintenance of cost records under section 209(1)(d) of the Companies Act, 1956 and we are of the opinion that *prima facie* the prescribed accounts and records have been made and maintained. However, we have not made a detailed examination of the records.
- (ix) (a) According to the information given to us, the Company is generally regular in depositing with appropriate authorities undisputed statutory dues and the Company had no arrears of such outstanding statutory dues as at 31<sup>st</sup> March, 2009 for a period more than six months from the date they became payable.
- (b) According to the information and explanations given to us, the Company had no disputed outstanding statutory dues as at 31<sup>st</sup> March, 2009, except as enumerated here under :

Nature of the Dues	Amount (Rs.in Lakhs)	Forum where dispute is pending
Excise & Custom Duties	475.44	Up to Tribunal
	2.76	High Court
Sales Tax	1003.54	Up to Tribunal
Income Tax	14624.99	C.I.T. (Appeals)
	1.51	ITAT

(Contd.)

## Annexure to the Auditors' Report (Contd.)

- (x) The Company does not have any accumulated losses as at 31<sup>st</sup> March, 2009 and it has not incurred any cash losses in the financial year ended on that date or in the immediately preceding financial year.
- (xi) As per the information and explanations given to us, the Company has not defaulted in the repayment of dues to financial institutions, banks or debenture holders during the year.
- (xii) As per the information and explanations given to us, the Company has not granted any loans or advances on the basis of security by way of pledge of shares, debentures and other securities.
- (xiii) The provisions of any special statute applicable to chit fund/nidhi/mutual benefit fund/societies are not applicable to the Company.
- (xiv) In our opinion and according to the information and explanations given to us, the Company does not deal or trade in shares, securities, debentures and other investments.
- (xv) In our opinion, the terms and conditions on which the Company has given guarantees for loans taken by other from banks or financial institutions are not prejudicial to the interest of the Company.
- (xvi) In our opinion and according to the information and explanations given to us, on an overall basis, the term loans have been applied for the purposes for which they were obtained.
- (xvii) In our opinion and according to the information and explanations given to us, and on an overall examination of the Balance Sheet of the Company, we report that no funds raised on short-term basis have been utilized for long-term investment.
- (xviii) The Company has not made any preferential allotment of shares to parties and companies covered in the register maintained under Section 301 of the Companies Act, 1956.
- (xix) The Company has not issued any debentures during the year under review.
- (xx) The Company has not raised any money by public issue during the year.
- (xxi) According to the information and explanations given to us, no fraud on or by the Company has been noticed or reported during the year under review.

For **S. C. BAPNA & ASSOCIATES**  
Chartered Accountants

**Subhash Chand Bapna**  
Partner  
Membership No. 71765

Place : Gandhinagar  
Date : 17-06-2009

**Comments of the Comptroller and Auditor General of India under Section 619 (4) read with Section 619-B of the Companies Act, 1956 on the accounts of Gujarat State Fertilizers and Chemicals Limited, Vadodara for the year ended 31st March 2009.**

**COMMENTS AWAITED**

## Balance Sheet as at 31st March, 2009

	Schedule	As At 31st March, 2009	(Rs. in lakhs) As At 31st March, 2008
<b>SOURCES OF FUNDS</b>			
<b>Shareholders' Funds :</b>			
Share Capital	1	7969.55	7969.55
Reserves and Surplus	2	185177.61	139364.24
		<b>193147.16</b>	147333.79
<b>Loan Funds :</b>			
Secured Loans	3	15478.94	22320.76
Unsecured Loans	4	16920.56	33629.03
		<b>32399.50</b>	55949.79
<b>Deferred Tax Liability</b>		<b>31221.65</b>	32807.05
<b>Deferred Tax Assets</b>		<b>(14058.48)</b>	(6506.88)
(Refer Note 6(b) of Schedule-22)		<b>17163.17</b>	26300.17
<b>Total</b>		<b>242709.83</b>	229583.75
<b>APPLICATION OF FUNDS</b>			
<b>Fixed Assets :</b>			
Gross Block	5	321531.90	313131.79
Less: Depreciation		201300.04	187385.28
Net Block		120231.86	125746.51
Capital work in progress		2050.73	212.84
Projects under execution		3043.85	1288.29
		<b>125326.44</b>	127247.64
<b>Investments</b>	6	<b>60608.69</b>	22133.93
<b>Current Assets, Loans and Advances :</b>			
Income accrued on Investments		—	9.94
Inventories	7	74558.46	62404.95
Sundry Debtors	8	48067.87	55920.34
Cash and Bank Balances	9	3813.84	8203.52
Loans and Advances	10	19873.50	21912.37
		<b>146313.67</b>	148451.12
<b>Less: Current Liabilities and Provisions :</b>			
Current Liabilities	11	46896.16	42553.53
Provisions	12	42642.81	25695.41
		<b>89538.97</b>	68248.94
<b>Net Current Assets</b>		<b>56774.70</b>	80202.18
<b>Miscellaneous Expenditure</b>		—	—
<b>Total</b>		<b>242709.83</b>	229583.75
Pre-operative Expenses	20		
Significant Accounting Policies	21		
Notes on Accounts	22		

**B. M. Bhorania**  
General Manager (Finance)

**V. V. Vachhrajani**  
Company Secretary

Gandhinagar  
17th June, 2009

**H. V. Patel**  
Managing Director

**D. Rajagopalan**  
Chairman

**Ajay N Shah**  
**Vijai Kapoor**  
**D. C. Anjaria**  
Directors

As per our attached Report of even date

For **S. C. Bapna & Associates**  
Chartered Accountants

**Subhash Chand Bapna**  
Partner  
Membership No.71765

Gandhinagar  
17th June, 2009



## Profit and Loss Account for the year ended 31st March, 2009

	Schedule	For the year ended 31st March, 2009	(Rs. in lakhs) For the year ended 31st March, 2008
<b>INCOME</b>			
Sales	13	601918.56	373842.89
Less : Excise Duty recovered on Sales		13838.97	16945.73
Net Sales		588079.59	356897.16
Other Income	14	7129.62	8010.98
<b>Total</b>		<b>595209.21</b>	<b>364908.14</b>
<b>EXPENDITURE</b>			
Materials, Manufacturing & Operating Expenses	15	434256.31	256703.84
Personnel Expenses	16	38901.60	19993.05
Administration, Marketing & Other Expenses	17	31081.32	21190.35
Purchase of Finished Products		2762.24	8673.60
Interest :			
On Debentures / Bonds and Fixed Loans		1330.47	1789.85
Others		2586.49	2677.80
		3916.96	4467.65
Depreciation		14303.88	14242.06
<b>Sub Total</b>		<b>525222.31</b>	<b>325270.55</b>
(Increase)/Decrease in Stock of Finished products, Trading Goods and Stock-in-Process	18	(3931.10)	4005.74
<b>Total</b>		<b>521291.21</b>	<b>329276.29</b>
Profit before Tax & Prior Period Adjustments		73918.00	35631.85
Prior Period Adjustments (Net)	19	76.86	198.55
<b>Profit before Taxes</b>		<b>73994.86</b>	<b>35830.40</b>
Provision for Taxation :			
Wealth Tax		12.00	12.00
Current Income Tax		33037.26	14454.79
Fringe Benefit Tax		150.00	170.00
Deferred Tax (net)		(9137.00)	(2651.47)
		24062.26	11985.32
Excess Provision for Taxation written back		3.76	—
		24058.50	11985.32
<b>Profit after Taxes</b>		<b>49936.36</b>	<b>23845.08</b>
Balance brought forward from last year		4735.24	4755.32
Less : Balance reduced due to rounding off difference on Dividend & Dividend Tax		0.15	0.16
Accumulated Loss of subsidiary company adjusted on merger		0.00	69.21
		4735.09	4685.95
Amount available for appropriations		54671.45	28531.03
<b>APPROPRIATIONS</b>			
Proposed Dividend on Equity Shares		3586.30	3586.30
Tax on Proposed Dividend		609.49	609.49
Transferred to General Reserve		45700.00	19600.00
Balance carried to Balance Sheet		4775.66	4735.24

(Contd.)

## Profit and Loss Account for the year ended 31st March, 2009 (Contd.)

	Schedule	For the year ended 31st March, 2009	For the year ended 31st March, 2008
Profit after Taxes (Rs. in Lakhs)		49936.36	23845.08
Number of Equity Shares		79695506	79695506
Basic and Diluted Earnings per Share (Rs.)		62.66	29.92
Nominal value per Share (Rs.)		10.00	10.00
Pre-operative Expenses	20		
Significant Accounting Policies	21		
Notes on Accounts	22		
<b>B. M. Bhorania</b> <i>General Manager (Finance)</i>	<b>H. V. Patel</b> <i>Managing Director</i>	<b>D. Rajagopalan</b> <i>Chairman</i>	
<b>V. V. Vachhrajani</b> <i>Company Secretary</i>		<b>Ajay N Shah</b> <b>Vijai Kapoor</b> <b>D. C. Anjaria</b> <i>Directors</i>	
Gandhinagar 17th June, 2009			As per our attached Report of even date
			For <b>S. C. Bapna &amp; Associates</b> Chartered Accountants
			<b>Subhash Chand Bapna</b> Partner Membership No.71765
Gandhinagar 17th June, 2009			

## Cash Flow Statement for the year ended 31st March, 2009

	For the year ended 31-03-2009	For the year ended 31-03-2008
<b>[A] Cash Flow From Operating Activities</b>		
Profit before tax	73994.86	35830.40
Adjustment for :		
Depreciation	14287.02	14323.06
Interest charged	3916.96	4467.65
Loss on Fixed Assets Sold/Written Off	543.69	437.40
Profit on Sale of Fixed Assets	(3.25)	(2.05)
Income from Investments	(1975.14)	(1506.57)
Profit on Sale of Investments	(79.97)	—
Write off of Bad Debts/Advances	40.00	—
Provision for Doubtful Debts/Advances	197.85	624.05
Provision for diminution in value of investments	5950.73	519.92
	<u>22877.89</u>	<u>18863.46</u>
Operating Profit before Working Capital Changes	96872.75	54693.86
Adjustment for :		
Inventories	(12153.51)	(8601.39)
Trade and Other Receivables	4708.85	21843.04
Current Liabilities and Provisions	17790.97	1620.68
	<u>10346.31</u>	<u>14862.33</u>
Cash Generated from Operations	107219.06	69556.19
Direct Taxes Paid	(24420.03)	(15262.78)
Net Cash From Operating Activities	82799.03	54293.41
<b>[B] Cash Flow From Investing Activities</b>		
Purchase of Fixed Assets	(11666.96)	(8081.80)
Sale of Fixed Assets	(1239.30)	(345.41)
Purchase of Investments	(52513.26)	(8749.87)
Sale of Investments	8167.74	27.00
Interest Received	14.91	29.83
Dividend Received	1970.17	1476.74
Loss on merger of subsidiary	0.00	69.21
Net Cash from Investing Activities	(55266.70)	(15574.30)
Total c/f.	<u>27532.33</u>	<u>38719.11</u>

(Contd.)

