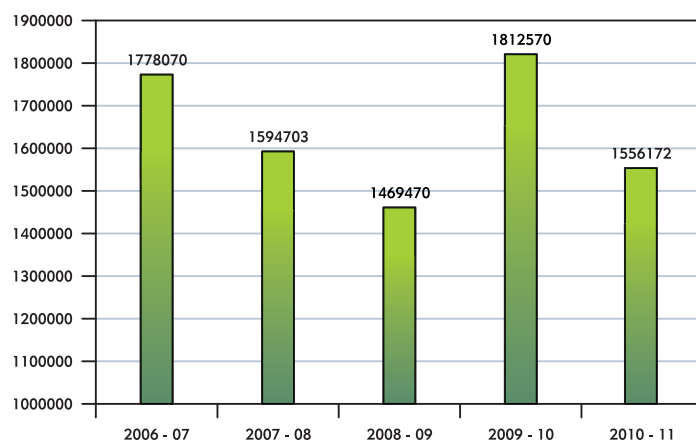


Exploring New Boundaries of Success & Prosperity...

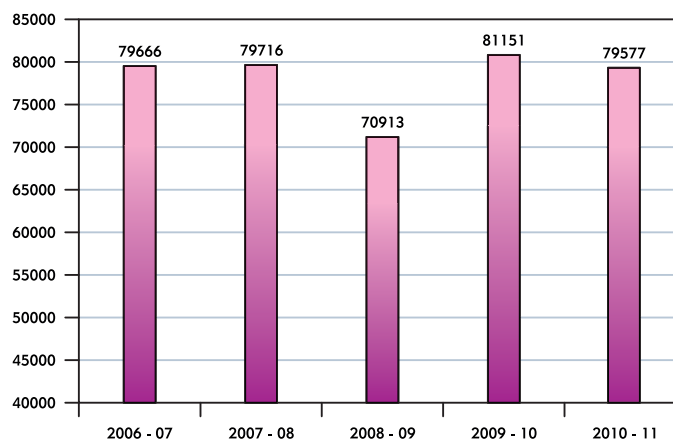


PERFORMANCE HIGHLIGHTS

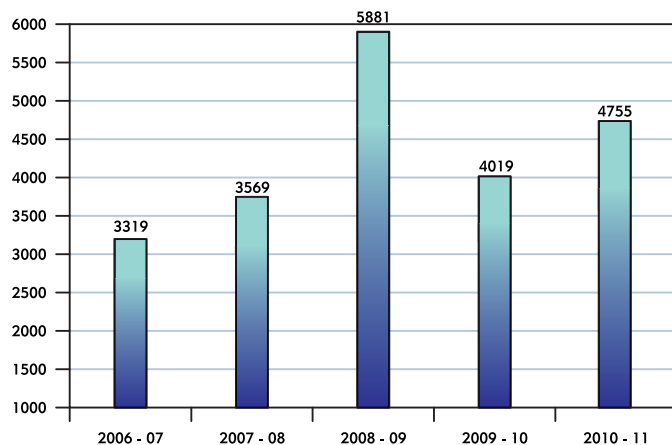
PRODUCTION (FERTILIZERS)
(MTs)



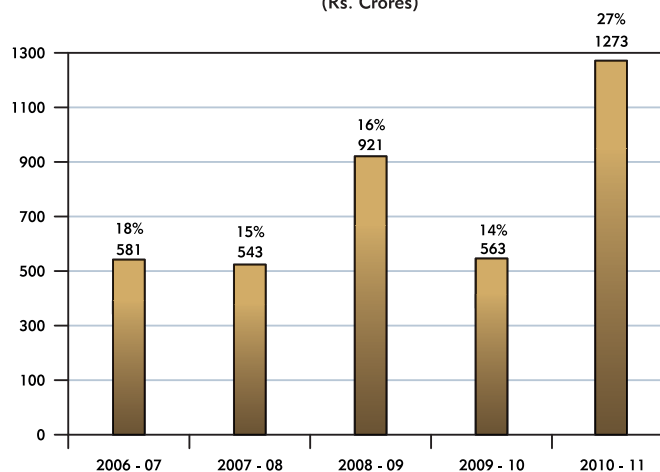
PRODUCTION (CAPROLACTAM)
(MTs)



NET SALES
(Rs. Crores)



OPERATING PROFIT (EBIDTA)
(Rs. Crores)



Operating Profit / Net Sales shown in %

JOURNEY OF SELF-RELIANCE BEGINS

Gujarat State Fertilizers & Chemicals Limited (GSFC) began its journey in 1962. It was promoted by the Gujarat government and apex financial institutions, to produce fertilizers for the farming community to help them grow more crops. The small seed sown, blossomed into a large integrated fertilizer giant, by diversifying en-route into the niche of Industrial Chemicals critically required to harness growth.

With its inspiring saga of sustained and consistent growth story, GSFC emerged as Gujarat's pride and undoubtedly a very basic to India's economic progress.



GREEN JOURNEY

After its avowed mission of being a harbinger of prosperity for farmers, GSFC has taken up the new and important journey yet again to help them. This new journey is for greening environment, to stay green by taking vital steps essentially required to mitigate every adverse effect of climate change that can cripple agriculture and affect livelihood of farmers.



INTEGRATED MANAGEMENT SYSTEM

GSFC's stature has risen over the years as one of the most admired company. The key driver behind this accomplishment is GSFC's Integrated Management System.

Six scores that underpin the system are Ethics, Values, Dedication, Management Excellence, Environment and enhanced Social Responsibility.

The drive for excellence has earned more than one distinction to GSFC. It is the proud recipient of Certification of Integrated Management System – ISO 9001 for quality, ISO 14001 for environment, OHSAS 18001 for Occupational Health and Safety and BS EN 16001 for energy. It has also been bestowed with Responsible Care Logo by Indian Chemical Council. At GSFC, safety is an ongoing dynamic process.



HUMAN RESOURCE MANAGEMENT

Ever since its inception, GSFC has displayed genome of leadership in building a talented, competent, diligent, responsive and quality workforce both at plant levels as well as in corporate offices. The Company incorporated HR cell in 1965, long before HR had become a buzzword in management circles.

GSFC is twice blessed because it has emerged as an empowered organisation. This is the positive outcome of forward-looking policies to train, build and retain talent. Every employee has a sense of belongingness to the organisation because of opportunities to acquire new skills to reach greater heights of productivity and success. It is a unique record to its credit that 50% of its Managers have risen in the hierarchy from the staff level.

At a time when life time employment concept is waning everywhere, it is asserting itself at GSFC, which has made it easy for the company to nurture and retain talent.

The success of GSFC's HR initiatives is because they have been attuned to the organisational needs. The ascent is on building enduring and harmonious relationships.

GSFC ensures a happy, conducive living environment for its employees at homes too. The beautiful township of Fertilizernagar is a place that adds warmth to the employees' lives. The township is replete with residential units, a school, medical centre, open air theatre, shopping complex, garden, musical fountain, club with swimming pool, fitness centre, sports complex, cultural centres, so on and so forth.



GUJARAT STATE FERTILIZERS & CHEMICALS LIMITED

49TH ANNUAL GENERAL MEETING

Date : 17th September, 2011
 Day : Saturday
 Time : 4.00 p.m.
 Place : Cultural Centre Auditorium
 Fertilizernagar Township
 P. O. Fertilizernagar - 391 750
 District Vadodara

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REGISTRARS & SHARE TRANSFER AGENTS

M/s. MCS Limited
 Neelam Apartment, 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.gsfcilimited.com

BOARD OF DIRECTORS (As on 28-07-2011)

SHRI A. K. JOTI *Chairman*

SHRI D. C. ANJARIA

PROF. VASANT P. GANDHI

SHRI AJAY N. SHAH

SHRI VIJAI KAPOOR

SHRI P. N. ROY CHOWDHURY

SHRI M. M. SRIVASTAVA

SHRI D. J. PANDIAN

SHRI H. V. PATEL *Managing Director*

(upto 13-07-2011 forenoon)

SHRI ATANU CHAKRABORTY *Managing Director*

(w.e.f. 13-07-2011 afternoon)

ADVISORS

SHRI H. P. PANDYA

SHRI V. N. BUCH

GENERAL MANAGER (FINANCE)

SHRI B. M. BHORANIA

COMPANY SECRETARY & DY. GENERAL MANAGER (LEGAL & INDUSTRIAL RELATIONS)

CS 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

LEGAL ADVISORS AND ADVOCATES

M/s. Nanavati Associates, Advocates, Ahmedabad

Jaideep B. Verma, Advocate, Vadodara

STATUTORY AUDITORS

M/s. Prakash Chandra Jain & Co., Vadodara

BRANCH AUDITORS

(Polymers & Fibre Units)

M/s. Sanjay Soni & Associates, Vadodara

COST AUDITORS

M/s. Diwanji & Associates, Vadodara

FOR MEMBERS' ATTENTION

1. The Register of Members and the Share Transfer Books of the Company shall remain closed from Saturday, the 3rd September, 2011 to Saturday, the 17th September, 2011 (both days inclusive) for the purpose of ascertaining the entitlement for payment of dividend.
2. Dividend, upon its declaration at the meeting, shall be paid on Equity Shares of the Company on and from 27th September, 2011, to those members whose names shall appear on the Register of Members of the Company on the 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 2nd September, 2011.

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 Client 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 Share 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 & Share 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 & Share Transfer Agents of the Company so as to issue GSFC shares 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. Ministry of Corporate Affairs (MCA) has taken a commendable decision for promoting and implementing "Green Initiative in the Corporate Governance" by permitting paperless compliances by Companies and has issued Circular Nos. 17/ 2011 and 18/2011 dated April 21, 2011 and April 29, 2011 respectively clarified that a company would be deemed to have complied with the provisions of Section 53 and 219(1)

of the Companies Act, 1956, if documents like notices, annual reports, etc. are sent in electronic form to its Members.

Keeping in view the underlying theme, we also propose to join the bandwagon and accordingly, the said documents of the Company for the financial year ended March 31, 2011 and onwards will be sent in electronic form to those Members who have registered their e-mail address with their Depository Participant (DP) and made available to the Company by the Depositories.

However, in case a Member wishes to receive a physical copy of the said documents, he is requested to send e-mail to gogreen@gsfcltd.com duly quoting his DP ID and Client ID or the Folio No., as the case may be.

Members holding shares in physical form are requested to submit their e-mail address to the Registrars & Share Transfer Agents of the Company, duly quoting their Folio No. Members holding shares in electronic form, who have not registered their e-mail address with their DP are requested to do so at the earliest, so as to enable the Company to send the said documents in electronic form, thereby supporting the "Green Initiative" taken by MCA and the Company's desire to participate in such initiatives. Please note that the said documents will be uploaded on the website of the Company viz. www.gsfclimited.com and made available for inspection at the Registered Office of the Company during business hours.

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

1. Bombay Stock Exchange Limited
Phiroze Jeejeebhoy Tower
25th Floor, Dalal Street, Fort
Mumbai – 400 001
2. National Stock Exchange of India Ltd.
Exchange Plaza, 5th Floor
Plot No.C/1, G Block
Bandra Kurla Complex
Bandra (East), MUMBAI – 400 051

The Company has paid annual listing fees to each of the above Stock Exchanges for the financial year 2011-12.

11. **Members are requested to send their queries, if any, at least seven days in advance of the meeting so that the information can be made available at the meeting.**
12. **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/Proxy are requested to show their Photo Identity Card at the entry point alongwith the Attendance Slip duly signed by self/the proxy, failing which the entry to the Annual General Meeting shall be denied.**
- **No bags or belonging shall be permitted to be carried inside the venue of Annual General Meeting.**
- **Carrying of Camera inside the venue of Annual General Meeting is strictly prohibited.**
- **The Members may kindly note that this is being done for security reasons.**

NOTICE

NOTICE is hereby given that the **forty-ninth Annual General Meeting** of the Members of the Company will be held at Cultural Centre Auditorium situate at the Registered Office of the Company at P. O. Fertilizernagar - 391750, Dist. Vadodara at **4.00 PM** on **Saturday, the 17th September, 2011** to transact the following business :

Ordinary Business

1. To receive, consider and adopt the Audited Accounts, Balance Sheet as at 31st March, 2011, Profit & Loss Account for the year ended on that date and the Directors' report and Auditors' report thereon.
2. To declare Dividend on Equity Shares.
3. To appoint a Director in place of Shri D. C. Anjaria, who retires by rotation and being eligible offers himself for re-appointment.
4. To appoint a Director in place of Prof. Vasant P. Gandhi, who retires by rotation and being eligible offers himself for re-appointment.
5. To consider and if thought fit, to pass the following resolution with or without modifications, as a **Special Resolution** :
 "RESOLVED that pursuant to the provisions of Sections 224, 224A and other applicable provisions, if any, of the Companies Act, 1956, M/s. Prakash Chandra Jain & Co., Chartered Accountants, Vadodara (Firm Registration No. 002438C), be and is hereby appointed as Auditors of the Company to hold office from the conclusion of this Meeting until the conclusion of the next Annual General Meeting of the Company."
6. To consider and if thought fit, to pass the following resolution with or without modifications, as an **Ordinary Resolution** :
 "RESOLVED that the Board of Directors of the Company be and are hereby authorized to fix the remuneration *plus* the traveling and other out-of-pocket expenses, that is to be paid to the Statutory Auditors, to be appointed in the Annual General Meeting or to be appointed by the Comptroller and Auditor General of India, as the case may be, for the audit of accounts of the Company's Baroda Unit (Head Quarters) and the Sikka Unit and also for audit of accounts of the Polymers Unit and Fibre Unit of the Company for the Financial Year 2011-12, as may be deemed fit and proper by the Board of Directors in its absolute discretion."

Special Business

7. To consider and if thought fit, to pass the following resolution with or without modifications, as an **Ordinary Resolution** :
 "RESOLVED that subject to the provisions of Sections 198, 269, 309, 310 and 311 read with Schedule XIII and other applicable provisions, if any, of the Companies Act, 1956, the Company hereby accords its consent and approval to the appointment of Shri Atanu Chakraborty, IAS as Managing Director of the Company, effective from 13/07/2011 for the tenure and terms & conditions of remuneration and perquisites to be decided by the Govt. of Gujarat hereafter."
 "FURTHER RESOLVED that the remuneration, benefits and perquisites as decided by the Government of Gujarat hereinafter shall be paid and allowed to him as minimum remuneration notwithstanding the absence or inadequacy of profits in any year."
 "FURTHER RESOLVED that so long as Shri Atanu Chakraborty, IAS functions as the Managing Director of the company, he shall not be paid any sitting fees for attending the Meetings of the Board of Directors or Committees thereof."

By Order of the Board

Sd/-

CS V. V. Vachhrajani
 Company Secretary &

Dy. Gen. Mgr. (Legal & Industrial Relations)

Place : Fertilizernagar
 Date : 28th July, 2011

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. Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956 is annexed hereto. The particulars of qualification, experience and other directorship etc. of Shri D. C. Anjaria, Prof. Vasant P. Gandhi and Shri Atanu Chakraborty is given in the annexure to this notice.

3. As required under the Rule 4A of the Companies Unpaid Dividend (Transfer to General Revenue Account of Central Government) Rules, 1978, the Company hereby informs its Members that all unpaid/ unclaimed dividends declared for and upto the Financial Year ended 31st March, 1994 have been transferred to the General Revenue Account of the Central Government. Members who have not encashed the dividend warrants for the said period are requested to claim the amount from the Registrar of Companies (Gujarat), Housing Board Building, Opp. Roopal Park Society, Ankur Char Rasta, Naranpura, Ahmedabad - 380 013.

Consequent upon amendment to Section 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
35	2008-09	25-09-2009	25-10-2016
36	2009-10	24-09-2010	24-10-2017

Members who have not yet encashed their dividend warrant(s) for the financial year ended 31-03-2005 to 31-03-2010, are requested to lodge their claims to the Company accordingly, without any delay.

4. Relevancy of questions and the order of speakers at the meeting shall be decided by the Chairman.

ANNEXURE TO THE NOTICE

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

Item No. 5 & 6 :

During past few months, some of the Public Financial Institutions/Insurance Companies and Nationalized Banks who are covered for the purpose of Section 619B of the Companies Act, 1956 have diluted their shareholding in the Company by way of sale in the open market. As at 30th June, 2011, the shareholding of Government Companies, Corporations, Boards, Financial Institutions, Nationalized Banks and Insurance Companies (hereinafter called Specified Entities) has come down to 49.29% which is lower than the threshold limit of 51% stipulated under Section 619B of the Companies Act, 1956. As a result of this at present, Section 619B (empowering the Comptroller and Auditor General of India to appoint Statutory Auditors in case when the shareholdings of specified entities is not less than 51% of the Paid-up Share Capital of the Company) is not applicable.

Since the Shareholding of Specified Entities is more than 25% of the paid-up share capital of the Company, the appointment of M/s. Prakash Chandra Jain & Co., Chartered Accountants, Vadodara, as Auditors of the Company, is required to be made by way of a Special Resolution, as contemplated under Section 224A of the Companies Act, 1956.

It may be further noted that, in the stock market the shares are freely transferable and it being a dynamic process, shareholding of Specified Entities might go above 51% on the date of Annual General Meeting and as a result the Section 619B may become applicable. In that event, the appointment of Statutory Auditors shall be made by the Comptroller and Auditor General of India pursuant to the provisions of Section 619 and 619B of the Companies Act, 1956 and the Special Resolution empowering the appointment of Statutory Auditors may not be required to be passed by the shareholders and should that situation arise, the proposed resolution at Item No. 05 shall be withdrawn at the Annual General Meeting.

Your Directors, therefore, recommend the resolution/s for appointment of Statutory Auditors and for fixation of remuneration to the Statutory Auditors for the F.Y. 2011-12 for your approval.

None of the Directors of the Company is, in any way, concerned or interested in the said resolution/s.

Item No. 7 :

As per Govt. of Gujarat Notification No. AIS/35.2011/13/G dtd.08-07-2011 Shri Atanu Chakraborty, IAS has been appointed as "Government Director" and Managing Director of the Company vice Shri H.V. Patel, IAS. Shri Atanu Chakraborty, IAS has assumed charge on 13/07/2011 as the Managing Director of the Company.

In terms of provisions of Section 269 read with Schedule XIII and other applicable provisions, if any, of the Companies Act, 1956, the appointment of Shri Atanu Chakraborty, IAS as Managing Director and payment of remuneration requires the approval of the Shareholders in the General Meeting.

It is pertinent to inform the Shareholders that the terms and conditions of remuneration and perquisites for Shri Atanu Chakraborty, IAS is expected shortly from the Govt. of Gujarat, accordingly we will seek Shareholders approval for the same at the next Annual General Meeting. Your Directors recommend the passing of resolution at Item No. 07.

None of the Directors, except Shri Atanu Chakraborty, IAS is concerned or interested in the said resolution.

By Order of the Board

Sd/-

CS V. V. Vachhrajani
Company Secretary &

Place : Fertilizernagar

Date : 28th July, 2011

Dy. Gen. Mgr. (Legal & Industrial Relations)

ANNEXURE

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

Name of the Director	Shri Divyabhash Chandrakant Anjaria	Prof. Vasant P Gandhi		
Date of Birth	19-07-1946	10-12-1954		
Date of Appointment as a Director of GSFC	15-07-2006	15-07-2006		
Qualification	B.Com.: MBA (Finance) IIM, Ahmedabad	Ph.D. (Stanford): PGP, IIM, Ahmedabad: MA, MS (Stanford).		
Expertise	Rich experience in the financial sector viz. Capital Markets, Banking in India and Overseas, Corporate Finance & Management and Commodity Markets.	Rich experience of Management, Consultancy & Research activities in agri business & agro industry.		
No. of Shares held in the Company	290 + 500 (Jointly with GSIL)	500 (Jointly with GSIL)		
Name of other Companies in which directorship is held	1 Gujarat International Finance Tech-city Ltd. 2 Gujarat Narmada Valley Fertilizers Co. Ltd. 3 Ratnamani Metals & Tubes Ltd. 4 GIFT-Collective Investment Management Co. Ltd. 5 International Financial Solutions P. Ltd. 6 Indian Institute of Financial Services P. Ltd.	1 Advanta India Ltd. 2 Nuvo Fertilizers		
Committee position for Audit and Investors' Grievance Committees	Name of the Company	Position in Audit Committee	Name of the Company	Position in Audit Committee
	1 Gujarat International Finance Tech-city Ltd.	Chairman	1 Gujarat State Fertilizers & Chemicals Ltd.	Member
	2 Gujarat Narmada Valley Fertilizers Co. Ltd.	Chairman	2 Advanta India Ltd.	Member
	3 Ratnamani Metals & Tubes Ltd.	Chairman		
	4 GIFT-Collective Investment Management Co. Ltd.	Chairman		
	5 Gujarat State Fertilizers & Chemicals Ltd	Chairman		
	Name of the Company	Position in Investors' Grievance Committee	Name of the Company	Position in Investors' Grievance Committee
	1 Gujarat Narmada Valley Fertilizers Co. Ltd.	Member	1 Gujarat State Fertilizers & Chemicals Limited	Member
2 Ratnamani Metals & Tubes Ltd.	Member			

ANNEXURE

DETAILS OF DIRECTOR SEEKING APPOINTMENT AT THE ANNUAL GENERAL MEETING (IN PURSUANCE OF CLAUSE 49 OF THE LISTING AGREEMENT)

Name of the Director	Shri Atanu Chakraborty, IAS	
Date of Birth	05-04-1960	
Date of Appointment as a Director of GSFC	13-07-2011	
Qualification	B.E. (Electronics & Communication), Post Graduate Diploma in Business Finance, M.B.A. (Business Administration) from U.K. & IAS	
Expertise	<p>Is an IAS Officer of the 1985 batch having experience of more than two decades in Finance, Administration, Economics, etc. He worked in various State as well as Central Government Departments and Public Sector Undertakings.</p> <p>He was Principal Secretary (Economic Affairs), Finance Department, Govt. of Gujarat, prior to his appointment as MD-GSFC.</p> <p>He is a voracious reader and areas of his interest include subjects such as Finance, Economics and Infrastructure, etc.</p>	
No. of Shares held in the Company	—	
Name of other Companies in which directorship is held	<ol style="list-style-type: none"> 1 Gujarat Green Revolution Co. Ltd. 2 Gujarat Chemical Port Terminal Co. Ltd. 3 The Fertilizer Association of India 4 Tunisian Indian Fertilizers S.A. (TIFERT) 5 Gujarat Industries Power Co. Ltd. 6 Gujarat Narmada Valley Fertilizers Co. Ltd. 7 Indian Potash Ltd. 8 Bhavnagar Energy Company Ltd. 9 GSPC Gas Co. Ltd. 	
Committee position for Audit and Investors' Grievance Committees	Name of the Company	Position in Audit Committee
	1 Bhavnagar Energy Company Ltd.	Member
	2 Gujarat Industries Power Co. Ltd.	Member
	Name of the Company	Position in Investors' Grievance Committee
	1 Gujarat Industries Power Co. Ltd.	Chairman
	2 Gujarat State Fertilizers & Chemicals Ltd.	Member

DIRECTORS' REPORT

To
The Members,
Your Directors are happy to present the 49th Annual Report and Audited Accounts of the Company for the year ended 31st March, 2011.

