



GUJARAT NARMADA VALLEY FERTILIZERS COMPANY LIMITED

32ND ANNUAL GENERAL MEETING

Date : 25th September, 2008
Day : Thursday
Time : 2:30 PM
Place : Near Jan Vikas Temple,
Narmadanagar Township,
P.O. Narmadanagar-392 015,
District – Bharuch.

BOARD OF DIRECTORS

Smt. Sudha Anchlia, IAS, *Chairperson & Managing Director*
Shri D Rajagopalan, IAS
Shri MM Srivastava, IAS
Shri PN Roychaudhari, IAS
Shri HV Patel, IAS
Shri Pankaj Kumar, IAS
Dr. TT Ram Mohan
Dr. Ashok Shah
Shri DC Anjaria
Shri T Natarajan, IAS, *Joint Managing Director*
Shri Balwant Singh, IAS, *Managing Director (upto 18.8.2008)*

Special Director

Shri DS Taunk

Executive Directors

Shri JJ Vaidya
Shri JS Kochar
Shri MN Tirmak
Shri S Arun
Shri SK Bannatwala
Shri GK Parikh
Shri SM Shah

Company Secretary

Shri RB Panchal

Auditors

M/s SR Batliboi & Company,
Chartered Accountants,
Mumbai.

Registered Office :

P.O. Narmadanagar – 392 015
District : Bharuch
Gujarat, INDIA.

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NOTICE

NOTICE IS HEREBY given that the **32nd Annual General Meeting** of the Members of Gujarat Narmada Valley Fertilizers Company Limited will be held on **Thursday, the 25th September, 2008 at 2.30 P.M.** at the Registered Office of the Company, Near Janvikas Temple, Narmadanagar Township at P.O. Narmadanagar - 392 015, District Bharuch to transact the following business:

ORDINARY BUSINESS :

1. To receive, consider and adopt the Audited Balance Sheet as at 31st March, 2008, the Audited Profit & Loss Account for the year ended on that date and the Reports of the Board of Directors and the Auditors thereon.
2. To declare a Dividend on Equity Shares.
3. To appoint a Director in place of Shri DC Anjaria, who retires by rotation.
4. To appoint Auditors of the Company to hold office until the conclusion of the next Annual General Meeting and to fix their remuneration and, if thought fit, to pass with or without modification(s), the following Resolution:

As a Special Resolution :

"RESOLVED that pursuant to the provisions of Section 224A and other applicable provisions, if any, of the Companies Act, 1956, the retiring Auditors M/s. SR Batliboi & Company, Chartered Accountants be and are hereby re-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, on such remuneration as may be determined by the Board of Directors and reasonable out-of-pocket expenses actually incurred by them in connection with the audit."

SPECIAL BUSINESS :

5. **Appointment of Shri D Rajagopalan, IAS as a Director of the Company :**

To consider and, if thought fit, to pass with or without modification(s), the following Resolution :

As an Ordinary Resolution :

"RESOLVED that Shri D Rajagopalan, IAS be and is hereby appointed a Director of the Company, liable to retire by rotation."

6. **Appointment of Shri MM Srivastava, IAS as a Director of the Company :**

To consider and, if thought fit, to pass with or without modification(s), the following Resolution :

As an Ordinary Resolution :

"RESOLVED that Shri MM Srivastava, IAS be and is hereby appointed a Director of the Company, liable to retire by rotation."

7. **Appointment of Shri PN Roychaudhari, IAS as a Director of the Company :**

To consider and, if thought fit, to pass with or without modification(s), the following Resolution :

As an Ordinary Resolution :

"RESOLVED that Shri PN Roychaudhari, IAS be and is hereby appointed a Director of the Company, liable to retire by rotation."

8. **Appointment of Smt. Sudha Anchlia, IAS as Chairperson and Managing Director of the Company :**

To consider and, if thought fit, to pass with or without modification(s), the following Resolution :

As an Ordinary Resolution :

"RESOLVED that pursuant to the provisions of Sections 198, 269, 309, 310 and 311 read with Schedule XIII and all other applicable provisions, if any, of the Companies Act, 1956, (including any statutory modification or re-enactment thereof for the time being in force), the consent of the Company be and is hereby accorded to the appointment of Smt. Sudha Anchlia, IAS, as the Chairperson and Managing Director of the Company to hold office for a period from

11th April, 2008 to 30th June, 2009 or until her services are withdrawn from the Company by the State Government, whichever is earlier, on the terms and conditions of her remuneration and perquisites, as set out in the explanatory statement annexed to the notice convening this meeting."