## Cash Flow Statement for the year ended 31st March, 2009 (Contd.)

	For the year ended 31-03-2009 27532.33	(Rs. in lakhs) For the year ended 31-03-2008 38719.11
<b>[C] Cash Flow From Financing Activities</b>		
Proceeds from Borrowings	(23477.34)	(40529.52)
Interest Paid	(4278.86)	(5265.76)
Dividend Paid	(3556.30)	(3558.16)
Tax on Dividend Paid	(609.51)	(609.51)
Net Cash used in Financing Activities	(31922.01)	(49962.95)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS [A+B+C]	(4389.68)	(11243.84)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	8203.52	19446.23
Cheques on hand of erstwhile subsidiary company at the beginning of the year	0.00	1.13
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	3813.84	8203.52

**B. M. Bhorania**  
General Manager (Finance)

**H. V. Patel**  
Managing Director

**D. Rajagopalan**  
Chairman

**V. V. Vachhrajani**  
Company Secretary

**Ajay N Shah**  
**Vijai Kapoor**  
**D. C. Anjaria**  
Directors

Gandhinagar  
17th June, 2009

As per our attached Report of even date

For **S. C. Bapna & Associates**  
Chartered Accountants

Gandhinagar  
17th June, 2009

**Subhash Chand Bapna**  
Partner  
Membership No.71765

### Schedules Forming Part of Balance Sheet

#### SCHEDULE - 1 SHARE CAPITAL

	As At 31st March, 2009	(Rs. in lakhs) As At 31st March, 2008
<b>Authorised :</b>		
1,60,00,000 Redeemable Cumulative Preference Shares of Rs.100 each	16000.00	16000.00
20,00,00,000 Equity Shares of Rs.10 each	20000.00	20000.00
	36000.00	36000.00
<b>Issued :</b>		
7,98,24,370 Equity Shares of Rs.10 each	7982.44	7982.44
	7982.44	7982.44
<b>Subscribed :</b>		
7,98,13,937 Equity Shares of Rs.10 each	7981.39	7981.39
	7981.39	7981.39
<b>Paid-up :</b>		
7,96,95,506 Equity Shares of Rs.10 each	7969.55	7969.55
<b>Total</b>	7969.55	7969.55
1,18,431 Equity Shares forfeited and amount transferred to Capital Reserve in earlier years		

**Notes :**

Out of the Equity Shares mentioned above :

- (a) Under the scheme of amalgamation with the Company
  - (i) 5,86,390 shares of Rs.10 each were issued to the shareholders of erstwhile Polymers Corporation of Gujarat Limited.
  - (ii) 18,57,600 shares of Rs.10 each were issued to the shareholders of erstwhile Gujarat Nylons Limited.
- (b) 3,12,41,915 shares of Rs.10 each were issued as fully paid-up bonus shares by capitalisation of Reserves and Share Premium Account.

## Schedules Forming Part of Balance Sheet

### SCHEDULE - 2 RESERVES AND SURPLUS

(Rs. in lakhs)

	Balance as at 1st April, 2008	Additions	Deductions	Balance as at 31st March, 2009	Balance as at 31st March, 2008
Capital Reserve I	7.56	—	—	7.56	7.56
Capital Reserve II	1248.77	—	—	1248.77	1248.77
Capital Redemption Reserve	3335.00	—	—	3335.00	3335.00
Share Premium Account	30524.02	—	—	30524.02	30524.02
Debt Restructuring Reserve	7175.63	72.95	7248.58 (a)	0.00	7175.63
General Reserve	92338.02	52948.58 (b)	—	145286.60	92338.02
Total Reserves	134629.00	53021.53	7248.58	180401.95	134629.00
Profit and Loss Account	4735.24	49936.36	49895.94	4775.66	4735.24
<b>Total</b>	139364.24	102957.89	57144.52	185177.61	139364.24
(31-03-2008)	(128550.51)	(43445.08)	(32631.35)	(139364.24)	( 128550.51)

(a) Transferred to General Reserve

(b) Includes (i) Rs. 7248.58 lakhs transferred from Debt Restructuring Reserve and

(ii) Rs. 45700.00 lakhs Transferred from Profit & Loss account

### SCHEDULE - 3 SECURED LOANS

(Rs. in lakhs)

#### From Banks :

- i) Cash Credit
- ii) Interest accrued and due on above

**Total**

**As At  
31st March, 2009**

15477.68

1.26

15478.94

**As At  
31st March, 2008**

22314.28

6.48

22320.76

#### Note :

The Credit Facility from Banks is secured by hypothecation of stock of raw materials, finished products, packing materials, general stores, spares, book debts etc. of the Company.

### SCHEDULE - 4 UNSECURED LOANS

(Rs. in lakhs)

- 1] Fixed Deposits
- 2] Other Loans :
  - (a) Housing Development Finance Corp. Ltd. (HDFC)  
(for housing loans to employees)
  - (b) Kreditanstalt fur Wiederaufbau Germany (KfW)  
Foreign Currency Loan
  - (c) (i) External Commercial Borrowings  
in Foreign Currency
  - (ii) Interest accrued & due on above
  - (d) Banks :
    - (i) For housing loans to employees
    - (ii) Interest accrued & due on above
    - (iii) For vehicle loans to employees
    - (iv) Under acceptance-cum-bill discounting facility

**Total**

**As At  
31st March, 2009**

1652.12

—

—

—

—

—

—

—

15268.44

15268.44

15268.44

16920.56

**As At  
31st March, 2008**

3118.49

552.88

734.72

267.50

47.69

601.20

1.07

102.00

28203.48

28907.75

30510.54

33629.03

(Of the above, Rs. 16306.84 lakhs are payable during the next twelve months)



## Schedules Forming Part of Balance Sheet

### SCHEDULE - 5 FIXED ASSETS

(Rs. in lakhs)

Sr. No.	Assets	Gross Block				Depreciation		Net Block	
		As at 1-4-2008	Additions/ Adjustments	Deductions/ Adjustments	As at 31-3-2009	For the year 2008-09	Upto 31-3-2009	As at 31-3-2009	As at 31-3-2008
1	Land-Freehold	551.59	—	—	551.59	—	—	551.59	551.59
2	Land-Leasehold	69.39	96.00	—	165.39	3.13	3.17	162.22	69.35
3	Buildings (Including Roads, Culverts & Compound Walls)	10203.52	747.09	—	10950.61	469.38	3984.01	6966.60	6688.89
4	Railway Sidings	1597.70	—	—	1597.70	64.27	907.82	689.88	740.09
5	Plant & Machinery	295669.51	7761.24	139.88	303290.87	13632.53	192860.10	110430.77	116321.85
6	Furniture, Fittings & Equipments	2883.10	165.12	23.12	3025.10	105.92	2085.20	939.90	880.83
7	Vehicles	185.75	51.72	0.37	237.10	10.35	121.87	115.23	73.99
8	Library Books	81.27	3.54	0.42	84.39	2.06	57.16	27.23	25.86
9	Computer Software	99.60	1.16	—	100.76	16.22	60.75	40.01	55.07
10	Assets retired from use & held for disposal	1790.36	—	261.96	1528.40	—	1219.95	308.45	338.99
	<b>Total</b>	313131.79	8825.87	425.75	321531.91	14303.86	201300.03	120231.88	125746.51
	(31st March 2008)	(306703.86)	(7638.79)	(1210.86)	(313131.79)	(14242.06)	(187385.28)	(125746.51)	
11	Capital Work in Progress				2050.74	—	—	2050.74	212.84
12	Projects under execution				3043.85	—	—	3043.85	1288.29
	<b>Total</b>				326626.50	14303.86	201300.03	125326.47	127247.64

#### Notes :

- The Company has acquired land through Government and also through direct negotiations. The entire land is in possession of the Company. In respect of portion of land for which the Company has still not received the award/sale deed, the advance paid to land owners have been treated as land. In respect of other portion of land acquired through direct negotiations, compensation has been paid at the negotiated price. The Company also holds possession of a portion of land for which no amount has been paid in absence of receipt of awards.
- The Company has leased a portion of its land to Bank of Baroda for bank premises at Fertilizernagar and Sikka, another portion of land at Fertilizernagar to Department of Atomic Energy (DAE) for establishment of Synthesis Gas Facility (A-III Plant) and Gas Authority of India Ltd. (GAIL) for establishment of CNG pumping station.
- Buildings include Rs.0.02 lakh being the value of shares in Co-operative Housing Societies.
- Cost of equipment against which Government subsidy is received are shown net of subsidy.
- Additions / Deductions include Rs.53.66 lakhs being the net increase (previous year Rs. 35.83 lakhs net increase) in value on account of realignment of foreign currencies affecting liabilities payable in foreign currencies.
- Assets retired from use and held for disposal at item No. 10 are stated at cost or realisable value whichever is lower. No depreciation has been charged on these assets after its retirement.
- Intangible assets are amortised over their estimated economic life not exceeding ten years.
- Projects under execution includes Rs. 2141.24 Lakhs (previous year Rs. 981.69 lakhs) being expenses pending allocation (Refer Schedule-20-Pre-Operative Expenses) & project advance of Rs. 902.60 lakhs (previous year Rs. 306.60 lakhs).
- The addition in Leasehold Land of Rs. 96 lakhs (previous year Rs. 40 lakhs) is for Wind Mill Project taken on lease for a period of 20 years.

## Schedules Forming Part of Balance Sheet

### SCHEDULE - 6 INVESTMENTS

				(Rs. in lakhs)	
				As At 31st March, 2009	As At 31st March, 2008
Nos.	Face Value Rs.				
<b>A. LONG TERM INVESTMENTS</b>					
<b>1. GOVERNMENT SECURITIES (Unquoted)</b>					
National Savings Certificates (Matured but not realised during the year)				0.36	0.36
<b>2. TRADE INVESTMENTS</b>					
<b>(i) Quoted :</b>					
<b>a) Fully paid Equity Shares of -</b>					
Gujarat Narmada Valley Fertilizers Co. Ltd.	3,07,79,167	10	5838.81	5838.81	
Gujarat Industries Power Company Ltd.	2,23,62,784	10	3649.58	3649.58	
Gujarat Alkalies & Chemicals Ltd.	16,55,040	10	827.52	827.52	
				<b>10315.91</b>	10315.91
<b>(ii) Unquoted :</b>					
<b>a) Fully paid Equity Shares of -</b>					
Indian Potash Limited	11,25,000	10	60.50	60.50	
Gujarat Chemical Port Terminal Co. Ltd.	2,29,70,000	10	2297.00	2297.00	
Gujarat Green Revolution Company Ltd.	12,50,000	10	125.00	125.00	
Effluent Channel Project Ltd.	14,302	10	0.00	0.00	
Bhavnagar Energy Company Ltd. (9,38,000 shares subscribed during the year)	10,00,000	10	100.00	6.20	
Tunisian Indian Fertilizers (TIFERT s.a.) (TND denotes Tunisian Dinar) (Addition during the year Rs. 4829.85 lakhs)	13,50,000	10 (TND)	4829.85	0.00	
				<b>7412.35</b>	2488.70
<b>b) Partly paid Equity Shares of -</b>					
Tunisian Indian Fertilizers (TIFERT s.a.) (TND denotes Tunisian Dinar) (Addition during the year Rs. 1479.41 lakhs)	20,25,000	10 (TND)	2680.15	1200.74	
				<b>10092.50</b>	3689.44
<b>3. OTHER INVESTMENTS</b>					
<b>(i) Quoted :</b>					
<b>a) Fully paid Equity Shares of -</b>					
GRUH Finance Limited	1,00,000	10	29.50	29.50	
Industrial Development Bank of India	5,49,440	10	446.42	446.42	
Mangalore Chemicals & Fertilizers Ltd.	5,79,000	10	38.45	38.45	
Gujarat State Financial Corporation	9,35,600	10	187.12	187.12	
Less : Provision for Diminution in value of investment			-187.12	-187.12	
				<b>0.00</b>	0.00
<b>b) Fully paid Bonds :</b>					
Unit Trust of India 6.75% Tax free US 64 Bonds (Redeemed during the year)	4,41,872	100	0.00	441.87	
				<b>514.37</b>	956.24
Total c/f.				<b>20923.14</b>	14961.95

(Contd.)