A. FINANCIAL RESULTS

(₹ in Crores)

	Particulars	2010-11	2009-10
1.	Gross Sales	4925.49	4129.17
	Less : Excise Duty Recovered	170.44	109.98
	Net Sales	4755.05	4019.19
2.	Other Income	101.20	113.01
3.	Total Revenue	4856.25	4132.20
4.	Less : Operating Expenses	3583.18	3569.51
5.	Operating Profit	1273.07	562.69
6.	Less : Interest	13.78	30.62
7.	Gross Profit	1259.29	532.07
8.	Less : Depreciation	146.40	140.93
9.	Prior Period Adjustment	0.44	2.02
10.	Profit before taxes	1112.45	389.12
11.	Taxation		
	- Current Tax	308.34	156.46
	- Deferred Tax (net)	54.62	(21.93)
	- Wealth Tax	0.12	0.12
12.	Profit after taxes	749.37	254.47
13.	Balance brought forward from last year	90.41	47.75
14.	Amount available for appropriations	839.78	302.22
15.	Out of which, your Directors have proposed appropriation and transfer as under :		
	a) Proposed Dividend on Equity shares	55.79	35.86
	b) Tax on Proposed Dividend	9.05	5.96
	c) General Reserve	640.00	170.00
16.	Leaving a balance in the Profit & Loss Account	134.94	90.40

B. OPERATIONAL PERFORMANCE

It is heartening to report that for the F.Y. 2010-11, your Company has achieved highest ever Profit before Tax (PBT) and Net Profit (Profit After Tax). PBT has increased from Rs.389 Crores in 2009-10 to Rs.1112 Crores, registering an increase of 186%. Similarly, the Net profit was Rs.749 Crores which is almost three times the previous year's net profit of Rs.254 Crores.

During F.Y. 2010-11, there was constraint in availability of imported Phosphoric Acid at Sikka Unit, which affected production and availability of DAP. Inspite of this, the Company witnessed a rise of 18% in net sales. The net sales increased from Rs. 4019 Crores in 2009-10 to Rs.4755 Crores in 2010-11. The Company achieved higher sales turnover as a result of better price realization in both the business segments viz. Fertilizer and Industrial Products.

The EBIDTA for 2010-11 was 1273 Crores as compared to Rs.563 Crores in the previous F.Y. 2009-10, thus showing stride of 126%. Better margins in Fertilizer and Industrial Product segments have improved the overall EBIDTA margin from 14% to 26.77%. The interest cost has decreased from Rs.31 Crores in previous year to Rs.14 Crores in F.Y.2010-11.

C. DIVIDEND

Considering the excellent performance and profits for the year under review, your Directors are happy to recommend a dividend @70%, i.e. Rs.7/- per Equity Share (Previous Year - 45%, i.e. Rs. 4.50 per share) on 7,96,95,506 Equity Shares of Rs.10/- each for the financial year ended 31st March, 2011. The net outgo on account of Dividend shall be Rs.6483.69 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 03/09/2011.

D. CURRENT PERFORMANCE

Your Directors are pleased to report that during the First Quarter (Q1) of Financial Year (F.Y.) 2011-12 also, your Company has achieved Net Profit of Rs.142 Crores which is ever highest in the Q1 of any Financial Year ever since its inception. The EBITDA margin has improved from 19% during Q1 of F.Y. 2010-11 to 25% during the Q1 of the current Financial Year. The above results are after making the provision for exceptional items aggregating Rs.52.63 Crores.

The operational performance of your Company during Q1 of the current Financial Year is encouraging when the fertilizer production increased from 3.58 Lac Tons during Q1 of 2010-11 to 3.77 Lac Tons during the Q1 of 2011-12. Similarly, the production of major Industrial Products viz. Caprolactam, Nylon-6, Melamine, etc., during the same period, remained above the capacity levels and when compared, it is higher than the production of the corresponding period of the previous Financial Year. The Net Sales of your Company during the Q1 of F.Y. 2011-12 is Rs.1208 Crores which is higher by Rs.141 Crores (up by 13%) as compared to the Net Sales of Rs.1067 Crores during Q1 of F.Y. 2010-11. The sales price of major Industrial Products like Caprolactam, Melamine and Nylon-6 were tuned in line with international prices. Similarly, price realization in Fertilizer segment was also higher. The prices of major raw materials showed a rising trend, thus affecting the cost of production.

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., Kolkata, was made, however, the approval for delisting is still awaited.

Your Directors wish to state that the Equity Shares of your Company are compulsorily traded in dematerialized form w.e.f. 26/06/2000. Presently, 58.37% of shares is 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 norms as mandated by 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

During the year 2010-11, your Company has not accepted / renewed any Fixed Deposit. Your Directors wish to report that there are 456 Fixed Deposits aggregating Rs.60.38 Lacs which have remained unclaimed by Depositors, as on 31st March, 2011. Letters reminding them to exercise their option to seek repayment have been sent. Upto and including the date of this report, 86 deposits amounting to Rs. 13.82 Lacs have been repaid.

During the year, the Company has transferred a sum of Rs.13.53 Lacs being the unclaimed deposits and interest amount thereon to the Investors' Education and Protection Fund as required in terms of Section 205C of the Companies Act, 1956.

H. INSURANCE

All the properties and insurable interests of the Company, including the 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 submitted for validation and registration under the Clean Development Mechanism. This would help your Company to earn Carbon Credit.

Your Directors are happy to inform that a Project on fossil fuel change-over and Wind Mill Power Project of 10 MW have already got registered under CDM, while the Wind Mill Projects of 12 MW, 18 MW and 33 MW are under registration process for availing carbon credit.

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 Project & Development India Ltd. have been appointed as consultants for carrying out detailed engineering work for the project. The project is under execution and it is slated to

DIRECTORS' REPORT (Contd.)

be commissioned in the last quarter of F.Y. 2011-12. Your Company has also taken up modernization of Cyclohexanone unit at Vadodara.

Your Company has participated in a strategic Joint Venture with Tunisian Indian Fertilizers (TIFERT) in Tunisia with a view to ensure consistent supply of Phosphoric Acid for optimized running of its DAP Plant at Sikka. The Project is slightly delayed due to political turmoil in Tunisia and it is now expected to be commissioned by the last quarter of F.Y.2011-12.

Your Company has been conscious of the development of green technology and with a view to translate this into a reality; it has commissioned its first 10 MW Wind Mill Power Project at Kutch in March 2008 and added another 12 MW Wind Mill Power Project in January 2009 in Kutch District. Your Company has subsequently implemented 18 MW Wind Power Project in Porbandar Dist. and 33 MW Wind Power Project in Kutch Dist. These projects are working satisfactorily and are meeting the Company's captive power requirements as well as selling surplus power to State Grid. Encouraged by the performance of these Wind Mill Projects, the incentives available from the Government and the global need of green energy, your Company is in the process of implementing additional 50.4 MW Wind Power capacity in Rajkot and Surendranagar Districts of Gujarat.

Your Directors also wish to inform that capacity addition of Nylon-6 plant by another 15000 MTPA is planned at Baroda and the technology tie-up for the same is under progress.

Your Directors are pleased to inform that your Company has ambitious plan for setting up larger capacity plants at Dahej replicating its existing Baroda Unit for which land acquisition and technology search activities are progressing well.

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 is given in Annexure "A" forming part of this report. The Company does not have any employee falling within the purview of Section 217(2A) of the Companies Act, 1956 and hence such Particulars of Employees are not included.

L. DIRECTORS

➤ Managing Director :

With effect from 13/07/2011 Shri Atanu Chakraborty, IAS has been appointed as Managing Director of the Company in place of Shri H.V. Patel, IAS. Accordingly, a resolution relating to his appointment is placed for your approval. Your Directors place on record their appreciation for the dynamic and vibrant leadership provided by Shri H.V. Patel, IAS during his tenure as Managing Director of the Company.

➤ Change in Directors :

Pursuant to the provisions of Section 255 & 256 of the Companies Act, 1956, Shri D.C. Anjaria and Prof. Vasant P. Gandhi shall be liable to retire by rotation at the ensuing Annual General Meeting and being eligible, have offered themselves for re-appointment.

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

Your Directors also take this opportunity to welcome Shri Atanu Chakraborty, IAS the new Managing Director of the 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 & 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 31st March, 2011 and of the profit of the Company for the period from 1st April, 2010 to 31st March, 2011;
- 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.

DIRECTORS' REPORT (Contd.)

N. AUDITORS

Your Directors wish to inform that as on the date of writing of this report, the provisions of Section 619-B of the Companies Act, 1956 does not apply to your Company and hence the appointment and fixation of remuneration of Statutory Auditors of the Company for Financial Year 2011-12 shall be done by the Shareholders at the ensuing Annual General Meeting. The suitable resolution/s to that effect has been included in the notice convening the said meeting.

Your Directors would further like to mention that the provisions of the said Section 619-B is not applicable w.e.f. quarter ended 30th September, 2010 due to the reason that the shareholding of specified shareholders having gone down below the threshold limits and hence the CAG has not conducted the supplementary audit of accounts for the year under review.

Your Directors further state that as on the date of writing of this report, provisions of Section 619-B do not apply to the Company and accordingly the resolution for appointment and fixation of remuneration of the Statutory Auditors is proposed.

However, as a matter of abundant precaution, parallelly your Directors propose a resolution regarding authorization for fixation of remuneration etc. to the Statutory Auditors, should the provisions of Section 619-B apply before the date of ensuing Annual General Meeting.

Your Directors also recommend the approval of Resolutions for appointment and/or fixation of remuneration to the Statutory Auditors/ Branch Auditors for the F.Y. 2011-12 as the case may be.

Pursuant to the directive from the Ministry of Corporate Affairs regarding appointment of Cost Auditor, M/s Diwanji & Associates, Cost Accountants, Vadodara have been appointed as the Cost Auditor for Fertilizers, Chemicals & Nylon Products of the Company for the Financial Year 2011-12. The approval of the Central Government for the said appointment is received. The Cost Auditor for the F.Y. 2009-10 was also M/s Diwanji & Associates, Cost Accountants, Vadodara and the Cost Audit Report was filed on 24.09.2010 (i.e. three days before the stipulated date of 27.09.2010). W.e.f. F.Y. 2011-12, the Ministry has directed to carry out the Cost Audit for the Wind Mill Power Projects also and accordingly M/s. Diwanji & Associates, Cost Accountants, Vadodara have been appointed as Cost Auditors. The necessary application in this regard is being made to the Central Government.

Your Company has also appointed M/s Haribhakti & Co., Chartered Accountants, Mumbai as Internal Auditors for carrying out the Internal Audit of 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 Polymers and Fibre Units 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 Company holds the valid Consolidated Consent & Authorization from Gujarat Pollution Control Board and has complied with all the relevant statutory requirements. The renewal application for the same has been submitted and is under process.

Your Company has implemented a scheme for 100% utilization of treated sewage water for gardening purpose in February 2011.

Your Directors are pleased to inform that conservation, protection & promotion of clean and green environment is of vital concern in all facets of its business. As a part of Environment Management System, our conscious efforts are on towards waste minimization, recycling and conservation of natural resources to the maximum possible extent for the protection of environment. The Fertilizer Group of plants has maintained zero process effluent discharge system. The revamping of our Effluent Treatment Plants is in progress for enhancing its treatment capacity.

Your Company is continuously looking for new ways for conservation of natural resources (water, energy and raw materials) and wastes minimization for the protection of environment. The multifarious eco-friendly initiatives adopted by your Company include:-

- Implementing energy conservation schemes.
- Reducing the use of natural resources like fuel, water etc.

DIRECTORS' REPORT (Contd.)

- Promoting the use of alternative fuels and materials.
- Tree plantation campaigns.
- Awareness programs for employees at all levels and for community.
- Complying with statutory requirements as applicable from time to time in letter and spirit.

The gaseous emission generated through different processes from plants is maintained well within the permissible limit through sophisticated Air Pollution Control Devices and the scrubbing liquor emanating from the plants are used for recovering important resources. Your Company is also going for installation of GAS Detectors in different plants and Ambient Air Monitoring Stations in four directions in the premises for continuous monitoring of gaseous pollutants.

Majority of hazardous solid wastes are sold to recyclers authorized by the Pollution Control Board and the remaining solid wastes are disposed off at Pollution Control Board approved facilities.

During the year under review, your Company was conferred with the prestigious "Gujarat State Safety Award 2009" a Certificate of Honor from Gujarat Safety Council and Director Industrial Safety & Health for achieving more than 30 Lacs million man-hours without any accident among Category- 1 Group A Industries.

External statutory audit for Safety & Health was conducted by British Safety Council for all the four Units during Nov.-Dec.2010.

Your Company has obtained BS EN 16001:2009 Energy Management System Certification in July, 2010. This system will help your Company to improve energy performance including energy efficiency. It will also lead to reduction in energy cost and Green House Gases emission through systematic management of energy.

Your Company is also conscious about the environment and the ecological balance and is promoting horticultural activities. It has taken initiative to make GSFC greener by planting large number of quality trees such as Banyan, Pipal and Neem, thus also supporting the initiative of the Govt. of Gujarat in this direction.

Q. HUMAN RESOURCES

Your Directors are happy to acknowledge that with the competent, motivated and cost conscious personnel, the Company made significant strides in its operations. The employees have been able to meet the challenges from time to time to improve upon the performance of its plants through efficiency, productivity and economy. Your Directors are happy to place on record their appreciation for the sincere efforts and contributions made by the employees of the Company.

The pending issue of permanency of contract labours has been successfully resolved during the year. With a view to sensitizing the employees towards higher productivity, your Company has introduced a Production, Productivity & Profitability linked Incentive Scheme from F.Y. 2009-10 effective for three years and a settlement to this effect has been signed with the Employees' Union during the year.

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

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 : Fertilizernagar
Date : 28th July, 2011

Sd/-
A. K. Joti
Chairman

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) Operation of Turbine driven BFW pump for Process requirements, Ammonia - III Plant.

MP Steam generated in Ammonia-III Plant used to drive turbine driven pump, in place of motor driven pump. It resulted into annual power saving of 8 Lacs units (Rs. 30 Lacs).

2) Supply of CW from Ammonia - I Cooling Tower to Ammonia-III Plant to reduce power consumption.

CW supply from Cooling tower, commonly used for Ammonia-I Plant and Urea Plant, started to Ammonia-III Plant also, in place of using dedicated cooling tower for Ammonia-III Plant. It resulted into annual power saving of 3.60 Lacs units (Rs. 13.50 Lacs).

3) Utilization of LP Steam of Ammonia -IV Plant in Co Gen-III Plant Deaerator.

Up till now, MPS (14 K) steam was used in Co-Gen-III Plant Deaerator, operated at ~2K pressure. LPS (4.5K) at Ammonia-IV Plant is in excess and therefore either vented or used in TG to produce power. Feeding of LPS of Ammonia-IV Plant at rate of ~5 MTPH to Co-Gen-III Deaerator in place of MPS, resulted into NG saving by 9.80 Lacs SM³/Year (Rs. 117 Lacs).

4) MP steam generation from HP condensate blow down at Ammonia-IV Plant.

Blow down of HP condensate was carried out in LP flash drum. As LPS (5K) is in excess, it was vented. Scheme implemented to carry out flashing of HP condensate first to produce MPS (37K) and then LPS. This resulted into additional MPS generation by 17000 MTPY. Equivalent reduction in NG consumption, used for steam generation at boiler, is 13.60 Lacs SM³ /Year (Rs. 163 Lacs).

5) Trimming of Semi lean solution pumps (P-0301B/R & P-0302/R) impeller, at Ammonia-IV Plant.

The pump was developing higher head than required. The impeller of the pump trimmed to the extent possible. It resulted into annual power saving of 9.79 Lacs units (Rs. 36.73 Lacs).

6) Optimization of power generation unit operation, at Ammonia-IV Plant.

About 20 MTPH of LPS venting, due to non functioning of power generation unit (TG), was noticed. Additional MPS generated at Co-Gen Plant and with proper ratio of MPS to LPS, TG started. Additional annual power generation on account of LPS only is 120 Lacs units (Rs. 450 Lacs).

7) Stoppage of dedicated CW pump for MEKO Plant.

Supply of CW to MEKO Plant started by interconnecting CW supply header to Capro-I Plant and dedicated CW pump, being operated for MEKO Plant, was stopped. It resulted into annual power saving of 2.40 Lacs units (Rs. 9 Lacs).

8) Stoppage of dedicated CW pump and Cooling tower (CT) for Zone-40 section of Lactam Plant, Caprolactam-I.

Separate CT and CW pump were operated to maintain AC in Zone 40 of Lactam Plant. Supply of CW to AC Unit of Zone 40 was started by interconnecting CW header of the AC Unit to the main cooling water header. It resulted into annual power saving of 1.76 Lacs units (Rs. 6.60 Lacs).

9) Judicial running of Refrigeration compressor at Caprolactam-I.

Operation of HX Plant, a major consumer of refrigeration load, was reviewed and it was found possible to keep one refrigeration compressor non operative for many days, based on production level of HX plant. The change in the operation strategy resulted into annual power saving of 44 Lacs units (Rs. 165 Lacs).

10) Optimization of CW pumps operation at Nylon-6 Plant.

Depending upon the margin available in CW pumps, used for continuous section, CW supply started to Batch section also. Dedicated CW pump for Batch section is now operated only for ~4 hrs/day, in place of 24 hrs/day, to meet CW requirement during specific operation only. The change in the operation strategy resulted into annual power saving of 0.30 Lac units (Rs. 1.13 Lacs).

11) Use of Hollow FRP blades at Nylon-6 Plant.

Solid aluminum blades of 3 Nos. of fans of Cooling tower replaced by Hollow-FRP blade to reduce power consumption. It resulted into annual power saving of 0.60 Lac units (Rs. 2.25 Lacs).

12) Power conservation in various pumps at Caprolactam -II Plant.

Various tactics viz. supply of material by gravity, installation of higher size impeller to avoid running of two pumps, direct supply of product to avoid double pumping, use of common pump for product withdrawal and reflux, installation of smaller capacity pump, trimming of impeller etc. adopted in different pumps to reduce power consumption. It resulted into combined annual power saving of 6.40 Lacs units (Rs. 24 Lacs).

13) Installation of VAHP-2 in HAS Plant, Caprolactam -II Plant.

While considering sizing of stand by VAHP unit, installation of higher capacity unit is carried out to take load of ANONE AHU having 162 TR capacity operating on electric power. This resulted into reduction in power consumption for running A.C. unit making use of excess low pressure steam. It resulted into annual power saving of 12 Lacs units (Rs. 45 Lacs).

Above mentioned measures resulted into aggregate annual saving at a rate of 208.85 Lacs units (Rs. 783.21 Lacs) and 23.40 Lacs SM³ NG (Rs. 280 Lacs).

ANNEXURE TO THE DIRECTORS' REPORT (Contd.)

Measures under consideration at Baroda Unit :

1) **Replacement of Combustion Air Pre heater for energy improvements, Ammonia-III Plant.**

Existing air preheater will be replaced by efficient one. This will preheat combustion air more and will reduce flue gas temperature from 205°C to 150°C. This will reduce NG fuel requirement in Reformer. The anticipated NG saving is 1.97 Lacs SM³/Year (Rs.23.60 Lacs).

2) **Replacement of semi lean solution pump P-0302R, at Ammonia-IV Plant.**

Even after carrying out trimming of pump, generated head is higher than required. Scheme for replacement of the existing pump with suitable head pump is under consideration. The anticipated power saving is 1.84 Lacs units /Year (Rs. 6.90 Lacs).

3) **Installation of small capacity cooling tower with small capacity pump, at Ammonia-IV Plant.**

With power generation unit in operation, the capacity of cooling tower is limiting. A scheme for incorporation of additional cooling tower with additional CW pump to increase CW circulation from 20500 M³/Hr to 24000 M³/Hr is under process. The anticipated power saving is 48.80 Lacs units/Year (Rs. 183 Lacs).

4) **Trimming of Semi lean solution pump (P0301A) impeller, at Ammonia-IV Plant.**

The pump was developing higher head than required. The impeller of the pump will be trimmed during next annual shutdown. The anticipated power saving is 6.86 Lacs units /Year (Rs. 25.73 Lacs).

5) **Use of Flash gas as feed to CO₂ absorber, at Ammonia-IV Plant.**

The flash gas generated in CO₂ MP Flash column, contains 35% H₂, and hence used as fuel in Reformer. A scheme to feed this gas after pressurization to CO₂ absorber is under consideration. The anticipated more generation of Ammonia is ~333 MTs per annum. Equivalent NG saving is 10.60 Lacs SM³/Year (Rs. 127.20 Lacs).

6) **Heat recovery from Blow down condensate, at Ammonia-IV Plant.**

At present, blow down condensate at 156°C is diverted to Cooling tower basin. A scheme for recovery of heat from 156°C to 85°C is under process. The anticipated more generation of LPS is ~12000 MTs per annum, which will produce additional power by 14.85 Lacs units /Year (Rs. 55.70 Lacs).

Measures taken at Sikka Unit :

1) **Direct supply of Ammonia from Rail / Road tanker to plant in place of ammonia storage tank.**

Instead of unloading Rail/Road tankers of ammonia into storage tank, consumption of bulk quantity of ammonia from Rail/Road tankers started into DAP Plant directly. It resulted into reduction in vapour ammonia load on compressors and subsequent annual power saving of 7.50 Lacs units (Rs. 39.38 Lacs).

2) **Energy saving by using Energy efficient lighting sources.**

Replacement of 125 Nos. of ordinary ballast by electronic ballast in tube lights, 110 Nos. of 160 W MLL lamps by 125 W HPMV lamps, 30 Nos. 400 W HPSV lamps by 250 W HPSV lamps resulted into aggregate annual saving of 0.40 Lac units (Rs. 2.10 Lacs).

Above mentioned measures resulted into aggregate annual saving at a rate of 7.90 Lacs units (Rs. 41.48 Lacs).

Measures under consideration at Sikka Unit :

1) **Stoppage of atomization air compressor due to use of NG in place of Furnace Oil.**

Due to switch over from Furnace oil to NG, it will not be required to run Atomization air compressor. The anticipated power saving is 1.34 Lacs units /Year (Rs. 7.06 Lacs).

2) **Energy saving by using Energy efficient lighting sources.**

Replacement of filament indicating lamps by LED type lamps, ordinary tubelights by CFL lamps and ordinary tubelights by T5 fittings, will reduce power consumption. Anticipated aggregate annual power saving through above mentioned measures is 0.847 Lac units (Rs. 4.45 Lacs).

Measures taken at Polymers Unit :

1) **Installation of Variable Frequency Drives (VFD) at Aerators of ET Plant.**

Installation of 6 nos. of VFD at all Aerators of ET Plant having 30 HP motor, carried out. Electrical frequency reduces as per loading effluent input and final resultant output quantitatively. It resulted into annual power saving of 0.63 Lac units (Rs.2.38 Lacs).

2) **Use of Voltage stabilizer at Air Compressor-E for power conservation.**

A voltage stabilizer installed at Air Compressor "E" having 45 KW motor to control voltage with constant power in the range of 390~395 volts. It resulted into annual power saving of 0.16 Lac units (Rs.0.60 Lac).

3) **Use of sedimentation pit to reduce loading on effluent pump.**

Approx. 70 M³/day of generated sewage water is supplied to ET Plant. An arrangement of sedimentation pit is made to settle the sludge and to pump sewage water for gardening purpose. It resulted into reduction in quantity of effluent required to be pumped and thereby annual power saving of 0.27 Lac units (Rs.1.01 Lacs).

4) **Use of solid KR waste as fuel in incinerator to produce steam.**

Successful trial of using solid waste KR as one of the fuels in incinerator, taken. It resulted into saving of fuel equivalent to steam generation of ~60 MTPY. Annual NG saving of 0.048 Lac SM³/Yr (Rs.0.96 Lac) realized.

Above mentioned measures resulted into aggregate annual saving at a rate of 1.06 Lacs units (Rs. 3.99 Lacs) and 0.048 Lac SM³ NG (Rs. 0.96 Lac).

ANNEXURE TO THE DIRECTORS' REPORT (Contd.)

Measure under consideration at Polymers Unit :

1) Use of efficient lighting.

To reduce power consumption, use of CFL and lower voltage is planned. The anticipated annual saving in power is 0.32 Lac units (Rs. 1.21 Lacs).

Measures taken at Fiber Unit :

1) Quench air supply blower pulley replacement for Spinning Line 4 & 5.

Quench air supply blower pulley of 250 mm dia replaced by 235 mm dia pulley, for spinning line 4 & 5. It resulted into annual power saving of 0.27 Lac units (Rs. 1.33 Lacs).

2) Installation of AC drive for spin pump (1/2P 100.1.2) in polymerization section.

For transfer of polymer melt from VK tube to cutter head, existing system with reduction gear mechanism replaced by AC drive. It resulted into annual power saving of 0.75 Lac units (Rs. 3.72 Lacs).

3) Installation of AC drive & AC motor for rotary feeder for chips transfer from dryer to chips receiver in polymerization section.

Existing rotary feeder system with DC motor & DC drive replaced with AC drive & AC motor. It resulted into annual power saving of 0.34 Lac unit (Rs. 1.70 Lacs).

Above mentioned measures resulted into aggregate annual saving at a rate of 1.36 Lacs units (Rs. 6.75 Lacs).

Measures under consideration at Fiber Unit :

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

Existing CFC based centrifugal compressor chillers replacement with non CFC based improved and efficient chillers will be carried out. The anticipated annual power saving is 23.46 Lacs units (Rs. 117 Lacs).

2) Installation of variable speed drive screw air compressor.

It is planned to install screw air compressor equipped with variable frequency drive mechanism. The anticipated annual power saving is 15 Lacs units (Rs. 74.79 Lacs).

3) Installation of variable frequency drive system on AHU blowers.

Optimization of air handling units to reduce air flow and cooling load with installation of variable frequency drive mechanism for various blowers will be carried out. The anticipated annual power saving is 2.10 Lacs units (Rs. 10.47 Lacs).

4) Replacement of take up air supply blowers of Spg line no 1 & 4/5.

Existing motor pulley of blowers to be replaced with lower size motor pulley. The anticipated annual power saving is 0.40 Lac units (Rs. 2 Lacs).

B) CONSERVATION OF RAW MATERIALS AND CHEMICALS

Measures taken at Baroda Unit :

1) 100 % Reuse of Treated Sewage for horticultural purposes at FNC.

Sewage generated (1700 M³/day) from FNC Township is treated in Sewage Treatment Plant. Out of this, ~1000

M³/day of treated sewage is used for development of plantation at Chalk Heap, golf ground, pavilion etc and the rest ~700 M³/day was disposed off to ECPL Channel alongwith other treated effluents. A scheme for 100% utilization of treated sewage for horticultural purposes at FNC, implemented. It resulted into reduction of Raw water usage by 2.52 Lacs M³/Yr, equivalent to Rs. 33.59 Lacs/Yr.

Measure taken at Sikka Unit :

1) Installation of high performance weighing machines.

In Bagging Plant, two nos. of old weighing machines (W/Ms) were replaced with new W/Ms to increase the accuracy and minimize weight variation. Considering the performance and accuracy of new W/Ms, overflow weight has been decreased from 0.040 Kg to 0.010 Kg in each machine. Saving of 0.030 Kg product per bag in each machines, realized. It resulted into material saving of 45.645 MTs annually equivalent to Rs. 12.49 Lacs.

Measure under consideration at Sikka Unit :

1) Recovery of waste water by using it at Cooler and Tail gas scrubber.

It is under consideration to recover wastewater and use it into Cooler and Tail gas scrubber in Train A. This will reduce fresh water make up requirement by 49500 M³/year (Rs. 2.23 Lacs/Yr).

Measures taken at Polymers Unit :

1) Reduction of E-Grade Acrylic sheet production by reducing impurities.

Reduction of impurity content in monomer as well as proper planning of higher thickness acrylic sheets resulted into less generation of 'E' grade Acrylic sheets. It resulted into saving of 3.60 MTPY Acrylic sheets, equivalent to Rs. 2.52 Lacs/Yr.

2) Use of sedimentation pit to reduce loading on effluent pump.

Approx. 70 M³/day of sewage water is generated, which is supplied to ET Plant. An arrangement of sedimentation pit is made to settle the sludge and to pump sewage water for gardening purpose. It resulted in reduction in quantity of effluent as well as Raw water consumption by 14400 M³/Yr (Rs. 6.4 Lacs).

Measures under consideration at Polymers Unit :

1) Recycling of effluent water.

Usage of effluent in place of Raw water for plantation and office building using zero discharge scheme method (evaporation type), started. Anticipated saving is 36500 M³/Yr of effluent and 36500 M³/Yr consumption of water. Combined estimated saving i.e. due to saving of raw water and for effluent processing is Rs. 18 Lacs/ Yr.

2) Increase in Cycle of Concentration (CoC) of Cooling Treatment with proper chemical treatment.

To reduce loss on account of blow down water and there by to save Raw water as well as cooling water treatment chemicals, it is planned to improve the Cycle of concentration (CoC) by implementing proper Cooling water treatment. Anticipated saving is 9000 M³/Yr of soft water and 150 MTs Steam/Yr due to better heat transfer system. Total estimated saving is Rs. 4.65 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 : 2010-11

A. POWER AND FUEL CONSUMPTION

PARTICULARS	2010-11	2009-10
1. ELECTRICITY		
(A) PURCHASE		
UNIT : MWH	329983	446118
AMOUNT Rs. in Lacs	14668.82	16277.14
Rate Rs. / KWH	4.45	3.65
(B) Own Generation		
Unit : MWH	195294	140989
KWH Per Ltr. of		
Fuel/Gas	2.51	2.45
Cost Rs./KWH	2.84	3.72
2. LSHS		
QUANTITY – MTs	5137	6916
Amount Rs. in Lacs	1410.79	1627.40
Average Rate Rs./MT	27465.51	23530.11
3. NATURAL GAS		
Quantity in '000 SM3	540382	551946
Amount Rs. in Lacs	48808.83	42858.97
Average Rate 1000/SM3	9032.28	7765.07

B. CONSUMPTION PER UNIT OF PRODUCTION

Sr. No.	Product	Power		Steam		Natural Gas	
		2010-11 KWH	2009-10 KWH	2010-11 MTs	2009-10 MTs	2010-11 SM3	2009-10 SM3
1	Ammonia	309	329	0.580*	0.972*	845	856
2	Sulphuric Acid	36	34	0.780*	0.803*	0.079	0.092
3	Phosphoric Acid	266	273	0.792	0.744	2.461	0.628
4	Urea	189	185	1.588	1.544	-	-
5	DAP	0	0	0.000	0.000	0	5
6	ASP	35	37	0.005	0.002	5	5
7	Melamine	1758	1765	7.014	6.789	341	328
8	Caprolactam (Old)	2270	2328	10.960	11.829	84	101
9	Caprolactam (Exp.)	1307	1315	6.949	6.838	22	38
10	Nylon – 6	912	988	1.835	1.939	-	-
11	ACH	560	519	0.926	0.924	63	77
12	Monomer	751	699	2.951	2.936	-	-
13	MAA	449	442	4.133	4.139	-	-
14	AS	30	27	0.217	0.240	-	-
15	Sheets	1693	1651	7.342	7.500	-	-
16	Pellets	703	605	1.084	1.080	-	-
17	DAP (Sikka Unit)	56	50	0.018	0.015	-	-
18	NPK(12:32:16)(Sikka Unit)	0	0	0.000	0.000	-	-
19	NPK(10:26:26)(Sikka Unit)	0	0	0.000	0.000	-	-
20	Nylon Chips	682	721	-	-	-	-
21	Nylon Filament Yarn	4518	4597	-	-	-	-

* Indicate Export from Plants

C) TECHNOLOGY ABSORPTION

EFFORTS MADE IN TECHNOLOGY ABSORPTION

As per enclosed FORM – B

D) FOREIGN EXCHANGE USED AND EARNED : 2010-11

Foreign Exchange Outgo :

(i) C.I.F. VALUE OF IMPORTS	Rs. Lacs
(a) Raw Materials	135590.04
(b) Stores & Spares	1184.91
(c) Capital Goods	2613.21
TOTAL (i)	139388.16
(ii) EXPENDITURE IN FOREIGN CURRENCY	
(a) Interest	487.10
(b) Technical Asstt./Know How	22.67
(c) Others	4826.18
TOTAL (ii)	5335.95
TOTAL (i) + (ii)	144724.11

Foreign Exchange Earned :

FOB VALUE OF EXPORT OF	Rs. Lacs
Caprolactam	5691.85
MEK Oxime	2387.90
Anhydrous Ammonia	14.36
Cyclohexane	87.53
Sulphuric Acid	1.10
Ammonium Sulphate	185.19
TOTAL	8367.93

ANNEXURE TO THE DIRECTORS' REPORT (Contd.)

FORM-B

Form for disclosure of particulars with respect to Technology Absorption : 2010-11

RESEARCH & DEVELOPMENT (R & D)

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

The areas are Polymers & Fibers, 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.

(2) BENEFITS DERIVED :

(A) Development of New Products :

1. Work for setting up 1200 MTs capacity HX Crystal Plant is started after successful generation of Bench scale & Pilot scale process data for setting up commercial scale HX Crystal Plant.
2. Around 115 MTs of 19-19-19, one of the most popular water-soluble fertilizers, has been manufactured based on in-house process know-how and released in the market under **SARDAR NUTRISOL** brand.
3. 56,200 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.
4. Market seeding and application trials of newly developed GUJCON – PRF and GUJCON – CRF Nylon 6 staple fiber products are underway in construction industry.
5. 1500 MTPY capacity plant of R&D developed water soluble fertilizer - Urea Phosphate was operated. However, during continuous production runs, reactor wall was found damaged and repairing work is under progress.
6. Development, Customization & Commercialization of different Flame Retardant grades of Nylon-6.
7. Development of new colour formulation for Nylon-6.

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

1. Plant support services rendered by R&D improved operational efficiency of various plants.
2. Testing of initial performance of various catalysts used by the plant provided valuable support to plants in selection and approval of those catalysts.
3. 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. R&D also develops suitable analytical / microbiological methods to cater to the above requirements.
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. Monitoring of Cooling Towers for Biocide Efficacy.
6. Support to marketing for entering new market segments, by developing new customized polymer products through compounding route for satisfying customers.
7. Support to plants through replacement of input materials by better quality and cost effective alternate materials for production of different Nylon 6 grades.

(3) FUTURE PLAN OF ACTION :

1. 1200 MTs per year capacity Hydroxyl Amine Sulphate Crystal project construction and installation.
2. Stabilization of production of 1500 MTPY Urea Phosphate Plant.
3. To develop new Nylon-6 and Acrylic based value added products having synergy with company's existing line of business and to 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.
4. To continue to extend support services to the process plants for process trouble shooting, product quality upgradation and improving process efficiency etc..
5. Commercialization of Nylon-6 fiber as secondary reinforcement for Reinforced concrete as well as development of value added new Nylon-6 fibers for specialty applications.
6. To provide catalyst testing service to plants to evaluate initial performance of various catalysts before being loaded in to the plants.
7. To introduce more FCO approved grades of water-soluble fertilizers under SARDAR NUTRISOL Brand for drip and foliar/ soil applications subject to Marketing requirement.

(4) EXPENDITURE ON RESEACH & DEVELOPMENT :

	Rs in Lacs
(a) Capital	00.00
(b) Recurring	1231.18
(c) Total	1231.18
(d) Total R & D Expenditure as a percentage of Net Sales	0.26%

TECHNOLOGY ABSORPTION, ADOPTION AND INNOVATION

In house development of process technology for Hydroxylamine Sulfate Crystal product was accomplished. The technology is being commercialized through setting up commercial scale 1200 MTs / Year capacity plant based on in house designing and engineering.

The project is at implementation stage.

Information regarding technology imported during the last five years : NIL

MANAGEMENT DISCUSSION AND ANALYSIS REPORT

CAUTIONARY STATEMENT

Some of the statements made in this "Management Discussion & Analysis Report" regarding the economic and financial conditions and the results of operations of the Company, the Company's objectives, expectations and predictions may be futuristic within the meaning of applicable laws/regulations. These statements are based on assumptions and expectations of events that may or may not materialize in the future.

The Company does not guarantee that the assumptions and expectations are accurate and/or will materialize. The Company does not assume responsibility to publicly amend, modify or revise the statements made therein nor does it assume any liability for them. Actual performance may vary substantially from that expressed in the foregoing statements. The investors are, therefore, cautioned and are requested to take considered decisions with respect to these matters.

1 MACRO ECONOMIC OVERVIEW

The Indian economy showed robust economic growth during 2010-11. The country faced many structural challenges like economic governance, building of infrastructure and efficiency in delivery of subsidies. Addressing these challenges, initially helped to moderate inflation, improve economic inclusion, boost investment and increase the growth rate of agriculture during 2010-11. Inflation continued to be high though it reduced slightly over the fiscal year.

The growth rate in GDP at factor cost with constant prices in 2010-11 was estimated to be 8.6% as compared to 8.0% in 2009-10. The growth rates were 5.4% in agriculture and allied activities, 8.1% in industry and 9.6% in services, as compared to 0.4%, 8.0% and 10.1% respectively during 2009-10.

The agriculture sector got a boost due to good rains during Kharif 2010. The rainfall received was 912.8 mm, which was 2% above average. Out of 36 meteorological sub-divisions, 31 received excess/normal rainfall and 5 received deficient rainfall. The food-grain production increased substantially from 218.11 million tones in 2009-10 to 232.07 million tons in 2010-11, a rise of 6.4%.

Gujarat, where all the production units of the Company are located, showed a spectacular economic growth rate of 10.14%. Gujarat's share in India's export was 20.8%. Since 2002-03, Gujarat's GDP has shown an annual growth rate of 10.62% which is substantially above the national growth rate of 7.77%. During the Vibrant Gujarat Global Summit-2011, Gujarat attracted investments worth Rs. 20.83 Lac Crores. In agriculture, Gujarat showed outstanding performance - it became the largest producer of cotton and contributes 12% to India's textile exports. Gujarat continues to be one of the most industry friendly states of the country.

Thrust on Agriculture :

The agriculture sector is crucial for India's economic development and a very important driver of macro-economic performance. It is a critical element of the national growth strategy. In line with the process of economic development, the share of the agricultural sector in the GDP shows change over the years, but even today about 52% of the population depend on the agriculture for livelihood. The Eleventh Five Year Plan lays greater emphasis on the reversal of decline in agricultural growth rates and has identified the areas whereby 4% annual growth can be achieved. Thrust on increasing area under irrigation, favorable terms of trade to farmers, better and cheaper access to credit, more investment in agriculture, use of latest technology including the use of new and specialty fertilizers for application based on soil report would certainly help in giving momentum to the agricultural growth.

Gujarat is the primary market for Fertilizers manufactured by your Company. The programs implemented by the State Government have helped immensely in improving the agricultural productivity and out of your Company's fertilizer sales in India aggregating 15.69 Lac Tons, 8.42 Lac Tons were sold in the State of Gujarat, which constitutes 53.7% of its total Fertilizer sales. The performance of Gujarat in the agricultural sector has been one of the best in the Country. Helped by the Krushi Mahotsav and other initiatives of Gujarat Government, the State leads in agricultural growth. The Gujarat Green Revolution Company Ltd. (GGRC) has helped to cover 3.24 Lac Hectares of land under drip irrigation in Gujarat. During the Golden Jubilee year of Gujarat (April 2010 to March 2011), an additional area of 1.30 Lac Hectares was brought under drip irrigation by GGRC.

GSFC sold 15.69 Lac Tons of Fertilizers, as compared to the last year's sales of 17.78 Lac Tons, which was lower by 11.75%. This was mainly due to constraints in the availability of raw materials, particularly imported phosphoric acid, for the Sikka Plant. Out of the total sales of 7.07 Lac Tons of DAP, the Company sold 4.07 Lac Tons in Gujarat, thus maintaining the highest market share of 50%, followed by IFFCO (25%) and Indian Potash Ltd. (12%). In case of Ammonium Phosphate Sulphate (APS), the Company could attain the highest market share of 51% in Gujarat, followed by Gujarat Narmada Valley Fertilizers Company Ltd. (GNFC) at 46%.

2 OPPORTUNITIES & THREATS

2.1 Nutrient Based Subsidy Policy (NBS) :

Government of India has introduced a Nutrient Based Subsidy (NBS) scheme w.e.f. April 1, 2010. Under this new regime, for phosphatic and potassic and certain other Fertilizers, the subsidy was given based on the amount of nutrients contained in the fertilizers sold. The rates announced were viz. Nitrogen Rs.23.227/Kg, Phosphorus Rs.26.276/Kg, Potash Rs.24.487/Kg and Sulphur Rs.1.784/Kg. The Government allowed the selling prices of these Fertilizers to be

MANAGEMENT DISCUSSION AND ANALYSIS REPORT (Contd.)

determined by the companies/ suppliers based on the market forces. Thus, a regime of fixed subsidies and floating prices was introduced for products covered under the NBS policy. However, Urea remained under the retention price scheme, but its MRP was raised by 10%, i.e. from Rs 4,830/MT to Rs. 5,310/MT from April 1, 2010.

The implementation of NBS was meant to encourage the use of Fertilizers by farmers as per the balanced nutrient requirements of the crop/soil, as well as bring control on the amount of subsidy given. The balanced nutrient application would help in restoring soil health. The farmers have also been encouraged to use complex Fertilizers in a big way. Special subsidies on Zinc & Boron fortified Fertilizer have boosted their use by farmers.

The Government modified NBS in January, 2011 and accordingly from 1st January, 2011 to 31st March, 2011, the subsidy on DAP was reduced by Rs.300/MT (-1.8%). For other NPK grades also, the subsidy was reduced. The Government has again modified the NBS from April 1, 2011 and accordingly from 1st April, 2011 till 31st March 2012, the subsidy on DAP has been increased from Rs.16268/MT to Rs.19763/MT, an increase of Rs.3495/MT(+21%). Subsidies for other Phosphatic Fertilizers were also increased.