## Schedules Forming Part of Balance Sheet

### SCHEDULE - 6 INVESTMENTS (Contd.)

(Rs. in lakhs)

	Nos.	Face Value Rs.	As At 31st March, 2009 20923.14	As At 31st March, 2008 14961.95
<b>(ii) Unquoted :</b>				
<b>a) Fully paid Equity Shares of -</b>				
Gujarat Data Electronics Limited	1,15,000	10	11.50	11.50
Less : Provision for Diminution in value of investment			-11.50	-11.50
			0.00	0.00
Gujarat Venture Finance Limited	60,000	10	6.00	6.00
Biotech Consortium India Limited	50,000	10	5.00	5.00
Gujarat State Petroleum Corporation Limited	2,50,000	10	25.00	25.00
GSPC Gas Company Limited	1,00,000	10	10.00	10.00
<b>b) Contribution to :</b>				
Gujarat Venture Capital Fund-1995			0.00	22.50
(Rs. 22.50 lakhs redeemed during the year)				
			46.00	68.50
<b>B. CURRENT INVESTMENTS</b>				
<b>1. GOVERNMENT SECURITIES (Unquoted)</b>				
a) 7.95% Fertilizers Companies GOI Special Bonds-2026 (Sold during the year)	76,23,400	100	0.00	7623.40
b) 7.00% Fertilizers Companies GOI Special Bonds-2022 (Received and sold during the year)	6,04,62,000	100	0.00	0.00
c) 6.20% Fertilizers Companies GOI Special Bonds-2022 (Received during the year)	2,58,28,400	100	25828.40	0.00
d) 6.65% Fertilizers Companies GOI Special Bonds-2023 (Received during the year)	2,02,81,800	100	20281.80	0.00
			46110.20	7623.40
Less : Provision for Diminution in value of investment			-6470.65	-519.92
			39639.55	7103.48
<b>Total</b>			60608.69	22133.93
Aggregate Value of Unquoted Investments			49778.41	10861.78
Aggregate Value of Quoted Investments			10830.28	11272.15
Market Value of Quoted Investments			30434.57	65397.56

### SCHEDULE - 7 INVENTORIES

(Rs. in lakhs)

	As At 31st March, 2009	As At 31st March, 2008
Stores and Spare-parts (Including Loose Tools Rs. 18.57 lakhs - previous year Rs. 15.11 lakhs)	17608.03	19123.86
Raw Materials	30014.08	20275.84
Finished Goods :		
Finished Products	20081.21	16701.39
Trading Goods	70.56	1341.01
	20151.77	18042.40
Stock-in-Process *	6784.58	4962.85
	26936.35	23005.25
<b>Total</b>	74558.46	62404.95

\* Includes Loose (unpacked) products  
Rs. 5029.79 lakhs (previous year Rs. 1232.53 lakhs)

#### Notes :

- (1) Inventories as taken, valued and certified by the Management.
- (2) For mode of valuation refer Schedule 21 - Significant Accounting Policies.

## Schedules Forming Part of Balance Sheet

### SCHEDULE - 8 SUNDRY DEBTORS

(Rs. in lakhs)

	As At 31st March, 2009	As At 31st March, 2008
<b>Over Six Months</b>		
Secured - Good	1390.93	1297.90
Unsecured - Good *	2924.40	4781.20
- Doubtful	3804.95	3621.85
	8120.28	9700.95
Less : Provision	3804.95	3621.85
	4315.33	6079.10
<b>Others (Considered Good)</b>		
Secured	596.10	1060.51
Unsecured	43156.44	48780.73
	43752.54	49841.24
<b>Total</b>	<b>48067.87</b>	<b>55920.34</b>

\* includes subsidy from Government of India amounting to Rs. 409.06 lakhs (previous year Rs. 2560.14 lakhs)

### SCHEDULE - 9 CASH AND BANK BALANCES

Cash, Cheques & Stamps on hand *	7.80	37.46
Remittances in transit	6.61	23.28
With Scheduled Banks :		
In Current Accounts (including Rs. 83.68 lakhs of unpaid dividend accounts and Rs. Nil in Saving Accounts) (previous year Rs. 87.05 lakhs and Rs. Nil respectively)	539.65	384.18
In Collection Accounts	2826.40	7757.74
In Short Term Deposit Accounts	433.38	0.86
	3799.43	8142.78
With Non-Scheduled Banks :		
In Current Accounts/Fixed Deposit with Co-operative Banks (for details refer Note 12 of Schedule-22)	—	—
In Post Office Savings Bank Account (Maximum balance during the year Rs. 100, previous year Rs. 100)	—	—
<b>Total</b>	<b>3813.84</b>	<b>8203.52</b>

\* Includes balances in Savings Bank Accounts opened in names of the authorised representatives of the Company in respect of Imprest Accounts.

### SCHEDULE - 10 LOANS AND ADVANCES

<b>Secured (Considered Good)</b>		
Loans to employees for construction/ purchase of houses and vehicles (including interest accrued)	6513.80	6755.06
<b>Unsecured (Considered Good)</b>		
Advances to other Companies	—	40.00
<b>Total c/f.</b>	<b>6513.80</b>	<b>6755.06</b>

(Contd.)



## Schedules Forming Part of Balance Sheet

### SCHEDULE - 10 LOANS AND ADVANCES (Contd.)

	As At 31st March, 2009	As At 31st March, 2008
Total b/f.	— 6513.80	40.00 6755.06
Advances recoverable in cash or in kind or for value to be received (including interest accrued)	13235.50	10476.79
Deposits with Excise, Customs and other Government Departments	71.60	139.70
Deposits with Limited Companies/Financial Institutions (including interest accrued)	52.60	52.60
Advance payment of Tax (net of provision)	—	4448.22
<b>Unsecured (Considered Doubtful)</b>		
Advances to other Companies	105.21	105.21
Advances recoverable in cash or in kind or for value to be received	163.74	163.74
	13628.65	15426.26
Less: Provision for Doubtful Advances	268.95	268.95
	13359.70	15157.31
<b>Total</b>	19873.50	21912.37

### SCHEDULE - 11 CURRENT LIABILITIES

1. Sundry Creditors (Refer Note 5 of Schedule-22)	41755.34	36305.46
2. Advances from Customers	1595.98	1346.54
3. (a) Unpaid Dividends *	117.18	87.05
(b) Unpaid matured deposits *	100.60	141.00
(c) Unpaid matured debentures *	—	8.31
(d) Interest accrued on 3(a) to 3(c) above *	0.10	1.22
	217.88	237.58
4. Other Liabilities	2949.62	3924.71
5. Interest accrued but not due on loans	377.34	739.24
<b>Total</b>	46896.16	42553.53

\* These figures do not include any amounts, due and outstanding to be credited to Investor Education and Protection Fund.

### SCHEDULE - 12 PROVISIONS

Proposed Dividend	3586.30	3586.30
Tax on Proposed Dividend	609.49	609.49
Employee Benefits *	34616.19	21499.62
Provision for taxation (net of Adv. Tax and TDS)	3830.83	—
<b>Total</b>	42642.81	25695.41

\* Refer Note No. 13(b) of Schedule 22.

## Schedules Forming Part of Profit and Loss Account

### SCHEDULE - 13 SALES

	Quantity MTs	2008-09 Rs. Lakhs	Quantity MTs	2007-08 Rs. Lakhs
<b>Manufacturing Operations</b>				
<b>(A) Baroda Unit &amp; Sikka Unit :</b>				
<b>Baroda Unit :</b>				
Urea	234110	24983.68	228983	18172.52
Ammonium Sulphate	229472	23107.82	268681	20281.08
Di-ammonium Phosphate	62364	34508.99	61617	14684.49
Ammonium Phosphate Sulphate	199853	44750.41	142597	15988.15
Total Baroda Unit	725799	127350.90	701878	69126.24
<b>Sikka Unit :</b>				
Di-ammonium Phosphate	614593	324457.20	839361	148979.30
NPK (12:32:16)	42067	17398.24	45288	7138.46
NPK (10:26:26)	4	0.91	16255	2549.79
Total Sikka Unit	656664	341856.35	900904	158667.55
Total Fertilizers	1382463	469207.25	1602782	227793.79
Caprolactam	53859	51225.12	59710	61907.81
Cyclohexanone	5615	3900.44	6635	4885.37
Nylon-6	8496	10710.15	9138	11786.89
Melamine	14115	10154.10	14804	8818.01
MEK Oxime	3244	4058.53	4201	3816.17
Argon Gas (NM <sup>3</sup> )	3184194	999.96	3138366	947.62
Ammonia	24748	5171.92	10536	1459.12
Nitric Acid	8933	637.76	9725	638.23
Sulphuric Acid	14340	1139.96	20069	1034.66
Phosphoric Acid	2039	1155.14	1855	604.67
Cyclohexane	3700	2067.57	5769	3482.02
Oleum	2939	288.65	4767	427.30
Other Items		2461.58		1558.83
		563178.13		329160.49
<b>(B) Polymers Unit's Products :</b>				
Methyl Methacrylate Monomer	1374	1416.93	1706	1548.13
Polymethyl Methacrylate Sheets	584	873.62	598	892.61
Polymethyl Methacrylate Pellets	1916	2219.53	2038	2099.87
Methacrylic Acid	696	772.54	904	932.53
Acetone Cyano Hydrine	172	169.97	441	419.49
Others		4.44		5.68
		5457.03		5898.31
<b>(C) Fibre Unit's Products :</b>				
Nylon Filament Yarn	4740	7990.31	4391	6792.39
Nylon Chips	5500	7001.96	5737	7210.37
		14992.27		14002.76
<b>Trading Activities</b>				
Baroda Unit		3868.24		6026.35
Sikka Unit		583.92		1809.25
(Refer Annexure-I (B))		4452.16		7835.60
<b>Sales (Net of Excise Duty)</b>		588079.59		356897.16
<b>Excise Duty Recovered</b>		13838.97		16945.73
<b>Total</b>		601918.56		373842.89

## Schedules Forming Part of Profit and Loss Account

### SCHEDULE - 14 OTHER INCOME

	2008-09	2007-08
Rent	45.61	46.57
Income from Long Term Investments (Gross) :		
Dividend : Trade	1945.36	1456.73
Others	24.81	20.01
(Tax deducted at source Nil)(previous year Nil)	1970.17	1476.74
Interest : Others	4.97	29.83
(Tax deducted at source Nil)(previous year Nil)	4.97	29.83
Interest on Advances, Deposits and others (gross)	1975.14	1506.57
(Tax deducted at source Rs. 124.56 lakhs)	2719.57	1958.14
(previous year Rs. 78.65 lakhs)		
Recoveries for services rendered	56.25	52.29
Insurance claims	123.93	156.66
Profit on sale of Investments	79.97	—
Profit on sale of Fixed Assets	3.25	2.05
Excess provision no longer required	726.12	979.49
Miscellaneous	1399.78	3309.21
<b>Total</b>	<b>7129.62</b>	<b>8010.98</b>

### SCHEDULE - 15 MATERIALS, MANUFACTURING AND OPERATING EXPENSES

Raw Materials Consumed :		
Opening Stock	20275.84	10506.16
Add : Purchases	392832.04	221781.92
	413107.88	232288.08
Less : Closing Stock	30014.08	20275.84
	383093.80	212012.24
Electricity and Fuel	30690.25	26775.04
Water	1366.90	1379.02
Stores and Spares Consumed	4007.88	3279.14
Packing Expenses	5129.81	5434.39
Insurance	571.43	708.06
Repairs and Maintenance :		
Buildings	319.81	517.91
Plant & Machinery	8929.04	5843.75
Others	534.98	576.24
	9783.83	6937.90
Excise Duty (Net)	(387.59)	178.05
<b>Total</b>	<b>434256.31</b>	<b>256703.84</b>

### SCHEDULE - 16 PERSONNEL EXPENSES \*

Salaries, Wages and Bonus	18217.82	13525.67
Contribution to Provident, Gratuity and Superannuation (Pension) Funds (Including provisions)	15214.47	2269.41
Welfare Expenses	5469.31	4197.97
<b>Total</b>	<b>38901.60</b>	<b>19993.05</b>