GOI also declared that the secondary freight from last point to retailing point will be given separately. Secondary freight for the P&K Fertilizers will be paid in line with the "Uniform Freight" applicable for urea. Freight for direct road movement (primary movement) would be subject to lower of actual claim and equivalent of rail freight. Freight rates for different distance slabs have been announced by DOF.

2.2 Areas of Concern - Raw Material Utility Prices :

Due to political unrest in Middle East & African Countries, supply of raw material especially phosphoric acid & rock phosphate has been affected and this has adversely affected the production of fertilizers using Phosphoric Acid (PA) as raw material, in the country. Any increase in the gas price would also have an impact on the cost of production.

The international prices of raw materials and fertilizers showed a spurt during F.Y. 2010-11. The average CFR price of phosphoric acid which was USD 580/MT during 2009-10 rose to USD 791/MT (+36%) during 2010-11. Sulphur price experienced a steep rise during 2010-11, from around USD 95/MT to USD 172/MT, i.e. an increase of 81%. Average rock phosphate price also increased from USD 115/MT to USD 145/MT. Ammonia price also increased by USD 100/MT during 2010-11 as compared to 2009-10.

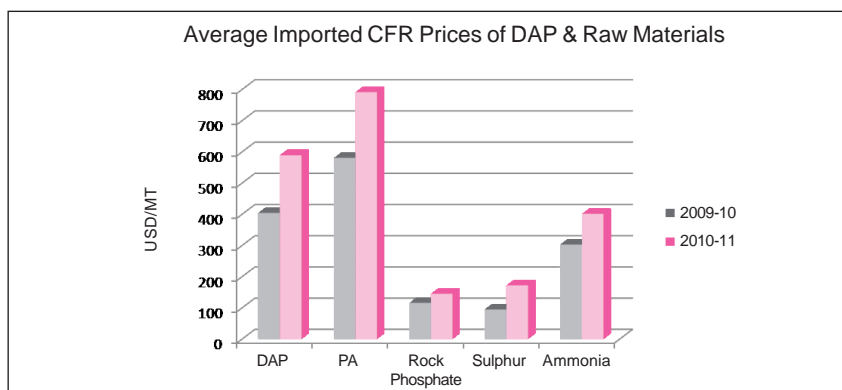
CFR price of PA in the International market which was USD 830/MT in Q4 of 2010-11 rose to USD 980/MT in Q1 of 2011-12. The price of imported Sulphur and Ammonia also rose substantially. The continued increase in crude oil prices is a matter of concern, which is impacting the road freight.

This rise in raw material prices in the international market had an impact on the finished DAP price. The average DAP prices during 2009-10 was about USD 404/MT and went up to USD 589/MT. Substantial imports of DAP around 74.11 Lac MT took place during the year 2010-11. All India DAP sales increased to 111.02 Lac MT but your Company could sell 7.08 Lac MT as against last year sales of 9.48 Lac MT due to non-availability of imported phosphoric acid for Sikka Unit.

Average Prices of Raw materials and Finished Products (USD / MT)

Product	2009-10	2010-11	% Increase/Decrease
DAP (C & F)	404	589	+46
PA (C & F)	580	791	+36
Rock Phosphate (C & F)	115	145	+25
Sulphur (C & F)	95	172	+81
Ammonia (C & F)	303	401	+32

Source: FMB – Various Issues



MANAGEMENT DISCUSSION AND ANALYSIS REPORT (Contd.)

2.3 Industrial Products :

The year as a whole showed consistent growth in demand for industrial products of the Company as the market was very favorable. The improvement experienced in the end-product markets of major industrial products of the Company led to a strong demand and increased levels of sales as compared to the previous year. Globally, the raw material prices rose to new heights which partly resulted into all time high prices of the major industrial products such as Caprolactam and Nylon-6 with better realizations. The prices were complemented by robust demand of finished goods. This helped sales of the major industrial products, especially Caprolactam, Nylon-6, Ammonia and Polymer products. The demand across all the end use segments like Automobile, Textile, Infrastructure, Housing, Consumer Durables etc. was strong, resulting in increased sale. Caprolactam accounts for approximately 51% of the total industrial products sales of the Company. The net sales of industrial products for the F.Y. 2010-11 rose by more than 25% over 2009-10. During the year under review, the Rupee remained fairly stable, thus having no major impact on the sales realization.

The growth prospects for the financial year 2011-12 may be dampened in part because of the high inflation. The GDP growth forecast for the Indian economy has been revised downwards to 8% as against 8.5% projected earlier. The world economy is also under pressure due to increase in oil prices and various factors including the political unrest in Middle East Countries. The world economy, which is currently growing at 2%, may again go under recession, if the oil prices rise to levels such as USD 150/barrel. The end use industries of Caprolactam viz. Automobiles and Textiles may no longer be in a position to absorb further increase in prices and hence downward trend in prices of Caprolactam and Nylon-6 is likely. Thus, the volumes, margins and sales are likely to come under pressure in 2011-12 as compared to 2010-11.

3 BUSINESS SEGMENT UPDATE

Product-wise performance in terms of production and sales for last ten years is tabulated below :

PARTICULARS	Unit	2010-11	2009-10	2008-09	2007-08	2006-07	2005-06	2004-05	2003-04	2002-03	2001-02
PRODUCTION											
FERTILIZERS	MT	1556172	1812570	1469470	1594703	1778070	1528265	1392018	1275764	1146668	1360661
CAPROLACTAM	MT	79577	81151	70913	79716	79666	78120	77150	68489	60004	59546
NYLON-6	MT	9464	8715	8783	8683	9145	7975	8691	7264	5424	5487
MELAMINE	MT	13938	13735	13655	14741	15335	15323	14823	15237	6643	11521
ARGON	'000NM ³	3327	3464	3183	3129	2912	3105	2245	3029	2756	2785
MONOMER	MT	4547	4597	3469	4156	4449	4053	4739	4472	3586	2665
ACRYLIC SHEETS	MT	721	687	552	642	664	574	398	498	469	358
ACRYLIC PELLETS	MT	1710	1937	1887	2023	2082	1936	1813	2159	2114	2010
NYLON FILAMENT YARN	MT	4361	4433	4498	4705	5169	5779	6069	5159	5311	4084
NYLON CHIPS	MT	5399	4652	5097	5950	4084	4546	3816	3553	2283	2073
SALES											
FERTILIZERS*	MT	1571500	1797894	1382463	1602782	1659381	1405491	1373289	1325562	1221559	1330856
CAPROLACTAM*	MT	61770	62650	53859	59710	63419	60660	57910	52528	46991	47707
NYLON-6	MT	9623	9189	8496	9138	9806	8285	9017	6613	6307	5777
MELAMINE	MT	13319	13695	14115	14804	15563	16717	15373	13417	10619	10062
ARGON	'000NM ³	3327	3464	3184	3138	2911	3111	2251	3033	2759	2817
MONOMER*	MT	2292	2282	1374	1706	2090	1762	2976	1610	1309	828
ACRYLIC SHEETS	MT	728	696	584	598	692	590	460	588	600	555
ACRYLIC PELLETS	MT	1855	1883	1916	2038	2178	1890	2012	1938	2149	2361
NYLON FILAMENT YARN	MT	4033	4081	4740	4391	4788	5619	5493	4948	5251	3964
NYLON CHIPS	MT	5251	4596	5500	5737	4095	4312	4133	3324	2351	2048

*excluding captive consumption

MANAGEMENT DISCUSSION AND ANALYSIS REPORT (Contd.)

3.1 Turnover :

In the Year 2010-11, turnover of the Company (including trading activities) was Rs. 4755.05 Crores as against Rs.4019.19 Crores in 2009-10. The increase in turnover was due to higher sales of both fertilizer and industrial products. The sale of fertilizers was Rs.3292.80 Crores and for Industrial Products, the Company registered net sales of Rs.1462.25 Crores as compared to Rs. 1149.46 Crores in the previous year.

The following table highlights the distribution of fertilizer products v/s industrial products in the net sales of the Company during the last two years :

	2010-11		2009-10	
	Rs. Crores	%	Rs. Crores	%
Fertilizers segment	3292.80	69.21	2869.73	71.40
Industrial Products Segment	1462.25	30.79	1149.46	28.60
Total	4755.05	100.00	4019.19	100.00

3.2 Exports :

MEK-Oxime and Caprolactam are the main products in Company's export basket. During F.Y. 2010-11, the export of Caprolactam was 4418 MTs as against 4896 MTs in F.Y. 2009-10. MEK-Oxime has been exported to about 30 countries and the export quantity was 2288 MTs in 2010-11 as against 2337 MTs in 2009-10.

4 OUTLOOK FOR 2011-12

With the announcement of NBS policy and the resultant fixation of subsidy on per ton basis on phosphatic/ potassic fertilizers, maximum retail price of the product can be altered by the manufacturers in relation to the raw material prices in the international markets and other costs. The policy may increase the volatility in the profit margins of the fertilizer industry, and cost efficient players will be better placed to combat the impact of this volatility. NBS policy on P&K fertilizers has been well received by all stake holders and the availability of fertilizers has also improved.

Considering the encouraging NBS policy for use of NP/NPK fertilizers, GSFC has a good and appropriate product mix, and the Company can benefit substantially by adding facilities to produce DAP and NP/NPK fertilizers preferably at Sikka Unit. This is being considered by your Company. Further, with subsidy provided on micronutrient fortified fertilizers, the manufacturers also benefit from the production of such fertilizers. Your Company is also examining the possibilities to manufacture such type of customized fertilizers.

The Union Budget-2011-12 has now accorded an infrastructure status for investment in fertilizer projects, and this is a major policy advance in encouraging investment in the fertilizer sector which can be used by the Company to its benefit. Other measures such as better access to credit, extra emphasis on irrigation, micro-irrigation and soil testing, and improvement in rural infrastructure would further improve growth opportunities in the agriculture sector. The extension of NBS regime to cover urea is under active consideration of the Government, and the provision of direct transfer of fertilizer subsidy to farmers is being explored.

Under NBS policy, there was a cap prevailing on pricing of phosphatic fertilizers. Recently, the Department of Fertilizers, GOI has issued a notification whereby the pricing cap has been lifted and accordingly, the market price of subsidized P&K fertilizers is open for fixation by the manufacturers at reasonable level.

Farmers of Gujarat generally prefer indigenous fertilizers to imported material and besides NP/NPK complexes, the demand for DAP is likely to rise. Considering your Company's good presence in these potential markets and the good brand preference enjoyed, there may not be much problem in the sale of DAP it produces. Inclusion of ammonium sulphate in the subsidy fold has also significantly helped your Company to increase its sales volume. Your Company has well established market for APS and since subsidy is considered on the sulphur content, the policy has a favorable impact on the Company.

With wide spread monsoon, the Company should do well on fertilizer sales front. Sizable imports of DAP/NP/NPK have been planned by GOI during 2011-12 but due to sharp increase in prices in the international markets, the actual imports so far were less than the projected quantity and hence availability at present remains tight. It is expected that with the arrival of fresh shipments of imported fertilizers, the situation may improve.

MANAGEMENT DISCUSSION AND ANALYSIS REPORT (Contd.)

5 RISK MANAGEMENT

Risks due to fluctuation in input prices, foreign exchange rates, changes in Government policy, insufficient availability of natural gas and problems in availability of raw material in the international market may affect the profitability of the Company. The Company is instituting a comprehensive risk management system to keep track of and address most of these risks. An effective foreign exchange risk management policy/system is already in place.

In the international market, the prices of Ammonia, Sulphur, Phosphoric Acid and DAP are rising. Now, with fixed subsidy and floating MRP, market may experience frequent changes in the price of domestic Phosphatic Fertilizers depending upon the cost of production of the manufacturers. However, good and widely distributed rainfall, regular and comparatively cheaper availability of raw materials and timely reimbursement of subsidy by the Govt. of India would be the major factors for sustaining the Company's operations profitably.

In the 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 production of various complex grades at Sikka, proper product/segment strategies and effective risk management systems to maximize the sales and achieve a good and stable contribution from its product basket.

6 FINANCIAL PERFORMANCE

Your Directors are pleased to present, in the Table below, a brief highlights of Company's financial performance:

	Performance	Increase
Sales Turnover	Rs. 4755 Crores	+18%
EBIDTA	Rs. 1273 Crores	+126%
Profit Before Tax	Rs. 1112 Crores	+186%
Net Profit (PAT)	Rs. 749 Crores	+194%

As can be seen, your Company has attained new heights in financial performance and this has improved across all the key performance parameters. The sales turnover achieved for the year ended March 31, 2011 was Rs. 4755 Crores, which registered a growth of 18% over the previous year. The EBIDTA increased by 126% from Rs. 563 Crores to Rs. 1273 Crores. The profit before tax increased by 186% to Rs. 1112 Crores and the profit after tax by 194% to Rs. 749 Crores.

The Company has recorded highest ever Net Profit of Rs. 749 Crores which is almost three times the Net Profit of Rs. 254 Crores achieved during the previous year. The Compounded Annual Growth rate of Net Profit for the last five financial years is 29%. The earning per share (EPS) for the year was Rs. 94.03.

Your Directors have recommended 70% dividend aggregating Rs. 64 Crores including Dividend Distribution Tax. Thus, the retained earnings of Rs. 685 Crores have increased the net-worth of your Company from Rs. 2144 Crores at the close of previous year to Rs. 2829 Crores during 2010-11.

At the end of financial year 2010-11, the Company had the net borrowing of Rs. 392 Crores as against Rs. 688 Crores as on March 31, 2010. During the year, the Company has liquidated deposits with limited companies amounting to Rs. 538 Crores and has parked surplus funds amounting to Rs. 558 Crores with Banks in Short Term Deposit at the end of March 2011. Your Directors are pleased to inform that your Company continues to be a debt free Company.

Your Company maintains a healthy credit rating of 'PR1+' for short term borrowings and 'Care AA' for long term borrowings from CARE and 'F1+' for short term borrowing and 'AA' with 'stable' outlook from FITCH.

7 RESEARCH AND PROMOTIONAL ACTIVITIES

Your Company has a state-of-the-art Soil & Water Testing Laboratory since 1969. It undertakes testing of soil quality to determine deficiencies, if any, for supplementing with fertilizers including micronutrients & soil amendments like Gypsum and to guide the farmers on balanced use of fertilizers. To help in the mission of Govt. of Gujarat for providing Soil Health Card to each farmer, your Company has analyzed a large number of soil samples.

A Mobile Soil Testing-cum-Audio-Visual Van is also being operated to provide speedy soil and water testing services at the doorstep of the farmers.

Your Company, a leader in banana tissue culture in the State of Gujarat, is providing Lacs of high yielding, disease free and uniform quality banana tissue culture plants to the farmers. It also produces and markets since many years biotech products, different types of Bio-Fertilizer viz. Azatobactor, Rhizobium & Phosphate culture, and certified seeds of notified hybrids and varieties having disease and pest resistance attributes for the benefit of farmers.

MANAGEMENT DISCUSSION AND ANALYSIS REPORT (Contd.)

Sardar Agri-net Cell of your Company having technological and appropriate human resource support is established to timely and effectively address the queries raised by farmers from time to time in local language. Specialists with adequate communication facilities interact with farmers of Gujarat to provide answers to their queries and also impart excellent knowledge based guidance on new technologies and techniques for improving agricultural practices to enhance productivity.

Your Company is organizing regular and re-orientation Farm Youth Training Programs in coordination with Agriculture Universities of Gujarat to educate the young generation farming community regarding new technologies and their use with a view to implementing modern agricultural practices and increasing farm output. It organized three such regular & one re-orientation Farm Youth Training Programs during the year to promote high-tech agri concepts to the young farmers.

The Company publishes 'Krishi Jivan' a unique monthly magazine since 1968, having one of the highest (72000) circulations with 37500 Life members. It provides the latest information based on scientific developments at Agriculture Universities and it acts as a link for transfer of technology from "lab" to "land".

8 SAFETY, HEALTH AND ENVIRONMENT

Your Company was conferred the prestigious 'Gujarat State Safety Award 2009' a Certificate of Honor was received from Gujarat Safety Council and Director of Industrial Safety & Health. This is in recognition of achieving over 30 Lac million accident free man-hours among Category- I Group-A industries. A statutory external safety & health audit was also conducted by British Safety Council for all four Units in Nov.-Dec. 2010.

Your Company has obtained BS EN 16001:2009 Energy Management System Certifications in July, 2010. This system will help your Company to improve energy performance including efficient energy use and consumption. It will also lead to reduction in energy cost and green house gases emission through systematic energy management.

Your Company falls under Major Accident Hazard (MAH) Industry. Most of the plants at GSFC - Fertilizernagar have been in existence for more than 25 years and risk assessment was done long back. Quantitative Risk Assessment study of whole Baroda Unit is taken up once again through M/s. PDIL. This activity is under progress and is expected to be completed by Sept. 2011.

To augment the Fire fighting facilities of your Company, procurement of 3 nos. of fire crash tender, 2 nos. of water tenders and 1 no. of foam nurser at an estimated cost of Rs. 300 Lacs is being made. With the addition of these fire fighting facilities, your Company will be well equipped to take care of different eventualities at GSFC and will also be able to extend support to the nearby industries.

Your Company is also conscious about the environment and the ecological balance. It is promoting various horticultural activities. It has taken the initiative to make GSFC greener by planting large number of trees such as Banyan, Pipal, and Neem. In this way supports the green initiatives of Govt. of Gujarat.

To encourage the urban people to grow plants and maintain the ecological balance, your Company has sponsored Fruit, Flower & Vegetable shows in association with Baroda Agri Horti Committee and also sponsored flower shows in association with Society for Clean Environment (SOCLEEN). The Company and its employees have also participated in these competitions and have won appreciation and accolades.

9 HUMAN RESOURCES

On this topic, the shareholders are requested to refer to point Q on page no. 11 of the Directors Report which forms the part of the Annual Report.

For and on behalf of the Board

Place : Fertilizernagar
Date : 28th July, 2011

Sd/-
A. K. Joti
Chairman

Data sources : Websites of (1) Ministry of Finance, Department of Economic Affairs, (2) Ministry of Fertilizers & Chemicals, Department of Fertilizers, Govt. of India, (3) Govt. of Gujarat, (4) FAI, New Delhi, (5) Economic Survey- 2010-11, (6) Fertilizer Market various Bulletins and (7) A special issue on Vibrant Gujarat 2011.

CORPORATE GOVERNANCE REPORT

(PURSUANT TO CLAUSE 49 OF THE LISTING AGREEMENT)

1 THE PHILOSOPHY

Corporate Governance is a way of life, rather than a mere legal compulsion and hence has become the integral part of business operations which encompass the key elements such as integrity, transparency, fairness and adoption of highest standards of business ethics to benefit the interest of stakeholders. Corporate Governance essentially is the system by which Companies are directed and controlled by the management in the best interest of the stakeholders and others.

The intrinsic Philosophy behind an endeavor towards better Corporate Governance is to enrich the value for stakeholders by achieving business excellence.

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

1. Satisfy the spirit of law and not just the letter of law. Corporate governance standards should travel beyond the fore corners of law.
2. Be transparent and maintain a high degree of disclosure levels.
3. Communicate externally, in a truthful manner, about how the Company is run internally
4. Management is the trustee of the Shareholders' capital and not the owner.

The Board of Directors ('the Board') is at the core of our Corporate Governance practice and it oversees how the Management serves and protects the long-term interests of all our stakeholders. We believe that an active, well-informed and independent Board is a catalyst to ensure the highest standards of Corporate Governance.

The Company is having an ideal and appropriate composition as well as the size of the Board, with each Director bringing in key expertise in their professional areas. The Chairman of the Company is a Non-Executive Director, however more than 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 an Executive Director. There is also a proactive flow of information to the members of the Board and Board Committees to enable effective discharge of their fiduciary duties. The Company is having an ethical business conduct by the Board, management and employees. The Company is also having a full-fledged systems and process for internal controls on all operations, risk management and financial reporting. Providing of a timely and accurate disclosure of all material, operational and financial information to the stakeholders is a practice followed by the Company to practice good governance. The Company conforms to the requirements of Clause 49 of the Listing Agreement.

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

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

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

2 BOARD OF DIRECTORS

☞ Composition and Category of Directors :

The strength of the Board of Directors as on 31st March, 2011 was nine, its composition is tabulated below :

	Name of Directors	Category
1	Shri A. K. Joti, 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 Directors
4	Prof. Vasant P. Gandhi	
5	Shri Ajay N. Shah	
6	Shri Vijai Kapoor	
7	Shri P. N. Roy Chowdhury, IAS	
8	Shri M. M. Srivastava, IAS	
9	Shri D. J. Pandian, IAS	

CORPORATE GOVERNANCE REPORT (Contd.)

In all, six meetings of the Board of Directors of the Company were held during the Financial Year 2010-11 as detailed below :

Sr. No.	Dates of Board meeting	Board strength	No. of Directors present
1	27-05-2010	9	5
2	31-07-2010	9	7
3	24-09-2010	9	5
4	20-10-2010	9	7
5	29-01-2011	9	6
6	23-03-2011	9	6

The details relating to the names and categories of the Directors on the Board, their attendance during F.Y. 2010-11 at the Board Meetings and the 48th Annual General Meeting, their Chairmanship / Membership in the Committees of other companies is given below :

Sr. No.	Name	Category	No. of Equity shares of the Company held by him	No. of Meetings attended	Attendance at the last AGM	No. of other Directorships/ Memberships	No. of Committees Member (Including GSFC Ltd.)	Chairman(*) Member(*)
1	Shri A. K. Joti Chairman	Nominee of GOG (As promoter) Non-Executive Director	-	6	Yes	5	-	-
2	Shri D. C. Anjaria	Non-Executive Independent Director	@790	6	Yes	6	5	2
3	Prof. Vasant P. Gandhi	Non-Executive Independent Director	@500	5	Yes	2	-	3
4	Shri Ajay N. Shah	Non-Executive Independent Director	@500	2	No	3	-	1
5	Shri Vijai Kapoor	Non-Executive Independent Director	@500	4	Yes	1	-	-
6	Shri P. N. Roy Chowdhury	Non-Executive Independent Director	@761	2	No	-	-	1
7	Shri M. M. Srivastava	Non-Executive Independent Director	@500	2	No	8	-	5
8	Shri D. J. Pandian	Non-Executive Independent Director	@500	3	No	13	2	1
9	Shri H. V. Patel Managing Director	Nominee of GOG (As promoter) Executive Director	-	6	Yes	9	2	4

@ 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 nor is a Chairman in more than five committees, across all companies in which he is a Director.