\* Refer Note 10 and 13 of Schedule-22

## Schedules Forming Part of Profit and Loss Account

### SCHEDULE - 17 ADMINISTRATION, MARKETING AND OTHER EXPENSES

(Rs. in lakhs)  
2007-08

	2008-09	
<b>Administration Expenses</b>		
Insurance-General	330.18	237.98
Rates and Taxes	166.25	210.23
Printing, Stationery, Postage, Telephones, Telex etc.	223.05	240.65
Brokerage on Deposits	4.54	7.56
Letter of Credit/Guarantee Commission, Bank Charges	817.42	499.11
Variation in Exchange Rates	5665.46	83.75
Premium on forward contract	602.62	668.37
Traveling and Conveyance (Including tour expenses of Directors Rs. 10.68 lakhs) (Previous year Rs. 13.47 lakhs)	86.51	105.56
Vehicle running & maintenance (net) including hire charges	223.98	221.91
Directors' Fees	2.65	4.60
Auditors' Remuneration (Refer Note 11 of Schedule-22)	12.26	10.53
Cost Auditors' Fees	0.76	0.74
Rent	8.57	18.33
Subscriptions, Membership Fees etc.	28.09	28.44
Legal, Professional and Consultancy charges	293.27	416.79
Research and Development expenses	71.15	78.09
Loss on fixed assets sold/discarded	53.30	437.40
Loss on sale of investments	—	91.45
Provision for Diminution in value of Investments	6470.65	519.92
Obsolete spares and other items written off	92.66	375.53
Provision for Doubtful Debts/Advances	197.85	629.56
Write off of Bad Debts/Advances	40.00	—
Expenditure on abandoned project written off	490.39	—
Miscellaneous	1820.06	1464.17
	<b>17701.67</b>	<b>6350.67</b>
<b>Marketing Expenses</b>		
Marketing expense reimbursement, Demonstration, Extension services and Publicity etc.	833.67	995.67
Expenses on Depots-cum-Farm Information Centers, Warehouses, Area/Regional Offices etc. and Products'	11311.99	12592.77
Transportation, Loading & Unloading charges	451.38	477.63
Commission to Selling Agents	381.93	511.05
Cash Rebate on Sales		
	<b>12978.97</b>	<b>14577.12</b>
<b>Other Expenses</b>		
Effluent and pollution control expenses	188.62	117.51
Laboratory Expenses	78.94	61.50
Fire Fighting and Safety Services	82.12	66.45
Compensation/Assistance	12.00	14.10
Donations and Contributions	39.00	3.00
	<b>400.68</b>	<b>262.56</b>
<b>Total</b>	<b>31081.32</b>	<b>21190.35</b>



## Schedules Forming Part of Profit and Loss Account

### SCHEDULE - 18 (INCREASE)/DECREASE IN STOCK OF FINISHED PRODUCTS TRADING GOODS AND STOCK-IN-PROCESS

	2008-09	2007-08
<b>Opening Stock</b>		
Finished Products	16701.39	24166.47
Trading Goods	1341.01	117.33
Stock-in-Process	4962.85	2727.19
	<b>23005.25</b>	<b>27010.99</b>
<b>Less : Closing Stock</b>		
Finished Products	20081.21	16701.39
Trading Goods	70.56	1341.01
Stock-in-Process *	6784.58	4962.85
	<b>26936.35</b>	<b>23005.25</b>
<b>(Increase) / Decrease</b>	<b>(3931.10)</b>	<b>4005.74</b>

\* Includes Loose (unpacked) products Rs. 5029.79 lakhs  
(previous year Rs. 1232.53 lakhs)

### SCHEDULE - 19 PRIOR PERIOD ADJUSTMENTS (NET)

<b>(A) Income</b>		
Sales	2.89	2.23
Other Income	2.07	2.41
<b>Total</b>	<b>4.96</b>	<b>4.64</b>
<b>(B) Expenditure</b>		
Raw Materials consumed	14.66	(263.70)
Water	—	0.62
Electricity and Fuel	(0.14)	(0.97)
Stores and Spares consumed	1.57	0.32
Insurance	0.28	(0.04)
Repairs and Maintenance	1.08	(24.45)
Salaries, Wages, Bonus & Welfare Expenses	(0.52)	2.96
Administration, Marketing and Other Expenses	1.02	(3.28)
Interest	(72.99)	13.63
Depreciation	(16.86)	81.00
<b>Total</b>	<b>(71.90)</b>	<b>(193.91)</b>
<b>Net (A-B)</b>	<b>76.86</b>	<b>198.55</b>

### SCHEDULE - 20 PRE-OPERATIVE EXPENSES

	Balance as on 1-4-2008	For the year 2008-09	Amount transferred to Capital Accounts/ Adjustments	Balance as on 31-3-2009
1. Letter of Credit/Guarantee Commission and Bank charges	17.25	0.68	0.37	17.56
2. Legal, Professional and Consultancy Charges	803.67	148.46	469.49	482.64
3. Miscellaneous expenses	160.78	1500.79	20.53	1641.04
4. Depreciation	0.00	0.00	0.00	0.00
<b>Total</b>	<b>981.70</b>	<b>1649.93</b>	<b>490.39</b>	<b>2141.24</b>
(31st March 2008)	(477.61)	(524.12)	(20.03)	(981.70)

## Schedules Forming Part of Accounts

### SCHEDULE - 21 SIGNIFICANT ACCOUNTING POLICIES

#### 1. Basis of preparation and presentation of financial statements :

The financial statements have been prepared and presented to comply in all material respects with the mandatory Accounting Standards issued by the Institute of Chartered Accountants of India and the relevant provisions of the Companies Act, 1956. The significant accounting policies have been consistently applied by the Company.

#### 2. Capital Expenditure :

- Fixed Assets acquired and constructed are stated at historical cost including attributable cost for bringing the asset to its intended use and includes amount added on revaluation of fixed assets of Polymers Unit at the time of merger.
- Assets under erection/installation of the existing projects are shown as "Capital Work in Progress". Capital expenditure and project stores (including advances) for on going projects are shown as "Projects under execution" in the Schedule of Fixed Assets.
- In the absence of availability of specific original cost in respect of a part of assets capitalised under turn-key contracts, the original value of such asset written / disposed off is estimated on the basis of its current cost adjusted for price and technological factors.
- Major cost of civil works required as plant and machinery supports, on the basis of technical estimates, is considered as Plant & Machinery.
- Advances paid for the purchase/acquisitions of land in possession of the Company are included in the cost of land.
- Renewals and replacements are either capitalised or charged to revenue as appropriate, depending upon the nature and long term utility of such renewals and/or replacements.
- Intangible Assets :  
Intangible assets are stated at cost.

#### 3. Borrowing Cost :

Borrowing cost of the funds borrowed for the qualifying asset is capitalised till the date of commencement of commercial production. Other borrowing cost is charged to revenue.

#### 4. Depreciation and Amortization :

Depreciation on Fixed Assets is provided on Straight Line Method at the rates prescribed in Schedule XIV to the Companies Act, 1956. Depreciation on additions to fixed assets and assets disposed off/discarded is charged on monthly pro-rata basis. Depreciation on commissioning of plants and other assets of new projects is charged for the days they are actually put to use. Exchange variation adjusted in the carrying cost of the fixed assets is amortized over the residual life of the assets.

Leasehold land, other than that on perpetual lease, is amortized over the life of the lease.

Intangible assets are amortized over their estimated economic lives but not exceeding ten years on a straight line basis.

#### 5. Impairment of Assets :

The Company makes assessment to find out whether there are any indications for impairment of assets as provided in the Accounting Standard stipulated by the Institute of Chartered Accountants of India. If any such indications are available then further process as per the Accounting Standard is carried out by the Company and necessary adjustments in the books of the accounts are made accordingly.

#### 6. Foreign Currency Transactions :

Foreign currency transactions are recorded at the exchange rate prevailing on the date of transaction. Assets and liabilities related to foreign currency transactions remaining unsettled at the year-end are translated into rupee at the contract rates, when covered by forward cover contracts and at the year-end exchange rates in other cases. The exchange difference arising on foreign currency transactions including gain or loss arising due to cancellation of forward cover contracts are recognised in the profit and loss account except those relating to fixed assets acquired prior to 01.04.2004 which are adjusted to the carrying cost of the fixed assets.

#### 7. Investments :

Current investments are carried at the lower of cost or quoted/fair value. Long term investments are carried at cost. However, provision for diminution in value is made to recognise a decline other than temporary in the value of long term investments.

#### 8. Inventories :

- Raw materials, stores and spares are valued at weighted average/FIFO cost. Cost of stores and spares items is based on the purchase order price and the difference, if any, between the invoice value and the purchase order price is charged to consumption. Stores returns, non-standard/obsolete items are valued at assessed or realisable value below cost. Imported raw material lying at port is valued at cost based on the Bill of Lading quantity.
- Finished products and stock in process are valued at lower of weighted average cost or net realisable value. Value of stock of finished products lying at depots, warehouses, consignment stockists, other parties and stocks remaining out of inter-unit transfers is inclusive of transportation cost. Stock of trading items is valued at lower of cost or realisable value.
- Consumable stores categorised separately with an annual consumption of less than Rs. 10,000/- per item are charged to Profit & Loss Account at the time of purchase at Baroda Unit. At Polymers Unit, sundry consumable items are charged to Profit & Loss Account as and when procured, while at Sikka and Fibre Units

## Schedules Forming Part of Accounts

such items are charged to Profit & Loss Account as and when consumed.

- (d) Freight on indigenous stores & spares are directly charged to Profit & Loss Account.

### 9. Revenue Recognition :

- (a) Sales :

Sales of industrial products are accounted on the dispatch basis except export sales, which are recognised on the basis of bill of lading. Sales of fertilizers are accounted for on the basis of issue of release orders. Subsidy and equated freight on fertilizers are accounted on accrual basis as and when the order notified by for the same is available with the Company from the Government of India.

- (b) Other Income :

The amounts receivable from various agencies are accounted for on accrual basis except interest on delayed payments, refunds from customs & excise authorities, insurance claims (other than marine claims), etc. where it is not possible to ascertain the income with reasonable accuracy or in absence of finality of the transaction.

### 10. Employee benefits :

- (i) Short-term employee benefits :

Short term employee benefits are recognized as an expense at the undiscounted amount in the profit and loss account of the year in which the related service is rendered.

- (ii) Post Employment benefits :

Post employment benefits comprise of gratuity, superannuation for the eligible employees of all the four units of the Company and medical benefit for eligible employees of Baroda unit of the Company. Post employment benefits are recognized as an expense in the profit and loss account for the year in which the employee has rendered services. The expense is recognized at the present value of the amount payable using actuarial valuation carried out as at the end of the year in accordance with the revised Accounting Standard 15 (revised 2005) on 'Employee Benefits' issued by the Institute of Chartered Accountants of India.

The company has set up separate recognized Provident Fund trusts for all the units of the Company. Contributions paid/payable for Provident Fund of eligible employees is recognized in the Profit and Loss Account each year. The Company has an obligation to make good the shortfall, if any, between the return from the investments of the trust and the interest rate notified by Government.

The Company also contributes to a government administered Family Pension Fund on behalf of its employees.

- (iii) Other long term employee benefits :

Other long term employee benefits comprise of leave encashment. The Company accounts for Leave Encashment Liability on the basis of actuarial valuation carried out as at the end of the year.

- (iv) Actuarial gains and losses in respect of post employment and other long-term benefits are charged to the profit and loss account.

### 11. Prior Period Adjustments :

In respect of the transactions pertaining to the period prior to the current accounting year, the Company follows the practice in conformity with the Accounting Standard.

### 12. Prepaid Expenses :

Expenses incurred but pertaining to subsequent period (except those not exceeding Rs. 50,000/- in each case, which are accounted through respective revenue accounts) are accounted as 'Prepaid Expenses'.

### 13. Research and Development :

Capital expenditure on Research & Development activities is included in Fixed Assets to the extent it has alternative economic use. Revenue expenditure pertaining to research activity is charged under respective account heads in the Profit & Loss Account.