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.

In addition to the Audit Committee viz., Finance-cum-Audit Committee and Shareholders' Committee viz. Shares-cum-Debt 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 :

Shri D. C. Anjaria and Prof. Vasant Gandhi shall retire by rotation at the ensuing Annual General Meeting and being eligible, have offered themselves for re-appointment. The brief resume of Directors under appointment/re-appointment at the 49th Annual General Meeting is annexed to the Notice convening the 49th Annual General Meeting, which forms the integral 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 for the Financial Year 2010-11 in the form of declaration is received from all the Directors and Members in the Senior Management of the Company, to whom such code is applicable.

CORPORATE GOVERNANCE REPORT (Contd.)

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.

☞ 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 pertaining to the Company's business and this facilitate them to take timely corporate decisions. The comprehensive management reporting systems are in place which encompass preparation and reporting of operating results by divisions, other business developments etc. Their reviews are being carried out by senior management and the Board at its Meeting/s.

The Board of Directors has complete access to all the information that is within the Company. At the meetings of the Board, the senior executives and if required, even functional Managers, who can provide in-depth insight 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 - IA to Clause 49 is placed before the Board of Directors should the occasion arise.

Apart from the 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 in its every meeting.

COMMITTEES OF THE BOARD

3 AUDIT COMMITTEE

The Finance-cum-Audit Committee presently comprises of five Directors and all of them are 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 Exchanges read with Section 292-A of the Companies Act, 1956.

Major terms of reference to 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 2010-11, six meetings of Finance- cum-Audit Committee were held i.e. on 26-05-2010, 27-07-2010, 17-09-2010, 19-10-2010, 28-01-2011 and 21-03-2011. The Composition of the Audit Committee and the attendance details are as under :

Sr. No.	Name of the Member	Category	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	6	6
2	Prof. Vasant P. Gandhi	Independent Non-Executive	6	6
3	Shri Ajay N. Shah	Independent Non-Executive	6	1
4	Shri P. N. Roy Chowdhury	Independent Non-Executive	6	1
5	Shri M. M. Srivastava	Independent Non-Executive	6	-

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 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 i.e. 48th Annual General Meeting held on 24-09-2010.

CORPORATE GOVERNANCE REPORT (Contd.)

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 the remuneration applicable to his scale in the Government and in line with the terms & conditions prescribed by the Govt. of Gujarat. The remuneration to the Whole Time Director and other Non-Executive Directors of the Company if any is decided by the Board. The Company pays sitting fee @ Rs. 5,000 per meeting to the Directors. No sitting fee however is being paid to Managing Director. The details of the remuneration paid to the Directors during the financial year 2010-11 are as under :

Name	Salary & allowances	Perquisites	Sitting Fees	Total (Rupees)
Shri A. K. Joti , Chairman	-	-	30,000	(*) 30,000
Shri D. C. Anjaria	-	-	65,000	65,000
Prof. Vasant P. Gandhi	-	-	85,000	85,000
Shri Ajay N. Shah	-	-	15,000	15,000
Shri Vijai Kapoor	-	-	30,000	30,000
Shri P. N. Roy Chowdhury	-	-	15,000	(*) 15,000
Shri D. J. Pandian	-	-	35,000	(*) 35,000
Shri M. M. Srivastava	-	-	10,000	(*) 10,000
Shri H. V. Patel Managing Director	13,45,653	2,24,067	-	15,69,720

(*) Deposited in the Govt. Treasury.

The Company currently does not have any Stock Option Plan in place.

(b) Remuneration Committee :

There is also a Remuneration Committee of Directors in place.

As on 31-03-2011 it consist of the following Directors viz.(1) Shri D. C. Anjaria, as Chairman, (2) Shri P. N. Roy Chowdhury, (3) Shri D. J. Pandian and (4) Shri M. M. Srivastava.

All the members of the Remuneration Committee are Independent and Non-Executive Directors. During the financial year 2010-11, no business warranted the holding of the meeting of the Remuneration Committee.

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. The average time taken for grievance redressal is very less and the Committee monitors the investors' grievance redressal periodically. On the date of this report there are no major complaints pending, which needs redressal to the satisfaction of the shareholders. Also there are no cases of share transfers pending except those which are 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 has delegated the authority in the favor of Company Secretary/Dy. Company Secretary upto 1,000 shares per transfer request and the authority for approval of more than 1,000 shares per transfer request has been delegated to 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 Certificates in case of lost/misplaced/torn/mutilated ones.
- Timely redressal of complaints pertaining to 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 F.Y. 2010-11, four meetings of the Committee were held i.e. on 26-05-2010, 24-09-2010, 29-01-2011 and 23-03-2011. As on 31-03-2011, the Committee comprised of Shri D. J. Pandian, Chairman of the Committee, Prof. Vasant P. Gandhi and Shri H. V. Patel.

CORPORATE GOVERNANCE REPORT (Contd.)

The details of Committee members and their attendance at the Committee meetings during the Financial Year 2010-11 are furnished below :

Sr. No.	Name of the Members	No. of meetings held during the tenure of Directors	No. of Meetings attended
1	Shri D. J. Pandian	4	1
2	Prof. Vasant P. Gandhi	4	4
3	Shri H. V. Patel	4	4

(a) Name of the Non-Executive Director heading the Committee : Shri D. J. Pandian

(b) Name and Designation of Compliance Officer : Shri V. V. Vachhrajani, Company Secretary & Dy. General Manager (Legal & Industrial Relations)

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

The following table highlights the details of the complaints received during the F.Y. 2010-11 and their status as on date. It is further reported that as on 31-03-2011, there are no outstanding complaints pertaining to and received during the F.Y. 2010-11 :-

(a) No. of complaints received from Shareholders/Investors during the financial year 2010-11	: 33
(b) No. of complaints not redressed to the satisfaction of shareholders/investors	: Nil
(c) No. of applications received for transfers/transmissions/transposition of shares during the financial year 2010-11	: 1208

(d) No. of pending requests for share transfers, transmissions and transposition of shares as on 31-03-2011 : Nil

As mandated by SEBI, the Quarterly Reconciliation of Share Capital 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 dematerialized shares held with the two depositories viz. the NSDL and the CDSL.

As on 31st March, 2011 total 4,64,71,321 Equity Shares representing 58.31% of the total no. of Shares were dematerialised.

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. During the F.Y. 2010-11, the Project Committee Meeting held on 18.10.2010 & 23.03.2011.

Sr. No.	Name	No. of meetings held during the tenure of Directors	No. of Meetings attended
1	Shri D. J. Pandian (Chairman of the Committee)	2	2
2	Shri P. N. Roy Chowdhury	2	-
3	Shri Ajay N. Shah	2	-
4	Shri Vijai Kapoor	2	2
5	Prof. Vasant P. Gandhi	2	2
6	Shri M. M. Srivastava	2	-
7	Shri H. V. Patel	2	2

➤ Personnel Committee :

The Company also has a Personnel Committee having following details in place to formulate personnel policies, negotiate wage settlement, etc. During the F.Y. 2010-11, one meeting of the Personnel Committee was held i.e. on 08.10.2010.

Sr. No.	Name	No. of meetings held during the tenure of Directors	No. of Meetings attended
1	Shri D. J. Pandian (Chairman of the Committee)	1	1
2	Shri D. C. Anjaria	1	1
3	Prof. Vasant P. Gandhi	1	-
4	Shri H. V. Patel	1	1

➤ 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. During the Financial Year 2010-11, no meeting of this Committee was held.

CORPORATE GOVERNANCE REPORT (Contd.)

6 GENERAL BODY MEETINGS

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

Meetings	48th AGM	47th AGM	46th AGM
Particular			
Date	September 24, 2010	September 25, 2009	September 26, 2008
Start Timing	4.30 PM	9.00 AM	9.30 AM
Venue	Cultural Center Auditorium situate at Registered Office : P.O. Fertilizernagar – 391750, Dist. Vadodara		

- * No special resolution was passed in aforesaid meetings.
- * No 'Extra-ordinary General Meeting' was held during the last three years.
- * No postal ballot was conducted in aforesaid meetings.
- * At the forthcoming 'Annual General Meeting' there is no item on the agenda requiring postal ballot.

7 DISCLOSURES

There are no materially significant related party transactions 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. 13 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 complies with all the mandatory requirements of Clause 49 of the Listing Agreement on Code of Corporate Governance. The Board of Directors has 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 2010-11 by the Board Members & Senior Management and the said certificate forms part of this report.

The Company has also adopted non-mandatory requirements like constitution of Remuneration Committee. Statutory Compliance of all applicable Laws is being made by the Company and is reported to the Board in its every meeting.

Further, in preparation of the financial statements, all those Accounting Standards that are applicable have been complied with by the Company.

☞ Risk Management :

The Company is compliant with the requirements and the policy for risk management is already in place. 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, to advise on setting up a procedure for risk identification, its minimization, and its mitigation/control and to periodically report it to the Board. The foreign exchange risk management policy is already in place now while the draft of overall risk management policy has been received and is being reviewed and vetted by the Management before it is finalised and periodically placed before the Board of Directors as required.

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 Company's financial results are timely sent to the Stock Exchanges so that they are available on their website. The financial results of the Company and other information pertaining to the Company are available on the Company's website www.gsfclimited.com. The Company also supplies copies of its financial results to the investors free of cost, if requested for, and simultaneously they are also 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 over and above its requirement of annual audit under clause 49 of the listing agreement and a Certificate to that effect together with the quarterly compliance report has been submitted to Stock Exchange(s) as follows:

CORPORATE GOVERNANCE REPORT (Contd.)

Report for the quarter ended	Date of submission to Stock Exchange(s)
30-06-2010	08-07-2010
30-09-2010	07-10-2010
31-12-2010	03-01-2011
31-03-2011	07-04-2011

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@gsfccltd.com.

9 GENERAL SHAREHOLDER INFORMATION

a) Annual General Meeting :

As is indicated in the Notice convening the 49th Annual General Meeting, the 49th AGM of the Company will be held on Saturday, the 17th September, 2011 at 04.00 P.M. at the Cultural Centre Auditorium situate at Registered Office of the Company at P.O. Fertilizernagar – 391750, Dist. Vadodara.

b) Financial Calendar :

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

Unaudited Results for Quarter ending June 30, 2011	Latest by 14 th August, 2011
Unaudited Results for Quarter ending September 30, 2011	Latest by 14 th November, 2011
Unaudited Results for Quarter ending December 31, 2011	Latest by 14 th February, 2012
Unaudited Results for Quarter ending March 31, 2012; OR	Latest by 15 th May, 2012
In case Company takes Audited Results for the whole Financial Year.	Latest by 30 th May, 2012

c) Book closure date :

The Register of Members of the Company shall remain closed from Saturday the 3rd September, 2011 to Saturday the 17th September, 2011 (both days inclusive).

d) Dividend payment date :

Dividend shall be paid on and from 27th September, 2011.

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

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 F.Y. 2010-11 has been paid by the Company.

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

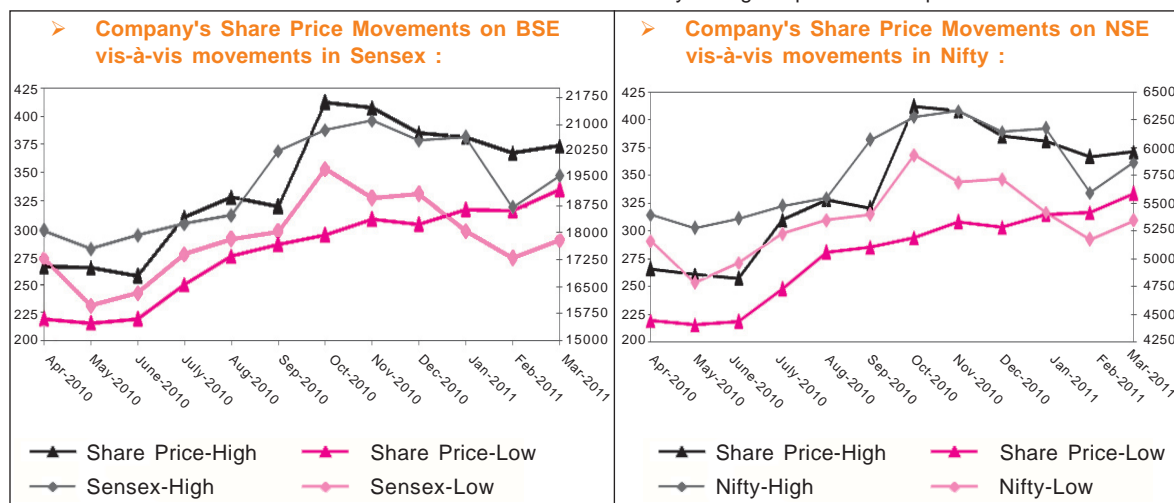
(iii) Stock Market Data :

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 10	265.85	219.00	18047.86	17276.80	265.85	219.00	5399.65	5160.90
May 10	264.50	215.30	17536.86	15960.15	261.00	215.60	5278.70	4786.45
June 10	257.50	219.05	17919.62	16318.39	257.40	218.50	5366.75	4961.05
July 10	309.80	249.50	18237.56	17395.58	310.00	248.25	5477.50	5225.60
Aug. 10	327.85	275.15	18475.27	17819.99	328.70	281.00	5549.80	5348.90
Sept.10	319.95	286.05	20267.98	18027.12	320.80	285.70	6073.50	5403.05
Oct. 10	412.90	294.20	20854.55	19768.96	412.90	294.00	6284.10	5937.10
Nov.10	407.70	308.35	21108.64	18954.82	408.70	308.50	6338.50	5690.35
Dec.10	385.40	304.00	20552.03	19074.57	385.90	303.70	6147.30	5721.15
Jan.11	381.65	317.00	20664.80	18038.48	381.40	315.10	6181.05	5416.65
Feb.11	367.50	316.15	18690.97	17295.62	367.50	316.60	5599.25	5177.70
Mar.11	373.95	335.00	19575.16	17792.17	371.85	334.10	5872.00	5348.20

CORPORATE GOVERNANCE REPORT (Contd.)

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 2010 to March 2011 :



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 Share Transfer Agents viz. **MCS Ltd., situated at 1st Floor, Neelam Apartment, 88, Sampatrao Colony, Alkapuri, Vadodara - 390 007.** Share Transfer in physical form can be lodged either with the Registrars & Share Transfer Agents OR at the Registered Office of the Company. Share Transfer requests received are attended within fortnight. 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 generally within 15 days from the date of the receipt thereof.

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

g) Distribution of Shareholding as on 31st March, 2011 :

> Pattern of Shareholding (Category wise) :

Category	No. of Shares	% to Total Capital
Promoter : Gujarat State Investments Limited	3,01,59,981	37.84
Public Financial Institutions, Insurance Companies & Mutual Funds	2,09,35,732	26.27
Companies & Banks	1,56,06,554	19.58
Individuals, Co-operative Societies & Co-operative Banks	1,29,93,239	16.31
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	85,892	96.04	54,63,833	6.84
501 – 1000	1,946	2.18	14,47,997	1.82
1001 – 2000	794	0.89	11,72,966	1.47
2001 – 3000	245	0.27	6,12,659	0.77
3001 – 4000	114	0.13	4,05,101	0.51
4001 – 5000	71	0.08	3,30,343	0.41
5001 – 10000	137	0.15	9,85,328	1.24
10001 & above	230	0.26	6,92,77,279	86.94
TOTAL	89,429	100.00	7,96,95,506	100.00

CORPORATE GOVERNANCE REPORT (Contd.)

h) Unclaimed Shares :

SEBI vide Circular No. CIR/CFD/DIL/10/2010 dated December 16, 2010 has amended Clause 5A of the Listing Agreement to provide that shares held physically which may have remained unclaimed by shareholders due to insufficient/incorrect information or for any other reason should be transferred in demat mode to one folio in the name of "Unclaimed Suspense Account" with one of the Depository Participants. The Company has taken steps to issue notices to the concerned shareholders before transferring the unclaimed shares to the Unclaimed Suspense Account.

- i) ➤ No pledge has been created over the Equity Shares held by the Promoters as on March 31, 2011.
- 58.31% of the Equity Shares have been Dematerialised till 31/03/2011. 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 2010-11.
- Dividend @ Rs. 7/- per share has been recommended by the Board of Directors on the Equity Shares which shall be paid/ distributed on and from 27th September, 2011 upon its approval by Shareholders in the ensuing 49th 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

j) 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
Tel. Nos. 0265-2242451/2242651/2242751
Fax No. 0265-2240966/2240119
E-mail: vishvesh@gsfcltd.com
Website: www.gsfclimited.com

Or

Registrars & Transfer Agents for Equity Shares of the Company

M/s. MCS Limited (Unit - GSFC)
Neelam Apartment, 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 mcsltbaroda@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 : 3rd May, 2011
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 31st March, 2011 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 31st March, 2011, 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-cum-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.

Date : 30th May, 2011
Place : Vadodara

Sd/-
S. Samdani
Practicing Company Secretary
S. Samdani & Associates
Company Secretaries
C. P. No. 2863

FINANCIAL HIGHLIGHTS OF TEN YEARS

PARTICULARS	2010-11	2009-10	2008-09	2007-08	2006-07	2005-06	2004-05	2003-04	2002-03	2001-02
OPERATING RESULTS										(₹ in Crs.)
GROSS INCOME	4856	4132	5952	3649	3413	2940	2670	2182	1887	2002
GROSS PROFIT	1259	530	883	500	496	579	395	187	(86)	49
DEPRECIATION	147	141	143	142	143	142	143	145	142	137
PROFIT/(LOSS) BEFORE TAX	1112	389	740	358	353	437	252	42	(228)	(88)
TAX	363	135	241	120	86	143	114	(132)	—	(21)
PROFIT/(LOSS) AFTER TAX	749	254	499	238	267	294	138	174	(228)	(67)
EXCEPTIONAL ITEMS	—	—	—	—	—	—	—	—	(163)	19
PROFIT/(LOSS) AFTER TAX & EXCEPTIONAL ITEMS	749	254	499	238	267	294	138	174	(391)	(48)
DIVIDEND	56	36	36	36	36	36	12	—	—	—
DIVIDEND TAX	9	6	6	6	6	5	2	—	—	—
RETAINED EARNINGS	684	212	457	196	225	253	124	174	(391)	(48)
SOURCES & APPLICATION OF FUNDS										(₹ in Crs.)
SOURCES OF FUNDS										
SHARE CAPITAL	80	80	80	80	80	80	80	80	80	80
RESERVES & SURPLUS	2813	2064	1852	1394	1285	1060	808	671	437	828
LOANS	392	687	324	559	965	1086	1159	1391	1470	1473
DEFERRED TAX LIABILITY (NET)	205	150	171	263	326	336	233	138	272	272
	3490	2981	2427	2296	2656	2562	2280	2280	2259	2653
APPLICATION OF FUNDS										
FIXED ASSETS (GROSS)	3878	3413	3266	3147	3073	3037	3023	3031	3060	3029
DEPRECIATION	2296	2150	2013	1874	1737	1583	1441	1305	1162	1023
FIXED ASSETS (NET)	1582	1263	1253	1273	1336	1454	1582	1726	1898	2006
INVESTMENTS	425	425	606	221	139	130	129	121	127	134
CURRENT ASSETS (NET)	1483	1293	568	802	1181	977	567	428	226	505
MISC.EXP. (to the extent not w/off)	—	—	—	—	—	1	2	5	8	8
	3490	2981	2427	2296	2656	2562	2280	2280	2259	2653
AMOUNT PER SHARE										(₹)
SALES	597	504	738	448	416	355	327	264	230	245
EARNING	94	32	63	30	33	37	17	22	(49)	(6)
CASH EARNING	119	47	69	44	50	68	47	23	(31)	8
EQUITY DIVIDEND	7.00	4.50	4.50	4.50	4.50	4.50	1.50	—	—	—
BOOK VALUE	355	269	242	185	171	143	111	94	64	113
MARKET PRICE : HIGH	413	255	216	370	251	208	135	74	41	27
LOW	215	87	61	141	142	103	40	14	13	8

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, 2011 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. 12 of Schedule 22 regarding non provision of wage revision.
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 31st March, 2011 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 31st March 2011;
 - (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 **Prakash Chandra Jain & Co.**
Chartered Accountants
Firm Registration No. 002438C

Prakash Chandra Nalwaya
Partner
Membership No. 33710

Place : Gandhinagar
Date : 27-05-2011

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 31st March, 2011 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 31st March, 2011, except as enumerated here under :

Nature of the Dues	Amount (Rs. in Lakhs)	Forum where dispute is pending
Excise & Custom Duties	4513.45	Up to Tribunal
	2.76	High Court
Sales Tax	461.51	Up to Tribunal
Income Tax	160.35	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 31st March, 2011 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, no term loans were availed by the Company.
- (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 **Prakash Chandra Jain & Co.**
Chartered Accountants
Firm Registration No. 002438C