### 14. Taxation :

Provision for Current income tax is based on the estimated taxable income for the period in accordance with the provisions of the Income Tax Act, 1961.

Deferred Tax is measured based on the tax rates and the tax laws enacted or substantively enacted at the balance sheet date and is recognised on timing differences between taxable income and accounting income that originate in one period and are capable of reversal in one or more subsequent periods. Deferred Tax assets, subject to consideration of prudence, are recognised and carried forward only to the extent there is reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realised.

Provision for Fringe Benefit Tax is made in accordance with the provisions of the Income Tax Act, 1961.

### 15. Segment Reporting :

The Company has identified two reportable business segments i.e. Fertilizer products and Industrial products. The Company operates mainly in Indian market and there are no reportable geographical segments.

### 16. Provisions, Contingent Liabilities and Contingent Assets :

Provisions involving substantial degree of estimation in measurement are recognized when there is a present obligation as a result of a past events and it is probable that there will be an outflow of resources. Contingent Liabilities are not recognised but are disclosed in the notes on accounts. Contingent Assets are neither recognised nor disclosed in the financial statements.

## Schedules Forming Part of Accounts

### SCHEDULE - 22 NOTES ON ACCOUNTS

#### 1. Contingent Liabilities not provided for :

	2008-09	2007-08
	Rs. in lakhs	
(a) Disputed Excise Duty and Customs Duty (net of provision).	478	2491
(b) Disputed demand of Sales Tax and Interest on Turnover Tax & Purchase Tax against which the Company has preferred appeals.	1004	1004
(c) Claims by Statutory Corporations and others disputed and not acknowledged as debt.	4666	5278
(d) Claim by ONGC for royalty on gas.	81	81
(e) Claims by employees/ex-employees pending before courts.	Not ascertainable	
(f) The Labour Commissioner's Order dated 31-12-2002 granting Equal Wages for Equal Work to contract labours and Industrial Tribunal's Award Part-1 dated 13-06-2003 granting permanency of contract labours in the services of the Company have been stayed by the Hon'ble High Court of Gujarat. The Company has not provided liability in these cases at this juncture, as the matter can be proceeded, if required, on merit at both High Court and Supreme Court stages. Besides, the Company has not provided liability for other miscellaneous demands raised in the pending reference before Industrial Tribunal. The efforts are also being made to resolve the issues amicably.	10927	9800
(g) The Industrial Tribunal, Vadodara vide its award dated 27/01/2009 in reference (IT) No.88/1999 directed the Company to pay to the concerned employees 50% of the amount calculated by working out double the amount qua the extra hours relating to the overtime done by concerned employee i.e. Supervisors and Sr. Supervisors during the period from 01/01/2001 to 31/03/2009. It has further been directed that the aforesaid would be effective upto March-2009 and thereafter if the concerned employees i.e. Supervisors and Sr. Supervisors		

	2008-09	2007-08
	Rs. in lakhs	
are made to work overtime then in that situation such overtime wages would have to be paid at double the rate. The Industrial Tribunal's award has been challenged by the Company in the Hon'ble High Court of Gujarat and the Hon'ble High Court has granted Ad-interim relief thereby stayed the implementation, operations and execution of the award dated 27/01/2009. The Company has not provided liability at this juncture as the matter can be proceeded, if required, on merit at both the High Court and Supreme Court stages.	839	Nil
(h) Uncalled amount on partly paid equity shares of Tunisian Indian Fertilizers (TIFERT S.A.).	4648	3509
2. Estimated amount of contracts remaining to be executed on capital accounts, net of advances.	5984	5871
3. (a) ONGC had submitted an application in Civil Court before Civil Judge (S.D.) Baroda for the recovery of gas price difference. The Company has challenged the same. However, as per the legal opinion, the aforesaid application for recovery is not tenable in law in the said Civil Misc. Application.		
(b) Pending decision of Ministry of Petroleum and Natural Gas and Ministry of Fertilizers with regard to demanded higher price of gas by Oil & Natural Gas Commission (ONGC) for the period from 1982 to 29-1-1987, the Company has provided and continued for the liability at the prices notified by Central Government in 1987 (net of amount recoverable through Retention Price Scheme and others). The Company is contingently liable for the price difference of Rs. 671 lakhs (net of amount recoverable) between the demanded higher price and the liability accounted for.		
(c) The Company has filed a Petition in the Hon'ble High Court of Gujarat to ensure uninterrupted gas supply from GAIL on which Hon'ble High Court has ordered to maintain status quo for gas supply.		
4. (a) As one of the promoters of the Gujarat Industries Power Company Ltd.(GIPCL), the Company has given undertaking to Industrial Development Bank of India (IDBI), Power Finance Corporation Ltd. (PFC) and Gujarat Industrial Investment Corporation Ltd. (GIIC) for non disposal of and non creation of a charge against the Company's investment in the shares of the said company during the pendency of loans given to GIPCL by IDBI, PFC and GIIC.		



## Schedules Forming Part of Accounts

- (b) As one of the promoters of the Gujarat Chemical Port Terminal Company Limited (GCPTCL), the Company has given undertaking to ICICI Bank for not to transfer, assign, dispose off, pledge, charge or create any lien or in any way encumber Company's existing or future shareholding in the GCPTCL in favour of any person so long as money remains due by GCPTCL to ICICI Bank or till the project is duly completed, whichever is later.
- (c) The ordinary shares of Tunisian Indian Fertilizers S.A., Tunisia (TIFERT) held by the Company and included under Investment (Schedule-6) have been pledged to secure the obligations of TIFERT to their lenders.
5. The Sundry Creditors in Schedule-11 includes Rs. 207.36 lakhs due to Micro, Small and Medium Enterprises and Rs.41547.98 lakhs due to other creditors. As per the provisions of "The Micro, Small and Medium Enterprises Development Act, 2006", the principal amount payable to micro, small and medium enterprises is Rs. 207.36 lakhs and no interest due thereon is remaining unpaid as on 31st March, 2009. This information has been determined to the extent such parties have been identified on the basis of information available with the Company. The Company owed Rs. 181.86 lakhs as on 31st March 2008 to small scale industrial undertakings.
6. (a) No provision has been considered necessary towards the income tax demand of Rs. 7134 lakhs for the assessment years 1987-88, 1992-93, 1997-98, 1999-2000, 2004-05, 2005-06, 2006-07 and 2007-08 as the same is disputed in appeals and the Company is hopeful of succeeding in the said appeals.

(b) Deferred Taxation:

	(Rs. in lakhs)		
	As on 31-03-09	As on 31-03-08	Difference
A] Deferred Tax Liability :			
1. Depreciation	31221.65	32807.05	-1585.40
	31221.65	32807.05	-1585.40
B] Deferred Tax Assets :			
1. Expenses allowable for tax purpose when paid	6874.66	1584.66	5290.00
2. Provision against receivables, Advances and Investments	3532.33	1270.73	2261.60
	10406.99	2855.39	7551.60
C] Net Deferred Tax Liability/(Assets)(A-B)	20814.66	29951.66	-9137.00
D] Deferred Tax Assets as per transitional provision of AS-15 (Revised)	3651.49	3651.49	0.00
E] Deferred Tax Assets (B+D)	14058.48	6506.88	7551.60
F] Net Deferred Tax Liability/(Assets)(A-E)	17163.17	26300.17	-9137.00

7. Extra Duty Deposits equivalent to 5% of CIF value levied on consignments of Caprolactam Expansion Project and capitalised is subject to adjustment on final assessment by special valuation branch of Customs Department.
8. The Company established Sikka Jetty at its own cost, which is in operation since 1987. After due discussion with Gujarat Maritime Board (GMB), a consensus was arrived at establishing ownership of jetty with GSFC. Thereafter, in terms of resolution passed by GMB, the ownership of the jetty at Sikka was transferred to the Company. However, during 1994, GMB has reversed its earlier decision not supported by resolution and contended that the ownership of the jetty rests with GMB. The Company has made representation to the appropriate authority with regard to the ownership of the jetty with the Company.

The matter of deciding the status of Jetty was under examination at GMB & Government of Gujarat levels since long back. Various meetings were also held and after due diligence on the matter, it is decided by the Board of GMB supported by a resolution to assign the status of Captive Jetty to Sikka Jetty and the Company has to sign Captive Jetty Agreement with GMB. The matter is under discussion with GMB authorities. Pending finalization of the Captive Jetty Agreement, no provision is considered necessary in respect of various claims against the Company and counter-claims of the Company (both the amounts not determined).

At present the Company is in possession of the Jetty and continues to be the owner of the Jetty till the Captive Jetty Agreement is signed.

9. Pending notification by Government of India of final rates of concession for the month of March 2009 on DAP & Complex Fertilizers, the Company has accounted downward impact of Rs. 977 lakhs as difference between the estimated final rate of concession and the base rate of concession.

Also, pending finalization of freight subsidy rates upto March 2009, freight subsidy claim on DAP & Complex fertilizers for Rs. 8152 lakhs is accounted on the basis of average per ton rates indicated by Deptt. of Fertilizers vide its notification dated 17th July 2008.

10. **Details of Managerial Remuneration :**

	2008-09	2007-08
	(Rs. in lakhs)	
Salary	9.83	5.93
Other Perquisites *	0.02	0.95
Pension Contribution	0.56	0.62
Leave Salary Contribution	0.45	0.29
TOTAL	10.86	7.79

\* Includes Monetary value of Perquisites

Above does not include Arrears amount of Rs. 6.31 lakhs provided as per 6th Pay Commission for the year 2006-07 & 2007-08.

## Schedules Forming Part of Accounts

### 11. The break-up of payment to Auditors is as under :

	2008-09	2007-08
	(Rs. in lakhs)	
(a) Audit Fees (including fees to Branch Auditors Rs. 0.55 lakh) (previous year Rs. 0.55 lakh)	4.05	2.80
(b) In other capacity in respect of :		
Tax Audit fees	1.10	1.03
Other services	7.03	5.92
(c) Reimbursement of expenses (including Rs. 0.05 lakh paid to Branch Auditors) (previous year Rs. 0.09 lakh)	0.08	0.78
	<u>12.26</u>	<u>10.53</u>

### 12. Details of balances with non-scheduled banks :

(Refer Schedule-9 Cash & Bank balances)

Name of the Bank	Balance as on 31-03-2009 (31-03-2008)	Maximum Balance during the year (previous year)
	Rs.	Rs.
The Panchmahal District Co-operative Bank Ltd.	Nil (500)	500 (500)

### 13. Disclosures pursuant to Accounting Standard - 15 (Revised) "Employee Benefits" :

(a) The Company operates post employment and other long term employee benefits defined plans as follows:

- |   |   |
|---|---|
| <p>I Funded</p> <p>i. Gratuity</p> <p>ii. Pension</p> | <p>II Unfunded</p> <p>i. Leave Encashment Benefit</p> <p>ii. Post Retirement Medical Benefit Scheme (PRMBS)</p> |
|---|---|

(b) Details of funded & unfunded plans are as follows :

Description	2008-09		2007-08	
	(Rs. in lakhs)			
	2008-09	2007-08	2008-09	2007-08
	Pension		Gratuity	
1. Changes in Present Value of obligation :				
a. Obligation as at the beginning of the year	23395.62	23316.72	11051.08	11014.60
b. Current Service Cost	530.10	621.67	279.97	220.88
c. Interest Cost	1897.54	1865.33	880.02	881.80
d. Actuarial (Gain)/Loss	7816.60	(384.51)	3117.64	(30.59)
e. Benefits Paid	(2178.08)	(2023.59)	(1339.47)	(1035.61)
f. Obligation as at the end of the year	31461.78	23395.62	13989.24	11051.08
The defined benefit obligation as at 31.03.2009 is	Funded	Funded	Funded*	Funded*
* unfunded in case of certain employees				
2. Changes in Fair Value of Plan Assets :				
a. Fair Value of Plan Assets as at the beginning of the year	16157.55	15433.81	4983.42	4439.64
b. Expected return on Plan Assets	1504.47	1458.26	414.77	407.96
c. Actuarial (Gain)/Loss	—	—	—	—
d. Contributions	1658.42	1289.07	342.17	1082.45
e. Benefits Paid	(2178.08)	(2023.59)	(1204.09)	(946.63)
f. Fair Value of Plan Assets as at the end of the year	17142.36	16157.55	4536.27	4983.42
3. Amount Recognised in the Balance Sheet :				
a. Fair Value of Plan Assets as at the end of the year	17142.36	16157.55	4536.27	4983.42
b. Present Value of Obligation as at the end of the year	(31461.78)	(23395.62)	(13989.24)	(11051.08)
c. Amount recognised in the Balance Sheet	(14319.42)	(7238.07)	(9452.97)	(6067.66)
4. Expense recognised during the year :				
a. Current Service Cost	530.10	621.67	279.97	220.88
b. Interest Cost	1897.54	1865.33	880.02	881.80
c. Expected return on Plan Assets	(1504.47)	(1458.26)	(414.77)	(407.96)
d. Actuarial (Gain)/Loss	7816.60	(384.51)	3117.64	(30.59)
e. Expense recognised during the year	8739.77	644.23	3862.86	664.13
5. Investment Details of Plan Assets :				
Administered by LIC of India	100%	100%	100%	100%
6. Assumptions :	31.03.2009	31.03.2008	31.03.2009	31.03.2008
a. Discount Rate (per annum)	8%	8%	8%	8%
b. Estimated Rate of return on Plan Assets (per annum)	9.45%	9.50%	9.45%	

(Contd.)

## Schedules Forming Part of Accounts

(b) Details of unfunded plans are as follows: (Rs. in lakhs)

Description	2008-09	2007-08	2008-09	2007-08
	Leave	Encashment	PRMBS	
1. Changes in Present Value of obligation :				
a. Obligation as at the beginning of the year	6498.54	6239.54	1695.35	1674.85
b. Current Service Cost	327.17	362.72	114.00	48.02
c. Interest Cost	493.46	499.17	136.00	133.99
d. Actuarial (Gain)/Loss	3149.51	531.31	(54.00)	(28.36)
e. Benefits Paid	(1340.00)	(1134.20)	(170.03)	(133.15)
f. Obligation as at the end of the year	9128.68	6498.54	1721.32	1695.35
The defined benefit obligation as at 31.03.2009 is	Unfunded	Unfunded	Unfunded	Unfunded
2. Amount Recognised in the Balance Sheet :				
a. Fair Value of Plan Assets as at the end of the year	—	—	—	—
b. Present Value of Obligation as at the end of the year	(9128.68)	(6498.54)	(1721.32)	(1695.35)
c. Amount recognised in the Balance Sheet	(9128.68)	(6498.54)	(1721.32)	(1695.35)
3. Expense recognised during the year :				
a. Current Service Cost	327.17	362.72	114.00	48.02
b. Interest Cost	493.46	499.17	136.00	133.99
c. Expected return on Plan Assets	—	—	—	—
d. Actuarial (Gain)/Loss	3149.51	531.31	(54.00)	(28.36)
e. Expense recognised during the year	3970.14	1393.20	196.00	153.65
The expense is disclosed in Schedule 16 "Personnel Expenses", Pension & Gratuity are disclosed in line item- Contribution to Provident Fund and provision to Gratuity and Superannuation (Pension) Funds, Leave Encashment is disclosed in line item - Salaries, Wages and Bonus and PRMBS is disclosed in line item - Welfare Expenses.				
4. Assumptions :	31.03.2009	31.03.2008	31.03.2009	31.03.2008
a. Discount Rate (per annum)	7%	8%	7%	8%
b. Estimated Rate of return on Plan Assets (per annum)	N.A.	N.A.	N.A.	N.A.

(c) The estimates of future salary increases considered in actuarial valuation take account of inflation, seniority, promotion and other relevant factors.

(d) Provident Fund contributions are made to Trusts administered by the Company. The interest rate payable to the members of the Trusts shall not be lower than the statutory rate of interest declared by the Central Government under the Employees Provident Funds and Miscellaneous Provisions Act, 1952 and shortfall, if any, shall be made good by the Company. Having regard to the assets of the Fund managed by the Trusts and the return on the investments, the Company does not expect any deficiency in the foreseeable future.

14. Based on a favourable judgment of Hon'ble Supreme Court on excise duty pertaining to earlier years, sum of Rs. 5795 lakhs has been credited under the related revenue head.

### 15. Related Party Disclosures :

Related Party Disclosures as required by AS-18 "Related Party Disclosures" are given below :

#### 1. Relationship :

(a) Associate Company :

Effluent Channel Project Ltd.

(b) Joint Venture :

Tunisian Indian Fertilizers, S.A. (TIFERT)

(c) Directors and their relatives :

Shri P. K. Taneja-Managing Director (upto 10-4-2008)

Shri H. V. Patel - Managing Director (w.e.f. 10-4-2008)

#### 2. Details of transactions with related parties :

(i) Details relating to parties referred to in 1(a) above :

Sr. No.	Nature of Transaction	Value for the year As on 31.3.09 (previous (as on 31.3.08) year) (Rs. in lakhs)	Outstanding (Rs. in lakhs)
1.	Usage of effluent channel	178.98 (104.94)	— (—)
2.	Investments in equity shares (at cost) (14,302 shares of Rs.10 each)	— (—)	0.00 (0.00)

## Schedules Forming Part of Accounts

(ii) Details relating to parties referred to in 1(b) above :

Sr. No.	Nature of Transaction	Rs. in lakhs (previous year)
1.	Reimbursement receivable	7.17 (5.61)
2.	Guarantees given *	26366.63 (0.00)

\* Represents sponsor's guarantee towards borrowing of Tunisian Indian Fertilizers S.A., Tunisia (TIFERT). As at March 31, 2009, TIFERT had not availed the loan facility.

(iii) Details relating to parties referred to in 1(c) above :

Sr. No.	Nature of Transaction	Rs. in lakhs (previous year)
1.	Remuneration to Managing Director	10.86 (7.79)

Above does not include Arrears amount of Rs. 6.31 lakhs provided as per 6th Pay Commission for the year 2006-07 & 2007-08.

16. As on 31st March, 2009, the Company is holding 15% shares in a Joint Venture Company, Tunisian Indian Fertilizers, S.A. (TIFERT), incorporated in Tunisia and the proportionate share in the Assets, Liabilities, Income and Expenditure as per the latest Audited Accounts of TIFERT for the year ended on 31st December 2007 is as under :

	Rs. in lakhs	
	31-12-07	31-12-06
Assets	1313.01	1240.80
Liabilities	133.15	39.91
Income	78.25	9.88
Expenditure	99.27	39.53

17. Balance of certain creditors and debtors/advances are subject to confirmation/reconciliation and consequential adjustments, if any.

18. Segment Information :

	(Rs. in lakhs)	
	For the year ended on 31.03.2009	For the year ended on 31.03.2008

i) PRIMARY SEGMENT INFORMATION :

A] SEGMENT REVENUE :

1. Total Segment Revenue :		
a) Fertilizer Products	482369.78	237133.99
b) Industrial Products	105709.82	119763.17
TOTAL	588079.60	356897.16
2. Inter Segment Revenue	0.00	0.00
3. External Revenue (1 - 2) :		
a) Fertilizer Products	482369.78	237133.99
b) Industrial Products	105709.82	119763.17
TOTAL	588079.60	356897.16

	(Rs. in lakhs)	
	For the year ended on 31.03.2009	For the year ended on 31.03.2008

B] RESULT :

1. Segment Result :		
a) Fertilizer Products	73836.19	12966.27
b) Industrial Products	4600.94	25894.16
TOTAL	78437.13	38860.43
2. a) Unallocated Income	3786.01	5686.21
b) Unallocated Expenses	-4311.32	-4248.60
3. Operating Profit (B1 + B2)	77911.82	40298.04
4. Interest expenses	-3916.96	-4467.64
5. Provision for Taxation :		
Wealth Tax	-12.00	-12.00
Current Income Tax	-33037.26	-14454.79
FBT	-150.00	-170.00
Deferred Tax (net)	9137.00	2651.47
Excess tax provision w.back	3.77	—
6. Net Profit	49936.37	23845.08

OTHER INFORMATION :

1. Segment Assets :		
a) Fertilizer Products	209303.58	202891.40
b) Industrial Products	81907.30	59739.02
TOTAL	291210.88	262630.42
2. Unallocated corporate Assets	41037.92	35221.75
3. Total Assets	332248.80	297852.17
4. Segment Liabilities :		
a) Fertilizer Products	62511.85	42401.36
b) Industrial Products	19865.00	17906.67
TOTAL	82376.85	60308.03
5. Unallocated corporate Liabilities	56724.78	90210.35
6. Total Liabilities	139101.63	150518.38
7. Capital Expenditure :		
a) Fertilizer Products	9654.29	6762.27
b) Industrial Products	2604.93	306.05
c) Corporate Capital Expenditure	-265.64	485.14
TOTAL	11993.58	7553.46
8. Depreciation :		
a) Fertilizer Products	9148.78	8507.91
b) Industrial Products	4935.65	5475.11
c) Unallocated corporate Depreciation	219.45	259.05
TOTAL	14303.88	14242.07
9. Non-Cash Expenses :		
a) Fertilizer Products	16522.15	1629.32
b) Industrial Products	6915.11	2182.49
c) Unallocated non-cash expenses	490.39	192.88
TOTAL	23927.65	4004.69

## Schedules Forming Part of Accounts

- ii) **SECONDARY SEGMENT INFORMATION :**  
The Company operates mainly in Indian market and there are no reportable geographical segments.
- iii) **OTHER DISCLOSURES :**
1. The Products and Services covered under each business segment is as under :  
Fertilizer Products :  
Urea, Ammonium Sulphate, Di-ammonium Phosphate, Ammonium Phosphate Sulphate, NPK (12:32:16)(10:26:26), traded fertilizer products etc.  
Industrial Products :  
Caprolactam, Nylon-6, Nylon Filament Yarn, Nylon Chips, Melamine, Polymer products, traded industrial products etc.
  2. Segment revenue, results, assets and liabilities include the respective amounts identifiable to each of the segment and amounts allocated on reasonable basis.
  19. Previous year's figures have been regrouped wherever necessary.
  20. Additional information pursuant to the relevant provisions of paragraphs 3 and 4 of Part-II of Schedule-VI to the Companies Act, 1956 is as per Annexure-I.
  21. Balance sheet abstract and company's general business profile in terms of Part-IV of Schedule-VI to the Companies Act, 1956 is as per Annexure-II.