Prakash Chandra Nalwaya
Partner
Membership No. 33710

Place : Gandhinagar
Date : 27-05-2011

Balance Sheet as at 31st March, 2011

	Schedule	As At 31st March, 2011	(₹ in lakhs) As At 31st March, 2010
SOURCES OF FUNDS			
Shareholders' Funds :			
Share Capital	1	7969.55	7969.55
Reserves and Surplus	2	<u>274895.92</u>	<u>206442.62</u>
		282865.47	214412.17
Loan Funds :			
Secured Loans	3	9807.92	17475.11
Unsecured Loans	4	<u>29424.71</u>	<u>51283.15</u>
		39232.63	68758.26
Deferred Tax Liability		30840.32	28217.12
Deferred Tax Assets		(10407.40)	(13246.65)
(Refer Note 6(b) of Schedule-22)		<u>20432.92</u>	<u>14970.47</u>
Total		<u>342531.02</u>	<u>298140.90</u>
APPLICATION OF FUNDS			
Fixed Assets :			
Gross Block	5	355723.65	323159.55
Less: Depreciation		<u>229595.10</u>	<u>215011.20</u>
Net Block		126128.55	108148.35
Capital work in progress		5120.32	1164.52
Projects under execution		<u>27000.25</u>	<u>17025.55</u>
		158249.12	126338.42
Investments	6	42497.94	42498.24
Current Assets, Loans and Advances :			
Inventories	7	56478.88	61109.69
Sundry Debtors	8	88810.48	62157.86
Cash and Bank Balances	9	61267.24	6011.79
Loans and Advances	10	<u>18623.59</u>	<u>81090.50</u>
		225180.19	210369.84
Less: Current Liabilities and Provisions :			
Current Liabilities	11	53838.14	42172.09
Provisions	12	<u>29558.09</u>	<u>38893.51</u>
		83396.23	81065.60
Net Current Assets		<u>141783.96</u>	<u>129304.24</u>
Total		<u>342531.02</u>	<u>298140.90</u>
Pre-operative Expenses	20		
Significant Accounting Policies	21		
Notes on Accounts	22		

B. M. Bhorania
General Manager (Finance)

V. V. Vachhrajani
Company Secretary

Gandhinagar
27th May, 2011

H. V. Patel
Managing Director

A. K. Joti
Chairman

D. C. Anjaria
Vasant P. Gandhi
Ajay N. Shah
M. M. Srivastava
Directors

As per our attached Report of even date

For **Prakash Chandra Jain & Co.**
Chartered Accountants
Firm Registration No. 002438C

Prakash Chandra Nalwaya
Partner
Membership No. 33710

Gandhinagar
27th May, 2011

Profit and Loss Account for the year ended 31st March, 2011

	Schedule	For the year ended 31st March, 2011	(₹ in lakhs) For the year ended 31st March, 2010
INCOME			
Sales	13	492548.76	412917.02
Less : Excise Duty recovered on Sales		17043.64	10997.73
Net Sales		475505.12	401919.29
Other Income	14	10119.70	11300.98
Total		485624.82	413220.27
EXPENDITURE			
Materials, Manufacturing & Operating Expenses	15	304751.62	293572.10
Personnel Expenses	16	26412.13	29018.94
Administration, Marketing & Other Expenses	17	22944.53	23923.35
Purchase of Finished Products		1929.95	2644.18
Interest :			
On Debentures / Bonds and Fixed Loans		242.37	577.71
Others		1136.37	2484.13
		1378.74	3061.84
Depreciation		14640.25	14093.17
Sub Total		372057.22	366313.58
(Increase)/Decrease in Stock of Finished products, Trading Goods and Stock-in-Process	18	2278.32	7792.27
Total		374335.54	374105.85
Profit before Tax & Prior Period Adjustments		111289.28	39114.42
Prior Period Adjustments (Net)	19	(44.07)	(202.50)
Profit before Taxes		111245.21	38911.92
Provision for Taxation :			
Wealth Tax		12.00	12.00
Current Income Tax		30833.62	15646.28
Deferred Tax (net)		5462.45	(2192.70)
		36308.07	13465.58
Excess Provision for Taxation written back		0.00	0.76
		36308.07	13464.82
Profit after Taxes		74937.14	25447.10
Balance brought forward from last year		9040.67	4775.66
Less : Balance reduced due to rounding off difference on Dividend & Dividend Tax		0.15	0.15
		9040.52	4775.51
Amount available for appropriations		83977.66	30222.61
APPROPRIATIONS			
Proposed Dividend on Equity Shares		5578.69	3586.30
Tax on Proposed Dividend		905.00	595.64
Transferred to General Reserve		64000.00	17000.00
Balance carried to Balance Sheet		13493.97	9040.67
			(Contd.)

Profit and Loss Account for the year ended 31st March, 2011 (Contd.)

Schedule	For the year ended 31st March, 2011	For the year ended 31st March, 2010
Profit after Taxes (Rs. in lakhs)	74937.14	25447.10
Number of Equity Shares	79695506	79695506
Basic and Diluted Earnings per Share (Rs.)	94.03	31.93
Nominal value per Share (Rs.)	10.00	10.00
Pre-operative Expenses	20	
Significant Accounting Policies	21	
Notes on Accounts	22	
B. M. Bhorania General Manager (Finance)	H. V. Patel Managing Director	A. K. Joti Chairman
V. V. Vachhrajani Company Secretary		D. C. Anjaria Vasant P. Gandhi Ajay N. Shah M. M. Srivastava Directors
Gandhinagar 27th May, 2011		As per our attached Report of even date For Prakash Chandra Jain & Co. Chartered Accountants Firm Registration No. 002438C
Gandhinagar 27th May, 2011		Prakash Chandra Nalwaya Partner Membership No. 33710

Cash Flow Statement for the year ended 31st March, 2011

	For the year ended 31st March, 2011	For the year ended 31st March, 2010
		(₹ in lakhs)
[A] Cash Flow From Operating Activities	111245.21	38911.92
Profit before tax		
Adjustment for :		
Depreciation	14637.14	14085.53
Interest charged	1378.74	3061.84
Interest received on deposit with Companies	(2476.48)	(1818.37)
Loss on Fixed Assets Sold/Written Off	263.23	30.27
Profit on Sale of Fixed Assets	(0.46)	(15.72)
Income from Investments	(1677.48)	(1594.29)
Profit/Loss on Sale of Investments	—	292.46
Provision for Doubtful Debts/Advances	387.07	254.13
Provision for diminution in value of investments	—	2067.30
	<u>12511.76</u>	<u>16363.15</u>
Operating Profit before Working Capital Changes	123756.97	55275.07
Adjustment for :		
Inventories	4630.81	13448.77
Trade and Other Receivables	36012.42	(21735.13)
Current Liabilities and Provisions	92.20	(4551.90)
	<u>40735.43</u>	<u>(12838.26)</u>
Cash Generated from Operations	164492.40	42436.81
Direct Taxes Paid	(29430.82)	(17514.34)
Net Cash From Operating Activities	135061.58	24922.47
[B] Cash Flow From Investing Activities		
Purchase of Fixed Assets	(46305.82)	(15325.04)
Sale of Fixed Assets	(504.80)	212.98
Purchase of Investments	0.00	(23596.40)
Sale of Investments	0.30	39347.09
Deposits with Companies	(2000.00)	(55800.00)
Interest Received	2476.48	1818.37
Dividend Received	1677.48	1594.29
Net Cash from Investing Activities	<u>(44656.36)</u>	<u>(51748.71)</u>
Total c/f.	90405.22	(26826.24)

(Contd.)

Cash Flow Statement for the year ended 31st March, 2011 (Contd.)

		For the year ended 31st March, 2011 90405.22	(₹ in lakhs) For the year ended 31st March, 2010 (26826.24)
	Total b/f.		
[C] Cash Flow From Financing Activities			
Proceeds from Borrowings		(29525.63)	36358.76
Interest Paid		(1473.11)	(3169.88)
Dividend Paid		(3555.39)	(3555.18)
Tax on Dividend Paid		(595.64)	(609.51)
Net Cash used in Financing Activities		(35149.77)	29024.19
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS [A+B+C]		55255.45	2197.95
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR		6011.79	3813.84
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR		61267.24	6011.79

B. M. Bhorania
General Manager (Finance)

V. V. Vachhrajani
Company Secretary

Gandhinagar
27th May, 2011

H. V. Patel
Managing Director

A. K. Joti
Chairman

D. C. Anjaria
Vasant P. Gandhi
Ajay N. Shah
M. M. Srivastava

Directors
As per our attached Report of even date
For **Prakash Chandra Jain & Co.**
Chartered Accountants
Firm Registration No. 002438C

Prakash Chandra Nalwaya
Partner
Membership No. 33710

Gandhinagar
27th May, 2011

Schedules Forming Part of Balance Sheet

SCHEDULE - 1 SHARE CAPITAL

		As At 31st March, 2011	(₹ in lakhs) As At 31st March, 2010
Authorised :			
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
Issued :			
7,98,24,370	Equity Shares of Rs.10 each	7982.44	7982.44
		7982.44	7982.44
Subscribed :			
7,98,13,937	Equity Shares of Rs.10 each	7981.39	7981.39
		7981.39	7981.39
Paid-up :			
7,96,95,506	Equity Shares of Rs.10 each	7969.55	7969.55
		7969.55	7969.55
	Total	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 :

- Under the scheme of amalgamation with the Company
 - 5,86,390 shares of Rs.10 each were issued to the shareholders of erstwhile Polymers Corporation of Gujarat Limited.
 - 18,57,600 shares of Rs.10 each were issued to the shareholders of erstwhile Gujarat Nylons Limited.
- 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

(₹ in lakhs)

	Balance as at 1st April, 2010	Additions	Deductions	Balance as at 31st March, 2011	Balance as at 31st March, 2010
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
General Reserve	162286.60	64000.00 (a)	—	226286.60	162286.60
Total Reserves	197401.95	64000.00	—	261401.95	197401.95
Profit and Loss Account	9040.67	74937.14	70483.84	13493.97	9040.67
Total	206442.62	138937.14	70483.84	274895.92	206442.62
(31-03-2010)	(185177.61)	(42447.10)	(21182.09)	(206442.62)	(185177.61)

(a) Transferred from Profit & Loss account

SCHEDULE - 3 SECURED LOANS

(₹ in lakhs)

From Banks :

i) Cash Credit

ii) Interest accrued and due on above

Total

**As At
31st March, 2011**

9807.90

0.02

9807.92

**As At
31st March, 2010**

17473.45

1.66

17475.11

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

(₹ in lakhs)

1] Fixed Deposits

2] Other Loans :

(a) Inter Corporate Deposits

(b) Banks :

(i) Commercial Papers

(ii) Under acceptance-cum-bill discounting facility

Total

**As At
31st March, 2011**

271.74

20000.00

—

9152.97

9152.97

29152.97

29424.71

**As At
31st March, 2010**

706.12

—

10000.00

40577.03

50577.03

50577.03

51283.15

(Of the above, Rs. 29424.71 lakhs are payable during the next twelve months)

Schedules Forming Part of Balance Sheet

SCHEDULE - 5 FIXED ASSETS

(₹ in lakhs)

Sr. No.	Assets	Gross Block				Depreciation		Net Block	
		As at 1-4-2010	Additions/ Adjustments	Deductions/ Adjustments	As at 31-3-2011	For the year 2010-11	Upto 31-3-2011	As at 31-3-2011	As at 31-3-2010
1	Land-Freehold	551.47	0.00	0.00	551.47	—	—	551.47	551.47
2	Land-Leasehold	165.39	441.00	0.00	606.39	17.12	27.09	579.30	155.42
3	Buildings (Including Roads, Culverts & Compound Walls)	10883.78	328.14	10.55	11201.37	249.02	4398.88	6802.49	6729.25
4	Railway Sidings	1597.70	0.00	0.00	1597.70	60.27	1028.34	569.36	629.61
5	Plant & Machinery	304913.42	31748.29	17.59	336644.12	14178.95	220413.01	116231.11	98659.78
6	Furniture, Fittings & Equipments	3088.34	62.67	26.39	3124.62	101.95	2243.99	880.63	923.45
7	Vehicles	246.65	43.62	9.73	280.54	17.71	115.70	164.84	139.42
8	Library Books	82.26	4.24	0.00	86.50	2.25	57.98	28.52	26.54
9	Computer Software	102.14	0.40	0.00	102.54	12.98	90.16	12.38	24.96
10	Assets retired from use & held for disposal	1528.40	0.00	0.00	1528.40	—	1219.95	308.45	308.45
	Total	323159.55	32628.36	64.26	355723.65	14640.25	229595.10	126128.55	108148.35
	(31st March 2010)	(321531.91)	(2229.54)	(601.90)	(323159.55)	(14093.17)	(215011.20)	(108148.35)	
11	Capital Work in Progress				5120.32	—	—	5120.32	1164.52
12	Projects under execution				27000.25	—	—	27000.25	17025.55
	Total				387844.22	14640.25	229595.10	158249.12	126338.42

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, 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.
- The addition in Leasehold Land of Rs. 441 lakhs (previous year Rs. Nil) is for Wind Mill Project taken on lease for a period of 20 years.
- Cost of equipment against which Government subsidy is received are shown net of subsidy.
- 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.
- Projects under execution includes Rs. 5117.77 lakhs (previous year Rs. 3081.70 lakhs) being expenses pending allocation (Refer Schedule-20-Pre-Operative Expenses) & project advance of Rs. 684.28 lakhs (previous year Rs. 534.35 lakhs).
- Pending taking over of physical possession and the execution of lease deed of the land allotted to the Company by Guj. Indus. Development Corporation (GIDC) at Dahej-II Industrial Estate, the payment Rs. 8098.72 lakhs to GIDC has been included in "Projects under execution" (previous year Rs. 8098.72 lakhs).

Schedules Forming Part of Balance Sheet

SCHEDULE - 6 INVESTMENTS

(₹ in lakhs)

	Nos.	Face Value ₹	As At 31st March, 2011	As At 31st March, 2010
A. LONG TERM INVESTMENTS				
1. GOVERNMENT SECURITIES (Unquoted)				
National Savings Certificates (Rs. 0.30 lakhs realised during the year and Rs. 0.06 lakhs matured but not realised)			0.06	0.36
2. TRADE INVESTMENTS				
(i) Quoted :				
a) Fully paid Equity Shares of -				
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	3649.59	3649.59
Gujarat Alkalies & Chemicals Ltd.	16,55,040	10	827.52	827.52
			10315.92	10315.92
(ii) Unquoted :				
a) Fully paid Equity Shares of -				
Indian Potash Limited	11,25,000	10	60.50	60.50
Gujarat Chemical Port Terminal Co. Ltd. *	12,26,31,575	1	1226.32	1226.32
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.	70,00,000	10	700.00	700.00
Tunisian Indian Fertilizers (TIFERT s.a.) (TND denotes Tunisian Dinar)	33,75,000	10	12024.77	12024.77
			14136.59	14136.59
3. OTHER INVESTMENTS				
(i) Quoted :				
a) Fully paid Equity Shares of -				
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
			0.00	0.00
			514.37	514.37
(ii) Unquoted :				
a) Fully paid Equity Shares of -				
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	2,35,00,000	1	15010.00	15010.00
GSPC Gas Company Limited	91,78,800	10	2510.00	2510.00
(Allotment of 90,78,800 equity shares is pending)				
			17531.00	17531.00
Total			42497.94	42498.24
Aggregate Value of Unquoted Investments			31667.65	31667.95
Aggregate Value of Quoted Investments			10830.29	10830.29
Market Value of Quoted Investments			53497.72	64720.48

* Pursuant to the reduction in the face value of 2,29,70,000 Equity shares of GCPTCL from Rs.10/- per share to Rs.1/- per share, the Investment has been written off by Rs.2067.30 lakhs against the Provision for Diminution in value of Investment made during previous year.

Schedules Forming Part of Balance Sheet

SCHEDULE - 7 INVENTORIES

(₹ in lakhs)

	As At 31st March, 2011	As At 31st March, 2010
Stores and Spare-parts (Including Loose Tools Rs. 17.32 lakhs - previous year Rs. 19.83 lakhs)	17708.08	19799.50
Raw Materials	21905.85	22166.92
Finished Goods :		
Finished Products	10581.25	12395.27
Trading Goods	49.28	482.29
	10630.53	12877.56
Stock-in-Process *	6234.42	6265.71
Total	16864.95	19143.27
	56478.88	61109.69

* Includes Loose (unpacked) products
Rs. 4326.54 lakhs (previous year Rs. 4619.93 lakhs)

Notes :

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

SCHEDULE - 8 SUNDRY DEBTORS

Over Six Months		
Secured - Good **	1238.71	1270.24
Unsecured - Good *	20318.65	21223.99
- Doubtful	4252.00	3870.31
	25809.36	26364.54
Less : Provision	4252.00	3870.31
	21557.36	22494.23
Others (Considered Good)		
Secured **	226.93	109.64
Unsecured	67026.19	39553.99
	67253.12	39663.63
Total	88810.48	62157.86

* includes subsidy from Government of India amounting
to Rs. 18522.80 lakhs (previous year Rs. 15760.76 lakhs)

** Secured by way of first/second charge on assets
and cash security from debtors.

SCHEDULE - 9 CASH AND BANK BALANCES

Cash, Cheques & Stamps on hand *	28.03	31.50
With Scheduled Banks :		
In Current Accounts (including Rs. 179.48 lakhs of unpaid dividend accounts and Rs. Nil in Saving Accounts) (previous year Rs. 148.43 lakhs and Rs. Nil respectively)	620.90	1035.37
In Collection Accounts	4784.26	4829.89
In Short Term Deposit Accounts	55834.05	115.03
	61239.21	5980.29
Total	61267.24	6011.79

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

Schedules Forming Part of Balance Sheet

SCHEDULE - 10 LOANS AND ADVANCES

	As At 31st March, 2011	(₹ in lakhs) As At 31st March, 2010
Secured (Considered Good)		
Loans to employees for construction/ purchase of houses and vehicles (including interest accrued)	7644.73	7233.12
Unsecured (Considered Good)		
Advances recoverable in cash or in kind or for value to be received (including interest accrued)	8303.00	10820.89
Deposits with Excise, Customs and other Government Departments	402.60	131.28
Deposits with Limited Companies/Financial Institutions (including interest accrued)	2052.60	55852.65
Advance payment of Tax (net of provision)	220.66	7052.57
Unsecured (Considered Doubtful)		
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
	<u>11247.81</u>	<u>74126.34</u>
Less: Provision for Doubtful Advances	268.95	268.96
	<u>10978.86</u>	<u>73857.38</u>
Total	<u><u>18623.59</u></u>	<u><u>81090.50</u></u>

SCHEDULE - 11 CURRENT LIABILITIES

1. Sundry Creditors (Refer Note 5 of Schedule-22)	46503.14	36223.95
2. Advances from Customers	1364.38	1624.94
3. (a) Unpaid Dividends *	179.48	148.43
(b) Unpaid matured deposits *	60.38	111.72
(c) Interest accrued on 3(a) to 3(b) above *	—	—
	<u>239.86</u>	<u>260.15</u>
4. Other Liabilities	5555.83	3793.75
5. Interest accrued but not due on loans	174.93	269.30
Total	<u><u>53838.14</u></u>	<u><u>42172.09</u></u>

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

SCHEDULE - 12 PROVISIONS

Proposed Dividend	5578.69	3586.30
Tax on Proposed Dividend	905.00	595.64
Employee Benefits *	23074.40	34711.57
Total	<u><u>29558.09</u></u>	<u><u>38893.51</u></u>

* Refer Note No. 11(b) of Schedule 22.