Signatures to Schedules 1 to 22 :

**B. M. Bhorania**  
*General Manager (Finance)*

**V.V.Vachhrajani**  
*Company Secretary*

Gandhinagar  
17th June, 2009

**H. V. Patel**  
*Managing Director*

**D. Rajagopalan**  
*Chairman*

**Ajay N Shah**  
**Vijai Kapoor**  
**D. C. Anjaria**  
Directors

As per our attached Report of even date

For **S. C. Bapna & Associates**  
Chartered Accountants

**Subhash Chand Bapna**  
Partner  
Membership No.71765

Gandhinagar  
17th June, 2009



## Schedules Forming Part of Accounts

### ANNEXURE - I

#### ADDITIONAL INFORMATION PURSUANT TO THE PROVISIONS OF PARAGRAPHS 3 & 4 (C) & (D) OF PART-II OF SCHEDULE-VI TO THE COMPANIES ACT, 1956

##### (A) Capacities, Production and Stock

Year 2008-09

Product	Unit	Licenced Capacity Per Annum	Installed Capacity Per Annum	Production		Opening Stock		Closing Stock		Value of Closing Stock Rs. in lakhs		
				2008-09	2007-08	2008-09	2007-08	2008-09	2007-08	2008-09	2007-08	2006-07
1. Ammonia	MT	150000	150000 c	4007	22295	0	0	0	0	0.00	0.00	0.00
2. Ammonia Expansion	MT	445500	445500 c	382165	321845	18629	9499	5762	18629	653.25	1832.65	860.55
3. Urea	MT	364000	364000	237261	229247	4553	4370	7579	4553	739.25	342.34	333.72
4. Ammonium Sulphate Phosphate or Di-ammonium Phosphate	MT	256000	108000 or 108000	207060	124632	254	18255	7379	254	1016.00	26.18	1394.78
5. Caprolactam	g	70000	70000	70913	79716	2179	510	1281	2179	1116.22	2006.01	452.47
6. Ammonium Sulphate (Caprolactam)	g	202000	196000	249397	293833	47327	22231	67156	47327	5142.14	3209.81	1061.04
7. Nylon-6 Chips	MT	d	7000	8808	8789	313	662	625	313	582.25	371.87	734.90
8. Sulphuric Acid	MT	132000	132000 e	144130	142610	10757	5380	8834	10757	221.00	395.77	60.12
9. Styrene Acrylonitrile	MT	500	300	-	-	0	0	0	0	0.00	0.00	0.00
10. Melamine	MT	d	15000	13655	14741	476	538	19	476	38.12	239.24	245.88
11. MEK Oxime	MT	d	4450	3400	4083	176	293	332	176	290.65	112.16	225.05
12. Methyl Methacrylate Monomer	MT	5000	5000 c	3469	4156	60	140	279	60	288.39	50.15	123.83
13. Polymethyl Methacrylate Sheets	MT	2000	2000	552	641	123	82	91	123	119.00	141.03	83.44
14. Polymethyl Methacrylate Pellets	MT	1500	1500	1872	2002	134	150	125	134	157.38	141.64	176.92
15. Ammonium Sulphate (Polymers)	MT	10000	10000	9369	11455	2420	187	135	2420	7.11	81.67	5.85
16. Acetone Cyano Hydrine	MT	5150	5150 c	4851	5848	61	170	224	61	137.51	35.77	99.95
17. Methacrylic Acid	MT	500	500	680	924	24	5	7	24	8.28	22.51	4.08
18. 1A) DAP (A+B TRAIN)	MT	150000 f	150000 f	623382	774843	25069	90295	33877	25069	7688.39	3862.61	13097.69
1B) DAP (C TRAIN)	MT		396000									
2) APS	MT	f	f	0	0	33	33	0	33	0.10	2.68	2.68
3) NPK	MT			42030	44755	44	16930	24	44	9.53	11.93	2204.63
19. Synthetic Filament Yarn Incl. industrial Yarn/Tyre Cord	MT	6000	6000	4497	4705	1013	953	491	1013	622.11	1535.71	1378.65
20. Nylon Chips - Fibre	MT	2000	2000	5097	5950	665	453	245	665	205.86	702.65	450.23
21. Others										1024.20	691.88	1050.45
										20081.21	16701.39	24166.49

- a) Installed capacities and projects under execution are as certified by the Managing Director.
- b) Quantities of production & stock of the products other than Ammonia, Sulphur Dioxide, Oleum, Sulphuric Acid, Monomer, Acetone Cyano Hydrine are in packed form. Caprolactam production is inclusive of molten caprolactam.
- c) Mainly for captive consumption.
- d) Licence not applicable/exempt from compulsory licencing.
- e) Production and Stock of Oleum & Sulphur Dioxide obtained from the Plant are expressed in terms of Sulphuric Acid.
- f) Licenced and installed capacities of A+B trains are in terms of P2O5, whereas installed capacity of C train is in terms of DAP. However the production and stock of all the trains are in terms of DAP/fertilizers and in packed form. APS & NPK also produce from Sikka DAP plants.
- g) Information at Sl. No. 5 & 6 includes Caprolactam and Ammonium Sulphate produced from "Caprolactam (Expansion Phase I)".

##### (B) Stocks, Purchases and Sales of Trading Items

2008-09 (2007-08)	Opening Stock		Purchases		Sales		Closing Stock		Shortages
	MT	Rs. Lakhs	MT	Rs. Lakhs	MT	Rs. Lakhs	MT	Rs. Lakhs	
Potash	186	8.25	7845	334.10	7882	367.85	149	6.65	0.24
	(531)	(23.48)	(4044)	(178.53)	(4390)	(201.02)	(186)	(8.25)	(—)
Urea	2151	104.02	0	0.00	2147	107.65	1	0.06	3.02
	(161)	(7.80)	(13086)	(620.26)	(11076)	(553.82)	(2151)	(104.02)	(20.93)
DAP	49	4.64	0	0.00	49	4.78	0	0.00	
	(—)	(—)	(1327)	(125.98)	(1278)	(124.09)	(49)	(4.64)	

(Contd.)

## Schedules Forming Part of Accounts

### ANNEXURE - I (Contd.)

#### (B) Stocks, Purchases and Sales of Trading Items (Contd.)

2008-09 (2007-08)	Opening Stock		Purchases		Sales		Closing Stock		Shortages
	MT	Rs. Lakhs	MT	Rs. Lakhs	MT	Rs. Lakhs	MT	Rs. Lakhs	
Gibberellic Acid		2.15		0.00		5.13			0.00
		(1.96)		(5.91)		(10.99)		(2.15)	
Pesticides		15.66		109.83		125.00			15.27
		(17.89)		(98.81)		(115.30)		(15.66)	
Seeds		89.84		624.21		719.90			45.22
		(57.21)		(426.23)		(460.13)		(89.84)	
Zinc Sulphate		4.30		26.57		33.81			1.31
		(5.15)		(13.46)		(16.70)		(4.30)	
Sampada	—	—	0	0.00	0	0.0	—	—	—
	(1)	(0.03)	(—)	(—)	(1)	(0.04)	(—)	(—)	—
Eco Green		1.33		2.73		3.48			0.00
		(2.58)		(19.27)		(22.87)		(1.33)	
VAM		0.19		0.00		0.31			0.00
		(—)		(0.69)		(1.10)		(0.19)	
Solar Cooker (nos.)	15	0.23	—	—	—	—	15	0.23	—
	(15)	(0.23)	(—)	(—)	(—)	(—)	(15)	(0.23)	—
Imported Ammonia	1339	357.51	1000	195.70	2336	583.92	3	0.81	—
	(—)	(—)	(12000)	(1931.03)	(10661)	(1809.25)	(1339)	(358)	—
Imported Nylon-6	2.54	1.00	112	131.93	112	141.83	2.54	1.01	—
	(2.54)	(1.00)	(174)	(193.84)	(174)	(201.97)	(2.54)	(1.00)	—
Imported Melamine	420	266.59	1560	760.91	1980	1379.87	0	0.00	—
	(—)	(—)	(3180)	(1715.57)	(2760)	(1575.48)	(420)	(266.59)	—
Imported Cyclohexanone	—	—	0	0.00	0	0.00	—	—	10
	(—)	(—)	(925)	(699.81)	(913)	(603.63)	(—)	(—)	(10)
Imported Nylon-66	—	—	0	0.00	0	0.00	—	—	—
	(—)	(—)	(45)	(49.77)	(45)	(53.19)	(—)	(—)	—
Imported Methanol	—	—	3034	570.28	3024	506.87	—	—	11
	(—)	(—)	(8174)	(881.90)	(8171)	(868.40)	(—)	(—)	(2.99)
Imported Phenol	793	485.30	0	5.98	793	471.76	0	0.00	—
	(—)	(—)	(2795)	(1712.54)	(2002)	(1217.62)	(793)	(485.30)	—
<b>Total</b>		<b>1341.01</b>		<b>2762.24</b>		<b>4452.16</b>		<b>70.56</b>	
		(117.33)		(8673.60)		(7835.60)		(1341.01)	

#### (C) Raw Materials Consumption

		Unit	2008-09		2007-08	
			Quantity	Value Rs. in lakhs	Quantity	Value Rs. in lakhs
<b>Baroda Unit</b>						
Rock Phosphate		MT	226005	17480.33	269871	10997.74
Sulphur		MT	172168	33333.65	170238	19847.24
Gas	'000 SM <sup>3</sup>		296163	24537.13	261542	18456.40
Benzene		MT	82266	35477.29	91925	41667.04
MEK		MT	2912	2292.60	3485	1752.32
Ammonia		MT	—	—	25471	3978.04
Sulphuric Acid		MT	2267	17.42	12728	193.35
Others				—		163.75
				113138.42		97055.88
<b>Polymers Unit</b>						
Acetone		MT	3425	1747.01	4133	2048.16
Hydrocyanic Acid		MT	1633	204.12	1918	239.76
Methanol		MT	1392	275.97	1715	304.27
Sulphuric Acid		MT	1042	14.46	4764	76.52
Monomer		MT	454	419.13	—	—
Others				3.73		4.73
				2664.42		2673.44
<b>Sikka Unit</b>						
Ammonia		MT	116776	25581.17	172527	22542.70
Phosphoric Acid		MT	304254	238338.20	360194	86680.06
Sulphuric Acid		MT	455	5.02	18204	404.11
MOP		MT	10989	2392.44	14529	1477.92
Others				714.05		701.42
				267030.88		111806.21
<b>Fibre Unit</b>						
Chopped glass		MT	346	198.24	601	318.12
Others				61.84		158.59
				260.08		476.71
<b>Total</b>				383093.80		212012.24

## Schedules Forming Part of Accounts

### ANNEXURE - I (Contd.)

#### (D) Value of Imported and Indigenous Raw Materials and Spare Parts consumed and percentage thereof to total consumption

	Rs. in lakhs	2008-09 %	Rs. in lakhs	2007-08 %
<b>Raw Materials</b>				
Imported	273172.87	68.44	124615.49	58.78
Indigenous	125978.10	31.56	87396.75	41.22
	<b>399150.97</b>	<b>100.00</b>	<b>212012.24</b>	<b>100.00</b>
<b>Spare Parts</b>				
Imported	1284.92	36.01	646.86	23.47
Indigenous	2283.43	63.99	2109.46	76.53
	<b>3568.35</b>	<b>100.00</b>	<b>2756.32</b>	<b>100.00</b>

#### (E) C.I.F. Value of Imports

	Rs. in lakhs	2008-09	Rs. in lakhs	2007-08
Raw Materials	274744.28		124937.31	
Spare Parts	1874.71		2250.83	
Capital Goods	840.08		—	

#### (F) Expenditure in Foreign Currency

(on payment basis)		
Interest	1098.92	1087.16
Technical Assistance / Know-how	285.16	108.24
Others	1819.26	721.87

#### (G) Remittance of dividend in Foreign Currency

—	—
---	---

#### (H) Earnings in Foreign Exchange

F.O.B. value of Exports	7259.96	3371.23
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### ANNEXURE - II

#### PART-IV BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE

##### I. Registration Details

Registration No.	1121
State Code	04
Balance Sheet Date	31-03-2009

##### II. Capital raised during the year

(Amount in Rs. Thousands)

Public Issue	Rights Issue
NIL	NIL
Bonus Issue	Private Placement
NIL	NIL

##### III. Position of Mobilisation and Deployment of Funds

(Amount in Rs. Thousands)

Total Liabilities	Total Assets
33224880	33224880

##### Sources of Funds

Paid up Capital	Reserves & Surplus
796955	18517761
Secured Loans	Unsecured Loans
1547894	1692056
Net Deferred Tax	
1716317	

##### Application of Funds

Net Fixed Assets	Investments
12532644	6060869
Net Current Assets	Misc. Expenditure
5677470	NIL
Accumulated Losses	
NIL	

##### IV. Performance of Company

(Amount in Rs. Thousands)

Turnover and Other Income	Total Expenditure
59520921	52121435
Profit Before Tax	Profit After Tax
7399486	4993636
Earning per Share in Rs.	Dividend Rate %
62.66	45%

##### V. Generic Names of Three Principal Products/Services of Company (as per monetary terms)

Item Code No. (ITC Code)	Product Description
310200	CHEMICAL FERTILIZERS
293300	CAPROLACTAM
540200	NYLON FILAMENT YARN



## EVENTS

- The Company celebrated its foundation day on 15th February 2009 with a mega event which included musical evening, laughter program and exhibition of fossils and paintings.
- Traditional values are always given importance in GSFC and hence like every year, Navratri is celebrated with great charm and enthusiasm all 9 days. The citizen of Fertilizernagar enjoy this very own festival of region with lots of joy and fervor. National festivals like Independence Day and Republic Day as well as festivals such as Diwali and Holi were celebrated with great enthusiasm.
- First Gujarat Major Ranking Badminton tournament was organized during July 2008 which hosted many known faces of Gujarat.