Schedules Forming Part of Profit and Loss Account

SCHEDULE - 13 SALES

	Quantity MTs	2010-11 ₹ Lakhs	Quantity MTs	2009-10 ₹ Lakhs
Manufacturing Operations				
(A) Baroda Unit & Sikka Unit :				
Baroda Unit :				
Urea	249698	26829.90	278375	23562.55
Ammonium Sulphate	336988	42918.63	278211	23104.61
Di-ammonium Phosphate	0	98.51	1	-176.57
Ammonium Phosphate Sulphate	277285	49726.33	293115	36751.23
Total Baroda Unit	863971	119573.37	849702	83241.82
Sikka Unit :				
Di-ammonium Phosphate	707529	191313.52	948170	190795.01
NPK (12:32:16)	—	0.00	21	7.91
NPK (10:26:26)	—	0.00	—	0.09
Total Sikka Unit	707529	191313.52	948191	190803.01
Total Fertilizers	1571500	310886.89	1797893	274044.83
Caprolactam	61770	81859.94	62650	61460.89
Cyclohexanone	7386	7375.06	7512	5835.27
Nylon-6	9623	15147.85	9219	12073.19
Melamine	13319	10614.39	13695	9065.15
MEK Oxime	2708	3139.13	2820	3113.24
Argon Gas (NM ³)	3327197	837.10	3464099	766.14
Ammonia	76104	11718.78	45521	6360.12
Nitric Acid	10642	926.09	10362	787.52
Sulphuric Acid	18190	705.49	22519	501.43
Phosphoric Acid	1633	898.05	1718	944.92
Cyclohexane	2299	1313.84	2975	1529.56
Oleum	530	23.25	6007	184.96
Other Items		2480.94		2764.93
		447926.80		379432.15
(B) Polymers Unit :				
Methyl Methacrylate Monomer	2292	2800.25	2282	2112.52
Polymethyl Methacrylate Sheets	728	1099.05	696	1052.94
Polymethyl Methacrylate Pellets	1855	2569.02	1883	2265.22
Methacrylic Acid	1136	1576.47	1097	1298.57
Acetone Cyano Hydrine	569	380.71	205	157.83
Others		0.85		3.04
		8426.35		6890.12
(C) Fibre Unit :				
Nylon Filament Yarn	4033	8497.83	4081	7314.78
Nylon Chips	5251	8019.39	4601	5892.73
		16517.22		13207.51
Trading Activities				
(Refer Annexure-I (B))		2634.75		2389.51
Sales (Net of Excise Duty)		475505.12		401919.29
Excise Duty Recovered		17043.64		10997.73
Total		492548.76		412917.02

Schedules Forming Part of Profit and Loss Account

SCHEDULE - 14 OTHER INCOME

	2010-11	2009-10
		(₹ in lakhs)
Rent	71.37	60.71
Income from Long Term Investments (Gross) :		
Dividend : Trade	1631.54	1564.46
Others	45.94	29.83
(Tax deducted at source Nil)(previous year Nil)		
	<u>1677.48</u>	1594.29
Interest on Advances, Deposits and others (gross)	5571.69	5105.81
(Tax deducted at source Rs. 432.19 lakhs)		
(previous year Rs. 440.93 lakhs)		
Recoveries for services rendered	—	83.08
Insurance claims	378.30	242.28
Profit on sale of Fixed Assets	0.46	15.72
Variation in Exchange Rates	—	2315.54
Excess provision no longer required	385.82	128.79
Miscellaneous	<u>2034.58</u>	<u>1754.76</u>
Total	<u><u>10119.70</u></u>	<u><u>11300.98</u></u>

SCHEDULE - 15 MATERIALS, MANUFACTURING AND OPERATING EXPENSES

Raw Materials Consumed :		
Opening Stock	22166.92	30014.08
Add : Purchases	<u>253801.79</u>	<u>235936.98</u>
	275968.71	265951.06
Less : Closing Stock	<u>21905.85</u>	<u>22166.92</u>
	254062.86	243784.14
Electricity and Fuel	32070.30	30189.78
Water	1455.19	1537.83
Stores and Spares Consumed	3567.37	3779.91
Packing Expenses	5685.38	5603.39
Insurance	817.58	612.11
Repairs and Maintenance :		
Buildings	152.93	370.08
Plant & Machinery	6283.54	6788.13
Others	<u>578.14</u>	<u>667.86</u>
	7014.61	7826.07
Excise Duty (Net)	78.33	238.87
Total	<u><u>304751.62</u></u>	<u><u>293572.10</u></u>

SCHEDULE - 16 PERSONNEL EXPENSES *

Salaries, Wages and Bonus	20915.59	20162.83
Contribution to Provident, Gratuity and Superannuation (Pension) Funds (Including provisions)	1484.24	4058.58
Welfare Expenses	<u>4012.30</u>	<u>4797.53</u>
Total	<u><u>26412.13</u></u>	<u><u>29018.94</u></u>

* Refer Note 9 and 11 of Schedule-22

Schedules Forming Part of Profit and Loss Account

SCHEDULE - 17 ADMINISTRATION, MARKETING AND OTHER EXPENSES

(₹ in lakhs)
2009-10

Administration Expenses

	2010-11	
Insurance-General	219.14	374.42
Rates and Taxes	278.05	196.27
Printing, Stationery, Postage, Telephones, Telex etc.	165.10	186.64
Letter of Credit/Guarantee Commission, Bank Charges	543.54	683.63
Variation in Exchange Rates	386.86	—
Premium on forward contract	359.83	190.50
Traveling and Conveyance (Including tour expenses of Directors Rs. 5.39 lakhs) (Previous year Rs. 8.78 lakhs)	74.62	64.89
Vehicle running & maintenance (net) including hire charges	259.89	229.21
Directors Sitting Fees	2.85	3.20
Auditors' Remuneration (Refer Note 10 of Schedule-22)	15.07	12.99
Cost Auditors' Fees	2.06	0.74
Rent	8.49	8.24
Subscriptions, Membership Fees etc.	30.16	41.36
Legal, Professional and Consultancy charges	508.53	227.87
Research and Development expenses	99.70	156.47
Loss on fixed assets sold/discarded	10.46	30.27
Loss on sale of investments	—	292.46
Provision for Diminution in value of Investments	—	2067.30
Obsolete spares and other items written off	24.61	248.10
Provision for Doubtful Debts/Advances	387.07	254.13
Expenditure on abandoned project written off	252.77	—
Miscellaneous	2182.20	1475.90

5811.00

6744.59

Marketing Expenses

Marketing expense reimbursement, Demonstration, Extension services and Publicity etc.	1385.08	968.17
Expenses on Depots-cum-Farm Information Centers, Warehouses, Area/Regional Offices etc. and Products' Transportation, Loading & Unloading charges	12904.12	14463.12
Commission to Selling Agents	490.61	449.95
Cash Rebate on Sales	451.91	481.49

15231.72

16362.73

Other Expenses

Effluent and pollution control expenses	169.15	481.42
Laboratory Expenses	73.15	85.38
Fire Fighting and Safety Services	63.78	66.04
Compensation/Assistance	0.25	0.15
Donations and Contributions	1595.48	183.04

1901.81

816.03

Total

22944.53

23923.35

Schedules Forming Part of Profit and Loss Account

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

(₹ in lakhs)
2009-10

	2010-11	
Opening Stock		
Finished Products	12395.27	20081.21
Trading Goods	482.29	70.56
Stock-in-Process	<u>6265.71</u>	<u>6784.58</u>
	19143.27	26936.35
Less : Opening Stock-trading goods transferred to raw material stock	—	0.81
Less : Closing Stock		
Finished Products	10581.25	12395.27
Trading Goods	49.28	482.29
Stock-in-Process *	<u>6234.42</u>	<u>6265.71</u>
	16864.95	19143.27
(Increase) / Decrease	<u>2278.32</u>	<u>7792.27</u>

* Includes Loose (unpacked) products Rs. 4326.54 lakhs
(previous year Rs. 4619.93 lakhs)

SCHEDULE - 19 PRIOR PERIOD ADJUSTMENTS (NET)

(A) Income		
Sales	—	92.96
Other Income	<u>0.07</u>	<u>(0.33)</u>
Total	<u>0.07</u>	<u>92.63</u>
(B) Expenditure		
Raw Materials consumed	43.86	0.42
Electricity and Fuel	0.20	(4.30)
Stores and Spares consumed	(0.60)	33.14
Insurance	0.03	(0.33)
Repairs and Maintenance	0.46	1.73
Salaries, Wages, Bonus & Welfare Expenses	(10.53)	0.11
Administration, Marketing and Other Expenses	(0.57)	(4.26)
Excise Duty	14.40	—
Purchase of Finished Products	—	276.26
Depreciation	(3.11)	(7.64)
Total	<u>44.14</u>	<u>295.13</u>
Net (A-B)	<u>(44.07)</u>	<u>(202.50)</u>

SCHEDULE - 20 PRE-OPERATIVE EXPENSES

	Balance as on 1-4-2010	For the year 2010-11	Amount transferred to Capital Accounts/ Adjustments	Balance as on 31-3-2011
1. Raw Materials Consumed	—	53.01	53.01	—
2. Electricity & Fuel	—	104.68	104.68	—
3. Utilities Consumed	—	9.74	9.74	—
4. Licence Know-how, Basic Engineering & Detail Engg.	2408.78	2147.45	34.72	4521.51
5. Insurance	11.98	19.45	8.49	22.94
6. Research & Development Cess	96.57	90.30	1.71	185.16
7. Letter of Credit/Guarantee Commission & Bank charges	22.81	1.46	0.00	24.27
8. Legal, Professional and Consultancy Charges	482.63	1.40	440.85	43.18
9. Income Tax on Foreign Payment	101.84	196.85	15.70	282.99
10. Miscellaneous expenses	42.03	4.95	9.26	37.72
11. Realignment of Foreign Currencies	(84.94)	0.00	(84.94)	—
	<u>3081.70</u>	<u>2629.29</u>	<u>593.22</u>	<u>5117.77</u>
Less : Products Consumed Captively	0.00	54.10	54.10	—
Total	<u>3081.70</u>	<u>2575.19</u>	<u>539.12</u>	<u>5117.77</u>
(31st March 2010)	(2141.24)	(940.46)	(—)	(3081.70)

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" (including advances and inventory lying at stores). 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

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Account as and when procured, while at Sikka and Fibre Units 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 Wealth Tax is made in accordance with the provisions of the Wealth Tax Act, 1957.

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.

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SCHEDULE - 22 NOTES ON ACCOUNTS

1. Contingent Liabilities not provided for :

	2010-11	2009-10		2010-11	2009-10
		₹ in lakhs			₹ in lakhs
(a) Disputed Excise Duty and Customs Duty (net of provision).	626	487	the High Court, which has been dismissed by the Div. Bench. 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	839
(b) Disputed demand of Sales Tax and Interest on Turnover Tax & Purchase Tax against which the Company has preferred appeals.	462	1580	(g) The Company has provided sponsor's Guarantee towards the borrowing of the joint venture company, Tunisian Indian Fertilizers S.A., Tunisia (TIFERT) upto 15% of the amount due and outstanding.	18237	9256
(c) Claims by Statutory Corporations and others disputed and not acknowledged as debt.	4111	4208	2. Estimated amount of contracts remaining to be executed on capital accounts, net of advances.	9831	12063
(d) Disputed gas price/royalty on gas with ONGC.	752	752	3. In respect of LSHS consumed for production of Steam, which is used for manufacturing fully exempted fertilizers, Central Excise authorities had issued various Show-Cause Notices (SCNs) denying MODVAT Credit availed by the Company from 1997 till 2001. The Company litigated against such denial and the Hon. Supreme Court gave favourable order against one of the SCNs in July 2008 upholding the MODVAT credit eligibility of the Company. Thereafter, the Company requested Excise authorities to adjudicate pending the Show Cause Notices on the basis of Supreme Court order. However, Commissioner, Central Excise & Customs, Vadodara adjudicated the matter in November 2010, against the Company on various grounds and ordered the Company to pay Rs. 3436.60 Lacs for Cenvet availed on LSHS and interest on the same of Rs. 453.78 Lacs. The Company has appealed to the CESTAT against this order. The Company has not provided liability at this juncture.		
(e) Claims by employees/ex-employees pending before courts.	Not ascertainable		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.		
(f) 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 employees 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 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. Vide an order dated 11/03/2010, the Hon'ble High Court has confirmed the interim relief granted earlier till final disposal of the petition. Aggrieved by the said order, the Grade-II Employees' Union filed the Letters Patent Appeal before the Division Bench of			(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		

Schedules Forming Part of Accounts

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.
- (d) As per the Security and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulation 2009 ("ICDR Regulations"), the Company has given consent for lock-in of its shareholding of equity shares in Gujarat State Petroleum Corporation Ltd. for a period of one year or for such other time as may be required from the date of allotment of Public Issue.
5. The Sundry Creditors in Schedule-11 includes Rs. 60.05 lakhs (previous year Rs. 184.49 lakhs) due to Micro, Small and Medium Enterprises and Rs. 46443.09 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. 60.05 lakhs and no interest due thereon is remaining unpaid as on 31st March, 2011. This information has been determined to the extent such parties have been identified on the basis of information available with the Company.
6. (a) No provision has been considered necessary towards the income tax demand of Rs. 5719 lakhs for the assessment years 1987-88, 1992-93, 1997-98, 1999-2000, 2004-05, 2005-06, 2006-07 and 2008-09 as the same is disputed in appeals and the Company is hopeful of succeeding in the said appeals.
- (b) Deferred Taxation: (₹ in lakhs)
- | | As on
31-03-11 | As on
31-03-10 | Difference |
|--|-------------------|-------------------|-----------------|
| A] Deferred Tax Liability : | | | |
| 1. Depreciation | 30840.32 | 28217.12 | 2623.20 |
| | <u>30840.32</u> | <u>28217.12</u> | <u>2623.20</u> |
| B] Deferred Tax Assets : | | | |
| 1. Expenses allowable for tax purpose when paid | 7777.61 | 10680.83 | -2903.22 |
| 2. Provision against receivables, Advances and Investments | 2629.79 | 2565.82 | 63.97 |
| | <u>10407.40</u> | <u>13246.65</u> | <u>-2839.25</u> |
| C] Net Deferred Tax Liability/(Assets)(A-B) | <u>20432.92</u> | <u>14970.47</u> | <u>5462.45</u> |
7. 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.

8. During the year, based on a favourable decision of the Court, pertaining to the year 1997-98, the Company has accounted subsidy on DAP amounting to Rs. 761.87 lakhs in Sales and interest thereon amounting to Rs. 688.33 lakhs in Other Income.

9. Details of Managerial Remuneration :

	(₹ in lakhs)	
	2010-11	2009-10
Salary	13.46	10.89
Other Perquisites	0.01	0.01
Pension Contribution	1.23	1.87
Leave Salary Contribution	1.00	1.43
TOTAL	<u>15.70</u>	<u>14.20</u>

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

	(₹ in lakhs)	
	2010-11	2009-10
(a) Audit Fees (including fees of Branch Auditors & Limited Review Fees)	7.94	7.94
(b) In other capacity in respect of :		
Taxation matters - Tax Audit fees	1.10	1.10
Other services (including Certification)	4.52	3.83
(c) Reimbursement of expenses	<u>1.51</u>	<u>0.12</u>
	<u>15.07</u>	<u>12.99</u>

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11. 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 :

Description	(₹ in lakhs)			
	2010-11	2009-10	2010-11	2009-10
	Pension		Gratuity	
1. Changes in Present Value of obligation :				
a. Obligation as at the beginning of the year	31099.55	31461.78	15223.79	13989.24
b. Current Service Cost	700.98	661.08	645.77	286.29
c. Interest Cost	2487.96	2516.95	1217.90	1111.44
d. Actuarial (Gain)/Loss	(2328.01)	(874.60)	670.85	965.40
e. Benefits Paid	(2919.51)	(2665.68)	(1469.78)	(1128.59)
f. Obligation as at the end of the year	29040.97	31099.55	16288.53	15223.78
The defined benefit obligation as at 31.03.2011 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	18203.98	17142.36	4895.35	4536.27
b. Expected return on Plan Assets	1601.99	1539.78	496.87	402.64
c. Actuarial Gain/(Loss)	—	—	—	—
d. Contributions	1577.80	2187.51	11584.30	890.67
e. Benefits Paid	(2919.51)	(2665.68)	(1469.78)	(934.23)
f. Fair Value of Plan Assets as at the end of the year	18464.26	18203.98	15506.74	4895.35
3. Amount Recognised in the Balance Sheet :				
a. Fair Value of Plan Assets as at the end of the year	18464.26	18203.98	15506.74	4895.35
b. Present Value of Obligation as at the end of the year	(29040.97)	(31099.55)	(16288.53)	(15223.78)
c. Amount recognised in the Balance Sheet	(10576.71)	(12895.56)	(781.79)	(10328.43)
4. Expense recognised during the year :				
a. Current Service Cost	700.98	661.08	645.77	286.29
b. Interest Cost	2487.96	2516.95	1217.90	1111.44
c. Expected return on Plan Assets	(1601.99)	(1539.78)	(496.87)	(402.64)
d. Actuarial (Gain)/Loss	(2328.01)	(874.60)	670.85	965.40
e. Expense recognised during the year *	(741.06)	763.65	2037.65	1960.49
5. Investment Details of Plan Assets :				
Administered by LIC of India	100%	100%	100%	100%
6. Assumptions :	31.03.2011	31.03.2010	31.03.2011	31.03.2010
a. Discount Rate (per annum)	8%	8%	8%	8%
b. Estimated Rate of return on Plan Assets (per annum)	9.50%	9.50%	9.50%	9.50%

* Expense recognised during the year as per item 4(e) under the column of Gratuity includes Rs. 1036 lakhs which has been recognised as expense during the previous financial year.

(Contd.)

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(b) Details of funded & unfunded plans (Contd.) :		(₹ in lakhs)			
Description		2010-11	2009-10	2010-11	2009-10
		Leave	Encashment	PRMBS	

1. Changes in Present Value of obligation :

a.	Obligation as at the beginning of the year	9716.03	9128.68	1771.54	1721.32
b.	Current Service Cost	0.00	26.99	345.00	225.00
c.	Interest Cost	0.00	56.69	142.00	129.00
d.	Actuarial (Gain)/Loss	1444.94	1677.51	(161.00)	(102.62)
e.	Benefits Paid	(1326.56)	(1173.83)	(216.04)	(201.16)
f.	Obligation as at the end of the year	9834.41	9716.03	1881.50	1771.54

The defined benefit obligation as at 31.03.2011 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	(9834.41)	(9716.03)	(1881.50)	(1771.54)
c.	Amount recognised in the Balance Sheet	(9834.41)	(9716.03)	(1881.50)	(1771.54)

3. Expense recognised during the year :

a.	Current Service Cost	0.00	26.99	345.00	225.00
b.	Interest Cost	0.00	56.69	142.00	129.00
c.	Expected return on Plan Assets	—	—	—	—
d.	Actuarial (Gain)/Loss	1444.94	1677.51	(161.00)	(102.62)
e.	Expense recognised during the year	1444.94	1761.19	326.00	251.38

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 :	31.03.2011	31.03.2010	31.03.2011	31.03.2010
a.	Discount Rate (per annum)	8%	8%	8%	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.

12. Long term wage settlement at Baroda unit of the Company has expired in December 2010. Pending negotiation for wage settlement, no provision has been made for the period January to March 2011.

Schedules Forming Part of Accounts

13. 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 H. V. Patel - Managing Director

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 31.3.11 (previous (as on 31.3.10) year) (₹ in lakhs)	Outstanding As on 31.3.11 (₹ in lakhs)
1.	Usage of effluent channel	161.08 (472.30)	— (—)
2.	Investments in equity shares (at cost) (14,302 shares of Rs.10 each)	0.00 (0.00)	0.00 (0.00)

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

Sr. No.	Nature of Transaction	Value for the year As on 31.3.11 (previous (as on 31.3.10) year) (₹ in lakhs)	Outstanding As on 31.3.11 (₹ in lakhs)
1.	Reimbursement receivable	12.64 (14.00)	— (4.34)
2.	Investments in equity shares (at cost) (33,75,000 shares of TND 10 each)	— (4514.77)	12024.77 (12024.77)

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

Sr. No.	Nature of Transaction	(₹ in lakhs) (previous year)
1.	Remuneration to Managing Director	15.70 (14.20)

14. As on 31st March, 2011, 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 their Financial Year ending on 31st December 2010 are given below :

	(₹ in lakhs)	
	31-12-10	31-12-09
Assets	34045.42	23763.89
Liabilities	23100.31	12967.06
Income	311.69	105.86
Expenditure	163.40	165.59

Note : Figures of TIFERT for the year ended 31/12/2009 are as per the Audited Financial Statements, whereas the figures for the year ended 31/12/2010 are as per the un-audited Financial Statements available with the Company.

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

16. Segment Information :

(₹ in lakhs)

	For the year ended on 31.03.2011	For the year ended on 31.03.2010
i) PRIMARY SEGMENT INFORMATION :		
A] SEGMENT REVENUE :		
1. Total Segment Revenue :		
a) Fertilizer Products	329280.20	286973.12
b) Industrial Products	146224.92	114946.17
TOTAL	475505.12	401919.29
2. Inter Segment Revenue	0.00	0.00
3. External Revenue (1 - 2) :		
a) Fertilizer Products	329280.20	286973.12
b) Industrial Products	146224.92	114946.17
TOTAL	475505.12	401919.29
B] RESULT :		
1. Segment Result :		
a) Fertilizer Products	62709.71	19201.46
b) Industrial Products	48168.76	22278.06
TOTAL	110878.47	41479.52
2. a) Unallocated Income	7780.81	7095.43
b) Unallocated Expenses	-6035.34	-6601.17
3. Operating Profit (B1 + B2)	112623.94	41973.78
4. Interest Expenses	-1378.73	-3061.84
5. Provision for Taxation :		
Wealth Tax	-12.00	-12.00
Current Income Tax	-30833.73	-15646.28
Deferred Tax (net)	-5462.45	2192.70
Excess tax provision w.back	0.00	0.76
6. Net Profit	74937.03	25447.12
C] OTHER INFORMATION :		
1. Segment Assets :		
a) Fertilizer Products	220881.87	193283.75
b) Industrial Products	79257.39	100316.96
TOTAL	300139.26	293600.71
2. Unallocated Corporate Assets	125787.97	85605.78
3. Total Assets	425927.23	379206.49

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16. Segment Information (Contd.) : (₹ in lakhs)

	For the year ended on 31.03.2011	For the year ended on 31.03.2010
4. Segment Liabilities :		
a) Fertilizer Products	47181.52	47051.32
b) Industrial Products	14191.31	22182.02
TOTAL	61372.83	69233.34
5. Unallocated Corporate Liabilities	81688.93	95560.98
6. Total Liabilities	143061.76	164794.32
7. Capital Expenditure :		
a) Fertilizer Products	32269.41	49.53
b) Industrial Products	14082.52	5675.96
c) Corporate Capital Expenditure	142.66	8997.66
TOTAL	46494.59	14723.15
8. Depreciation :		
a) Fertilizer Products	10112.83	9207.99
b) Industrial Products	4319.18	4662.07
c) Unallocated Corporate Depreciation	208.24	223.10
TOTAL	14640.25	14093.16
9. Non-Cash Expenses :		
a) Fertilizer Products	1525.88	2545.95
b) Industrial Products	2094.08	2444.90
c) Unallocated non-cash expenses	91.72	2067.30
TOTAL	3711.68	7058.15

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.

17. Previous year's figures have been regrouped wherever necessary.

18. 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.