## AWARDS



- **FAI Award**

GSFC has won FAI Award for the best overall performance of operating fertilizer unit for P2O5 in complex fertilizers for Sikka Unit for the year 2007-08.

- **SCOPE Meritorious Award**

The Company has been conferred 'Commendation Certificate for SCOPE Meritorious Award for Environmental Excellence & Sustainable Development' in recognition of its long term commitment and dedication to environmental protection measures.

- **Safety Awards**

The Company has won prestigious International Safety Award – 2007 from British Safety Council, UK – an International Premier Safety Organisation. GSFC has won this award for the fourth time for overall performance in Safety & Health.

- **ICC Award**

GSFC has won ICC award for excellence in Management of Health, Safety & Environment under category – I.

- **RC Logo Certification**

GSFC has received Responsible Care Logo certification for all the four units through Indian Chemical Council (ICC). GSFC has become the first multi-locational Fertilizers Company to get this certification.





## Nomination Facility

Pursuant to the provision of Section 109A of the Companies Act, 1956, members are entitled to make a nomination in respect of the shares held by them. Members holding shares in physical form and desirous of making a nomination are requested to send their requests in attached Form 2B, to the Company's Registrars & Transfer Agents M/s. MCS Limited. Members holding shares in electronic form are requested to give the nomination request to their respective Depository Participants directly.

### Instructions :

1. The nomination can be made by individuals only holding shares singly or jointly upto two persons. Society, trust, body corporate, partnership firm, Karta of Hindu Undivided Family, holder of Power of Attorney cannot nominate. If the shares are held jointly, all joint holders shall sign the nomination form as per the specimen signature recorded with the Company, otherwise, the Form is liable to be rejected.
2. A minor can be nominated by holders of shares and in that event the name and address of the Guardian shall be given by the holders.
3. The nominee shall not be a trust, society, body corporate, partnership firm, karta of Hindu Undivided Family or a power of attorney holder.
4. Nomination can be varied or cancelled by executing fresh nomination form.
5. Nomination shall stand rescinded upon transfer of entire holding of shares held in given folio.
6. Transfer of shares in favour of a nominee shall be valid discharge by a Company against the legal heir.
7. The nomination given in the Form would be considered for the physical holding only. In case securities are held in electronic form, then the holder(s) have to approach the Depository Participant for registering their nomination.
8. The nominee will be entitled to all the rights in the shares of the Company only in the event of death of the Sole/all holders in the account. The nominee will be required to approach the Company for transmitting the shares in his/her name and will be required to produce the death certificate of the holder(s), the share certificates and proof of identity as required by the Company.

All queries to be addressed to the Company's Registrars & Transfer Agents :

### M/s. MCS Limited

Unit : Gujarat State Fertilizers & Chemicals Ltd.  
 Neelam Apartments, 1st Floor  
 88, Sampatrao Colony, Behind Standard Chartered Bank  
 Productivity Road, Vadodara – 390 007  
 Tel. No.: 0265-2339397/2314757  
 Fax No.: 0265-2341639  
 E-mail : [mcsbaroda@yahoo.com](mailto:mcsbaroda@yahoo.com)

## FORM 2B

[Rule 5 D of Companies (Central Govt's) Rules & Forms]

### NOMINATION FORM

**Folio No.** \_\_\_\_\_

(To be filled in by individuals holding shares in physical form singly or jointly upto two persons)

To,  
Gujarat State Fertilizers & Chemicals Limited  
P.O. Fertilizernagar – 391 750  
District Vadodara (Gujarat State)

From,  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

I/We, \_\_\_\_\_

holder(s) of \_\_\_\_\_ Equity Shares under Folio No. \_\_\_\_\_ of the Company, wish to make a nomination and do hereby nominate the following person in whom all rights of transfer and/or amount payable in respect of shares shall vest in the event of my/our death.

#### Name and Address of the nominee

Name : \_\_\_\_\_  
Address : \_\_\_\_\_  
Pin Code \_\_\_\_\_

#### In case the Nominee is minor

Birth Date of Minor : \_\_\_\_\_  
Name and Address of the Guardian  
Name : \_\_\_\_\_  
Address : \_\_\_\_\_  
Pin Code \_\_\_\_\_

Signature of Nominee/Guardian (Optional) \_\_\_\_\_

#### Signature of Share holder(s)

Signature \_\_\_\_\_ Signature \_\_\_\_\_  
Name \_\_\_\_\_ Name \_\_\_\_\_

#### Signature of two Witnesses

Name and Address	Signature	Date
1. _____	_____	_____
2. _____	_____	_____

#### FOR OFFICE USE ONLY

Nomination Regn. No. : \_\_\_\_\_ Checked by : \_\_\_\_\_  
Date of Registration : \_\_\_\_\_ Signature : \_\_\_\_\_



## GUJARAT STATE FERTILIZERS & CHEMICALS LIMITED

### ATTENDANCE CARD

I/We

Folio No.	
*D.P. I.D.	
*Client I.D.	

hereby record my/our presence at the **FORTY SEVENTH ANNUAL GENERAL MEETING** of the Company held at **Cultural Centre Auditorium** situated at its Registered Office at **P. O. Fertilizernagar, District Vadodara, at 9.00 a.m. on Friday, the 25th September, 2009.**

Signature of the member/proxy/  
representative attending the meeting \_\_\_\_\_

- Notes :
- (i) Please handover this Attendance Card at the entrance to the place of meeting.
  - (ii) Only Members and in their absence, duly appointed proxies will be allowed for the meeting. Please avoid bringing non-members/children to the meeting.



## GUJARAT STATE FERTILIZERS & CHEMICALS LIMITED

P O Fertilizernagar - 391 750 Dist. Vadodara

### PROXY FORM

I/We \_\_\_\_\_

of \_\_\_\_\_ being a member/members of the above named company, hereby appoint

\_\_\_\_\_ of

\_\_\_\_\_ failing him/her \_\_\_\_\_ of

\_\_\_\_\_ as my/our proxy to vote for me/us and on my/our behalf at the **FORTY**

**SEVENTH ANNUAL GENERAL MEETING** of the Company to be held at **9.00 a.m. on Friday, the 25th September, 2009**

and at any adjournment thereof.

Signed by the said

Date \_\_\_\_\_

30 Paise  
Revenue  
Stamp

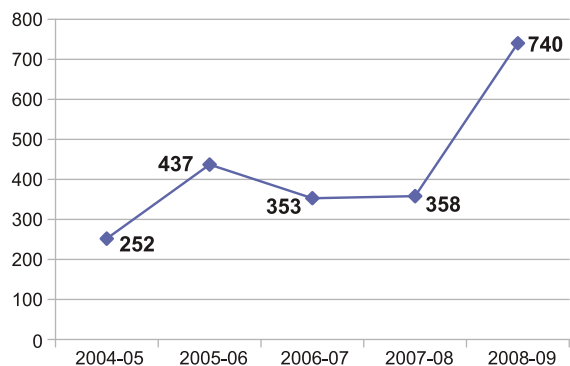
Folio No.	
*D.P. I.D.	
*Client I.D.	

Note : The Proxy Form must reach at the Company's Registered Office not later than 48 hours before the time of the meeting.

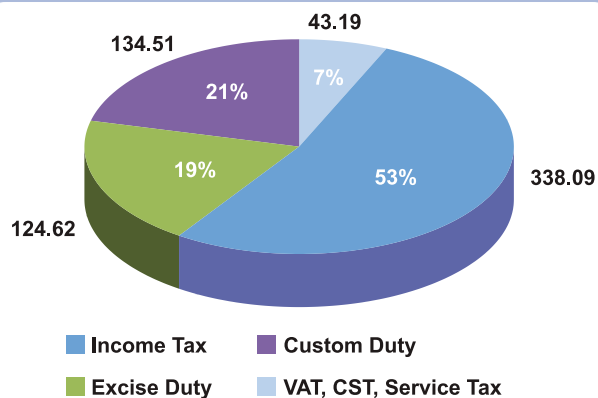
\* Applicable only in case of investors holding shares in Electronic form.



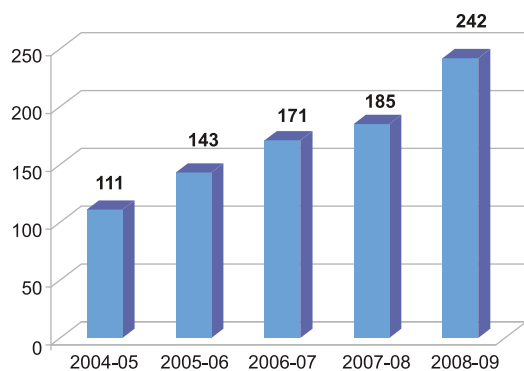
### PROFIT BEFORE TAX (Rs. Crores)



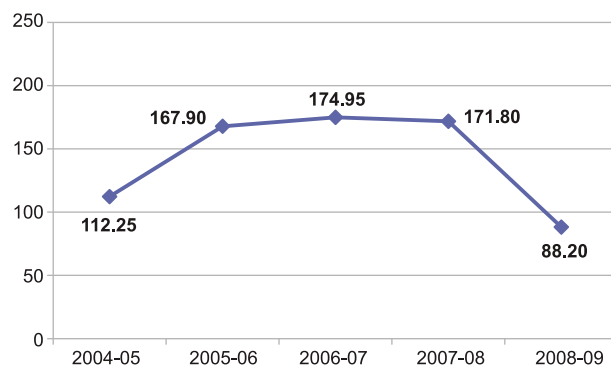
### CONTRIBUTION TO EXCHEQUER (Rs. 640.41 Crores)



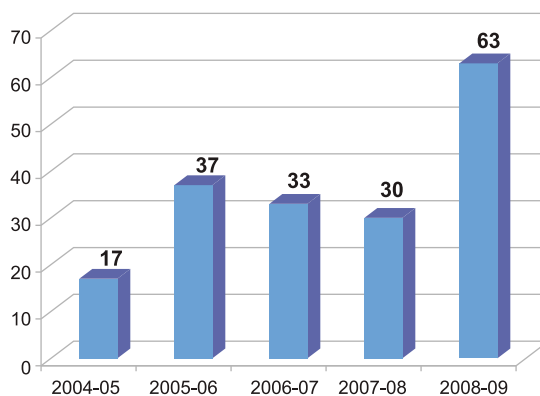
### BOOK VALUE PER SHARE (Rs.)



### MARKET PRICE PER SHARE (Rs.) (as on 31st March of respective year)



### EARNING PER SHARE (Rs.)





## BOOK-POST

"License to post on Pre-payment of Postage in cash"  
License No. G1/Temp/004/Mails/09-10  
Granted by the Chief Post Master General,  
Gujarat Circle, Ahmedabad-380 001, which is valid  
upto 15/09/2009. Posting made from MBC,  
Navrangpura, Ahmedabad-380 009

To,

If undelivered, please return to:



**GUJARAT STATE FERTILIZERS & CHEMICALS LIMITED**

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

P. O. Fertilizernagar - 391 750 - 02, Dist.: Vadodara, Gujarat.

[www.gsfclimited.com](http://www.gsfclimited.com)