19. 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
27th May, 2011

H. V. Patel
Managing Director

A. K. Joti
Chairman

D. C. Anjaria
Vasant P. Gandhi
Ajay N. Shah
M. M. Srivastava
Directors

As per our attached Report of even date
For **Prakash Chandra Jain & Co.**
Chartered Accountants
Firm Registration No. 002438C

Gandhinagar
27th May, 2011

Prakash Chandra Nalwaya
Partner
Membership No. 33710

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 2010-11

Product	Unit	Licenced Capacity Per Annum	Installed Capacity Per Annum	Production		Opening Stock		Closing Stock		Value of Closing Stock ₹ in lakhs		
				2010-11	2009-10	2010-11	2009-10	2010-11	2009-10	2010-11	2009-10	2008-09
1. Ammonia	MT	150000	150000 c	2281	9	0	0	0	0	0.00	0.00	0.00
2. Ammonia Expansion	MT	445500	445500 c	465000	506010	18420	5762	12855	18420	1327.41	1534.45	653.25
3. Urea	MT	364000	364000	245490	278579	7591	7579	3339	7591	320.82	483.15	739.25
4. Ammonium Sulphate Phosphate or Di-ammonium Phosphate	MT	256000	256000 or 108000	280071	288398	2641	7379	5271	2641	623.86	255.19	1016.00
5. Caprolactam	g	70000	70000	79577	81151	2308	1281	1593	2308	1583.72	2104.01	1116.22
6. Ammonium Sulphate (Caprolactam)	g	202000	196000	290696	269949	58806	67156	12441	58806	768.84	3508.45	5142.14
7. Nylon-6 Chips	MT	d	7000	9520	8838	273	625	164	273	210.78	329.55	582.25
8. Sulphuric Acid	MT	132000	132000 e	135670	123040	12436	8834	11295	12436	277.20	163.74	221.00
9. Styrene Acrylonitrile	MT	500	300	-	-	0	0	0	0	0.00	0.00	0.00
10. Melamine	MT	d	15000	13938	13735	58	19	680	58	391.80	34.70	38.12
11. MEK Oxime	MT	d	4450	2721	2780	292	332	304	292	295.19	238.67	290.65
12. Methyl Methacrylate Monomer	MT	5000	5000 c	4547	4597	78	279	77	78	72.50	64.38	288.39
13. Polymethyl Methacrylate Sheets	MT	2000	2000	721	687	79	91	69	79	87.57	102.59	119.00
14. Polymethyl Methacrylate Pellets	MT	1500	1500	1710	1929	178	125	34	178	33.95	193.73	157.38
15. Ammonium Sulphate (Polymers)	MT	10000	10000	12762	12772	1645	135	2518	1645	96.62	61.65	7.11
16. Acetone Cyano Hydrine	MT	5150	5150 c	6522	6584	412	224	172	412	97.75	216.46	137.51
17. Methacrylic Acid	MT	500	500	1136	1093	4	7	4	4	3.87	3.53	8.28
18. 1A) DAP (A+B TRAIN)	MT	150000 f	150000 f	709682	922323	7788	33877	9412	7788	2159.74	1392.61	7688.39
1B) DAP (C TRAIN)	MT		396000									
2) APS	MT	f	f	0	0	0	0	0	0	0.00	0.10	0.10
3) NPK	MT			0	0	2	24	0	2	2.96	3.43	9.53
19. Synthetic Filament Yarn Incl. industrial Yarn/Tyre Cord	MT	6000	6000	4361	4433	495	491	430	495	838.28	770.37	622.11
20. Nylon Chips - Fibre	MT	2000	2000	5399	4652	293	245	379	293	448.19	353.83	205.86
21. Others										927.28	566.46	1024.20
Total										10581.25	12395.27	20081.21

- 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 P_2O_5 , 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)".

(Contd.)

Schedules Forming Part of Accounts

ANNEXURE - I (Contd.)

(B) Stocks, Purchases and Sales of Trading Items

2010-11 (2009-10)	Opening Stock		Purchases		Sales		Closing Stock		Shortages
	MT	₹ Lakhs	MT	₹ Lakhs	MT	₹ Lakhs	MT	₹ Lakhs	MT
Potash	10265 (149)	458.62 (6.65)	6537 (23555)	330.83 (1052.56)	16364 (13438)	800.63 (627.71)	437 (10265)	22.28 (458.62)	0.15 (0.82)
Urea	0 (1.35)	0.00 (0.06)	0 (0)	0.00 (0.00)	0 (0)	0.00 (0.00)	0 (0)	0.00 (0.00)	0.00 (1.35)
Pesticides		11.31 (15.27)		80.71 (93.40)		94.83 (106.01)		8.31 (11.31)	
Seeds		1.29 (45.22)		571.65 (414.41)		661.71 (552.66)		10.48 (1.29)	
Zinc Sulphate		9.83 (1.31)		138.63 (126.58)		183.76 (128.73)		7.20 (9.83)	
Solar Cooker (nos.)	15 (15)	0.23 (0.23)	— (—)	— (—)	— (—)	— (—)	0 (15)	0.00 (0.23)	0.00 written off (0.23)
Imported Ammonia	0 (3)	0.00 (0.81)	0 (0)	0.00 (0.00)	0 (0)	0.00 (0.00)	0 (0)	0.00 (0.00)	3 MT captive use
Imported Nylon-6	2.54 (2.54)	1.01 (1.01)	0 (0)	0.00 (0.00)	0 (0)	0.00 (0.00)	2.54 (2.54)	1.01 (1.01)	
Imported Melamine	0 (0)	0.00 (0.00)	1258 (1617)	808.13 (957.23)	1258 (1617)	893.82 (974.40)	0 (0)	0.00 (0.00)	
Total		482.29 (70.56)		1929.95 (2644.18)		2634.75 (2389.51)		49.28 (482.29)	

(C) Raw Materials Consumption

	Unit	Quantity	2010-11 Value ₹ in lakhs	Quantity	2009-10 Value ₹ in lakhs
Baroda Unit					
Rock Phosphate	MT	214485	14841.03	193265	14304.12
Sulphur	MT	175714	14412.84	176520	7811.97
Gas	'000 SM³	374822	33803.96	401891	31166.39
Benzene	MT	91939	42863.13	91472	37814.40
MEK	MT	2271	1678.50	2328	1216.18
Phosphoric Acid	MT	0	0.00	4981	1430.42
Sulphuric Acid	MT	13205	535.13	4067	31.41
Others			54.78		122.10
			108189.37		93896.99
Polymers Unit					
Acetone	MT	4597	2348.38	4642	2141.61
Hydrocyanic Acid	MT	2152	268.96	2168	271.03
Methanol	MT	1844	294.95	1869	253.77
Sulphuric Acid	MT	1837	83.04	3518	33.79
Others			5.01		5.27
			3000.34		2705.47
Sikka Unit					
Ammonia	MT	114353	20695.12	150215	21025.57
Phosphoric Acid	MT	325707	120655.31	424783	124482.62
Sulphuric Acid	MT	5668	242.46	12895	150.16
Others			897.70		1136.27
			142490.59		146794.62
Fibre Unit					
Chopped glass	MT	469	288.93	410	266.97
Others			93.63		120.09
			382.56		387.06
Total			254062.86		243784.14

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

	2010-11	2009-10
	₹ in lakhs %	₹ in lakhs %
Raw Materials		
Imported	143317.85 56.41	147947.11 60.69
Indigenous	110745.01 43.59	95837.03 39.31
	254062.86 100.00	243784.14 100.00
Spare Parts		
Imported	964.35 33.77	1050.63 33.94
Indigenous	1891.45 66.23	2045.06 66.06
	2855.80 100.00	3095.69 100.00

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

	2010-11	2009-10
	₹ in lakhs	₹ in lakhs
Raw Materials	135590.04	134938.35
Spare Parts	1184.91	2253.78
Capital Goods	2613.21	0.00

(F) Expenditure in Foreign Currency

(on payment basis)		
Interest	487.10	369.50
Technical Assistance / Know-how	22.67	69.77
Others	4826.18	7579.46

(G) Remittance of Dividend in Foreign Currency

	—	—
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(H) Earnings in Foreign Exchange

F.O.B. value of Exports	8367.93	8333.21
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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**
 CIN **L99999GJ1962PLC001121**
 Balance Sheet Date **31-03-2011**

II. Capital raised during the year

(Amount in ₹ Thousands)

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

III. Position of Mobilisation and Deployment of Funds

(Amount in ₹ Thousands)

Total Liabilities **42592725** Total Assets **42592725**

Sources of Funds

Paid up Capital **796955** Reserves & Surplus **27489592**
 Secured Loans **980792** Unsecured Loans **2942471**
 Net Deferred Tax **2043292**

Application of Funds

Net Fixed Assets **15824912** Investments **4249794**
 Net Current Assets **14178396** Misc. Expenditure **NIL**
 Accumulated Losses **NIL**

IV. Performance of Company

(Amount in ₹ Thousands)

Turnover and Other Income **48562482** Total Expenditure **37437961**
 Profit Before Tax **11124521** Profit After Tax **7493714**
 Earning per Share in ₹ **94.03** Dividend Rate % **70%**

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

Gujarat State Fertilizers & Chemicals Limited

P.O. Fertilizernagar – 391 750, Dist. Vadodara, Gujarat

Dear Shareholders,

Sub: Implementation of Circular issued by MCA, Government of India on "Green Initiatives in Corporate Governance"- Registration of Email ID

The Ministry of Corporate Affairs ("MCA") has taken the "Green Initiative in Corporate Governance" (Circular No. 17/2011 dated April 21, 2011 and Circular No. 18/2011 dated April 29, 2011) allowing paperless compliances by companies through electronic mode. Companies are now permitted to send various notices/ documents to their shareholders through electronic mode to the registered e-mail addresses.

This move by the Ministry is welcome since it will benefit the society at large through reduction in paper consumption and would contribute towards a sustainable greener environment. From shareholder point of view, it will ensure prompt receipt of communication from the Company and avoid situations where physical documents get lost in postal transit.

Keeping in view the underlying theme and circulars issued by MCA, we propose to send all documents to be sent to shareholder like General Meeting Notices, Annual Report including Audited Financial Statements, Directors Report, Auditors Report, etc. to our shareholders in electronic form, to the e-mail address provided by them and made available to us by the depositories.

Please note that these documents will also be available for download from the financials page on the Company's website www.gsfclimited.com. Physical copies will also be available for inspection during office hours at Registered Office of the Company.

Please also note that you will be entitled to be furnished free of cost, with a copy of the Annual Report of the Company and all other documents required by law to be attached thereto, upon receipt of a requisition from you, any time, as a member of the Company. Such a requisition may be sent to the Registered Office of the Company.

We are sure that as a responsible citizen, you will whole-heartedly support this initiative and will co-operate with the Company in our mutual endeavour towards a sustainable greener environment and brighter living.

Accordingly, **if you hold shares in physical mode**, we request you to kindly fill out the "Registration of E-mail ID Form" (The Form is printed on the backside of this page) and send the same to our Registrars and Share Transfer Agents M/s. MCS Limited at the address mentioned therein at the earliest or send e-mail to gogreen@gsfcld.com quoting Folio No.

Shareholders holding shares in demat mode are requested to give their E-mail ID to their Depository Participant (DP) in the format provided by them

We look forward to your valuable support in this 'Go Green' initiative.

Thanking you and assuring you of our best services at all times.



To be sent by shareholder holding shares in physical mode only
(Shareholders holding shares in demat mode are requested to give their E-mail ID to their Depository Participant (DP) in the format provided by them)

REGISTRATION OF E-MAIL ID FORM

Date : _____

To,
M/s. MCS Limited
Unit: Gujarat State Fertilizers & Chemicals Limited
Neelam Apartment, 1st Floor
88, Sampatrao Colony
Behind Standard Chartered Bank
Productivity Road
Vadodara - 390 007

Dear Sirs,

Sub: Implementation of Circular issued by MCA, Government of India on "Green Initiatives in Corporate Governance"- Registration of Email ID

I hereby give my consent to send me various documents viz. General Body Meeting Notices, Annual Reports including Audited Accounts etc. through E-mail instead of sending them in the physical form. My details as to E-mail ID etc. are given below :

Folio Number	
Name of First Shareholder	
E-mail ID	
Phone No	
Signature of Shareholder	



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 NINTH ANNUAL GENERAL MEETING** of the Company held at **Cultural Centre Auditorium** situate at its Registered Office at **P. O. Fertilizernagar, District Vadodara, at 4.00 p.m. on Saturday, the 17th September, 2011.**

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 NINTH ANNUAL GENERAL MEETING of the Company to be held at **4.00 p.m. on Saturday, the 17th September, 2011** 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.

SOCIAL RESPONSIBILITY

At GSFC, Corporate Social Responsibility functions as a built-in, self-regulating mechanism whereby business monitors and ensures its active compliance with the spirit of the law and ethical standards as well.

As a socially responsible Corporate, GSFC undertakes various programs for the socially under-privileged.

GSFC contributes towards mid-day meal scheme run by Akshay Patra Foundation, which provides nutritious and hygienic food to approx. 50000 under privileged school children in Vadodara city and Taluka. It gives financial support to Society for Village Development, which executes programs for developing village infrastructure, sanitation, water recharging and health awareness concerns.

Health being a vital concern, GSFC conducts various medical camps in nearby villages like eye check-up, blood donation etc. It provides drinking water to nearby villages by installing overhead tanks and water connections. GSFC has provided street lights on village roads and other facilities at nearby villages.

GSFC has constructed school buildings, donated funds for library facility to the rural youth & encourages young children for primary schooling. It has promoted Bio-gas as an alternative energy source and has installed over 22000 Bio-gas plants for the benefit of nearby villagers.

Undoubtedly GSFC is Gujarat's pride, a jewel in its crown and one of the pillars of India Inc.





GREENING FOR EVERGREEN GIGANTIC GROWTH

Change, it is said, is the spice of Life, but the climate change cannot be. The reason being the climatic patterns have the tendency to change unpredictably across geographies. Inducing this change are toxic gases that emit from factories worldwide giving rise of a phenomenon called global warming or heating up of the earth with serious repercussions to sustainable development.

Climate change is the toughest challenge confronted by mankind today. It has the unelcome potential to bring in abrupt weather changes leading to floods or droughts that could cripple agriculture and impact adversely livelihood of millions. Predictably, climate change is viewed with great concern world over.

GSFC shares this concern and has committed itself to do everything that it can for a greener environment. To take on the challenge of climate change, GSFC has re-oriented its business strategies by giving more emphasis on conservation and protection of the environment.

In pursuit of this strategic endeavor, GSFC has proactively launched two Clean Development Mechanism (CDM) initiatives to reduce greenhouse emissions.

Its two projects have been accepted for registration by the CDM monitoring authority and other projects also may fall in line.

The first project envisages the use of waste off gas from one of the company's plants in place of natural gas as fuel to manufacture Ammonia, thus saving on fossil fuel. The second project involves setting up of windmills to generate clean energy. Both the projects would contribute in reduction of air pollutants which are otherwise released into the environment. It is a matter of pride that the technology for fossil fuel switch over has been developed through in-house R&D.

The two initiatives mark a giant stride forward in ensuring Environmental well-being and reinforcing GSFC's strong commitment towards clean environment.

GSFC's goal is Evergreen Gigantic Growth and to look after the Environment as a legacy for the future generations to inherit for their sustenance.

GSFC has also planted 1.6 Lacs Banyan, Pipal and Neem trees, mostly in its campus at Vadodara and Sikka. These trees would help to absorb carbon dioxide that get emitted into the air and thus make the

environment cleaner and greener. The seedlings for these trees have been developed by GSFC scientists.

Environment protection is a movement and hence needs support of people across the society for its success. GSFC, therefore, has taken various initiatives viz. sponsoring fruits, flowers and vegetable shows in association with the Society for Clean Environment (SOCLEEN) to encourage the urban population become active partners in the campaign for greener environment.

In the realm of manufacturing, GSFC has made relentless efforts to achieve zero pollution levels by preventing, minimizing, recycling, reusing of liquid effluent, gaseous emission and hazardous solid waste. Implementing zero process effluent discharge system for fertilizer group of plants and ensuring their safe discharge into the sea.

Sophisticated air pollution control devices for abatement of gaseous pollutants and a beautiful lotus pond with garden, ducks and natural landscaping near Sulphuric Acid Plant in the factory complex are icons of GSFC's commitment to the environment.

As part of awareness campaign, environment messages have been displayed on giant hoardings on the periphery walls of the Company. Messages have also been broadcast on FM Radio to reach out to people in Vadodara, Surat, Rajkot and Ahmedabad as part of World Environment Day celebrations.

GSFC's endeavor for green environment has brought awards galore. It has won the prestigious "GOLD" trophy of SCOPE meritorious award for environmental excellence and sustainable development. The Best Green Belt is yet other notable feather in its Cap that has come by way of its efforts to create and develop green surroundings. It has also been conferred with "ICC Aditya Birla Award" for Best Responsible Care Committed Company.

GSFC PRODUCT PORTFOLIO

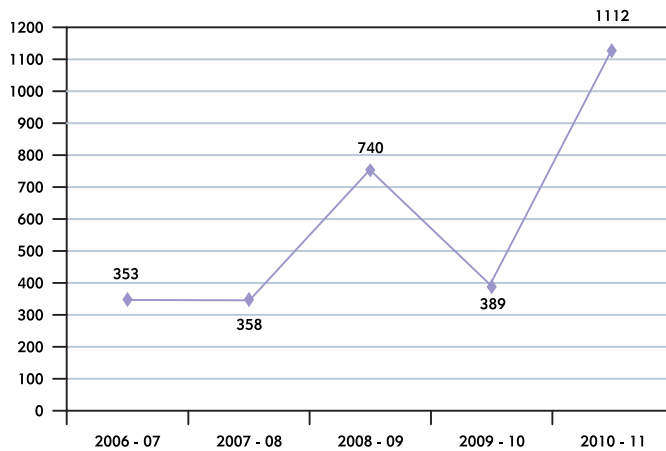
GSFC was conceived as a fertilizer unit but with the development and prospecting of crude petroleum in Gujarat, opportunities opened up for the company to diversify. It produces products that touch all walks of life from household consumption to core industrial consumers.

GSFC today boasts of an enviable product profile. Fertilizers apart, GSFC manufactures Caprolactam – a critical raw material for manufacturing Nylon-6 Tyre-cord etc. It has pioneered in the manufacture of Melamine, Nylon-6, Engineering Plastics, Nylon Filament Yarn, Acrylics, Acids and Industrial Gases besides Ammonia.

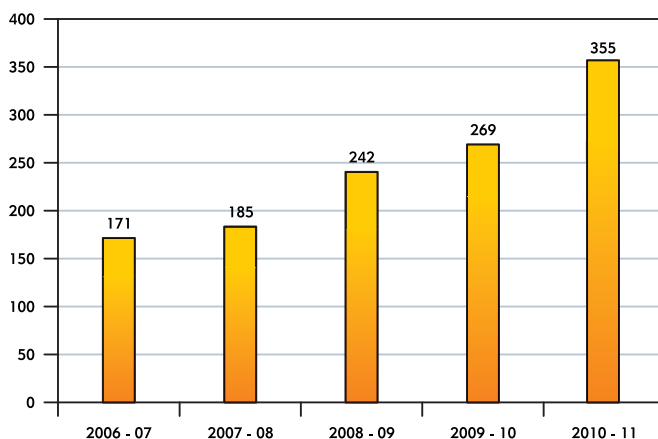


PERFORMANCE HIGHLIGHTS

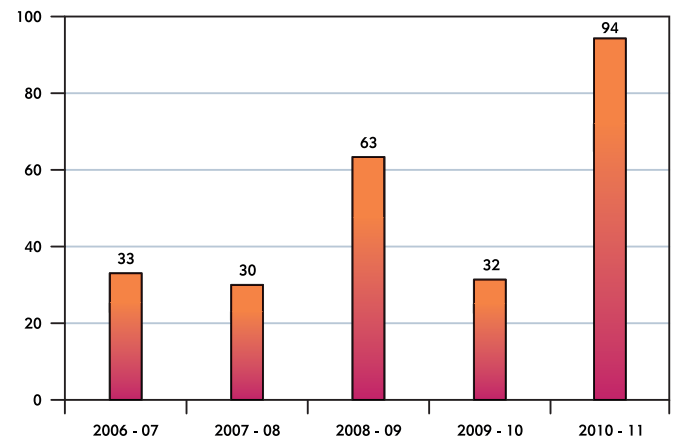
PROFIT BEFORE TAX
(Rs. Crores)



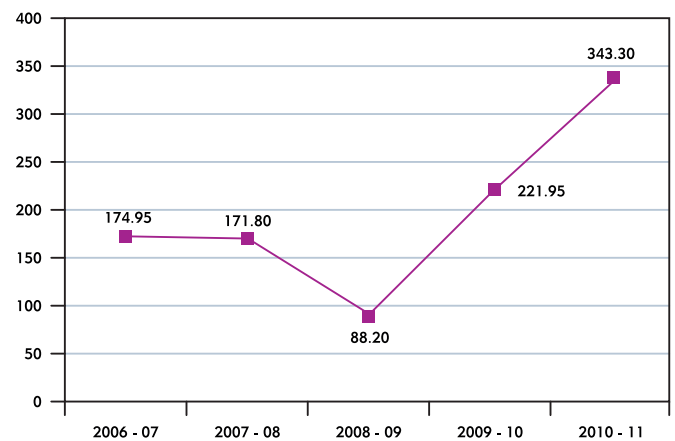
BOOK VALUE PER SHARE
(Rupees)



EARNING PER SHARE
(Rupees)



MARKET PRICE PER SHARE
(As on 31st March of respective year) (Rupees)



"License to post on pre-payment of postage in cash"
License No. G1/Temp/009/Mails/10-11 granted by
the Chief Postmaster General, Gujarat Circle,
Ahmedabad-380 001, which is valid upto 06/09/2011
Posting made from Mail Business Centre, Navrangpura,
Ahmedabad-380 009.

To,



If undelivered, please return to :

GUJARAT STATE FERTILIZERS & CHEMICALS LIMITED

AN ISO-9001, ISO-14001, OHSAS-18001 & EN-16001 CERTIFIED COMPANY

Fertilizernagar - 391 750 - Vadodara - Gujarat

www.gsfclimited.com