"FURTHER RESOLVED that the approval and consent of the Company be and is hereby given and the Board of Directors of the Company be and is hereby authorized to agree to any increase, variation, modification or amendment, as may be decided and conveyed by the Government of Gujarat in the terms and conditions of appointment and payment of remuneration and providing of perquisites by the Company to Smt. Sudha Anchlia, Chairperson and Managing Director in accordance with Articles of Association of the Company and Schedule XIII of the Companies Act, 1956 or as may be prescribed/approved by the Central Government, if such approval of the Central Government is required."

"FURTHER RESOLVED that Smt. Sudha Anchlia, Chairperson and Managing Director of the Company be and is hereby authorized to exercise substantial powers of Management and that she will be responsible for the day to day management of the Company, subject to the superintendence, direction and control of the Board of Directors and shall carry out such duties as may be entrusted and/or delegated to her by the Board of Directors of the Company, from time to time."

"FURTHER RESOLVED that the remuneration, benefits and perquisites set out in the explanatory statement shall be paid and allowed to Smt. Sudha Anchlia as minimum remuneration, notwithstanding the absence or inadequacy of profits in any year."

"RESOLVED FURTHER that the Board of Directors be and is hereby authorized to take all such steps as may be necessary, proper or expedient to give effect to this Resolution."

9. **Re-appointment of Shri T Natarajan, IAS as Joint Managing Director of the Company :**

To consider and, if thought fit, to pass with or without modification(s), the following Resolution :

As an Ordinary Resolution :

"RESOLVED that pursuant to the provisions of Sections 198, 269, 309, 310, 311 and 317 read with Schedule XIII and all other applicable provisions, if any, of the Companies Act, 1956, (including any statutory modification or re-enactment thereof for the time being in force), the consent of the Company, be and is hereby accorded to the re-appointment of Shri T Natarajan, IAS, as the Joint Managing Director of the Company to hold office for a period not exceeding five years w.e.f. 7th June, 2008 or until his services are withdrawn from the Company by the State Government, whichever is earlier, on the terms and conditions of his remuneration and perquisites as set out in the explanatory statement annexed to the notice convening this meeting."

"FURTHER RESOLVED that the approval and consent of the Company be and is hereby given and the Board of Directors of the Company be and is hereby authorized to agree to any increase, variation, modification or amendment, as may be decided and conveyed by the Government of Gujarat in the terms and conditions of re-appointment and payment of remuneration and providing of perquisites by the Company to Shri T Natarajan, Joint Managing Director in accordance with Articles of Association of the Company and Schedule XIII of the Companies Act, 1956 or as may be prescribed/approved by the Central Government, if such approval of the Central Government is required."

"FURTHER RESOLVED that Shri T Natarajan, Joint Managing Director of the Company be and is hereby authorized to exercise substantial powers of Management and that he shall be responsible for the day to day management of the Company, subject to the superintendence, direction and control of the Managing Director/

Board of Directors and shall carry out such duties as may be entrusted and/or delegated to him by the Managing Director/Board of Directors of the Company, from time to time.”

“FURTHER RESOLVED that the remuneration, benefits and perquisites set out in the explanatory statement shall be paid and allowed to Shri T Natarajan as minimum remuneration, notwithstanding the absence or inadequacy of profits in any year.”

“RESOLVED FURTHER that the Board, be and is hereby authorized to take all such steps as may be necessary, proper or expedient to give effect to this Resolution.”

- 10. Payment of Special Pay to Shri Balwant Singh, IAS, Managing Director :**
To consider and, if thought fit, to pass with or without modification(s), the following Resolution :

As an Ordinary Resolution :

“RESOLVED that pursuant to the provisions of Sections 198, 309 and 310/311 read with Schedule XIII and all other applicable provisions, if any, of the Companies Act, 1956 (including any statutory modification or re-enactment thereof for the time being in force), the consent of the Company be and is hereby accorded to the payment of “Special Pay” to Shri Balwant Singh, IAS, Principal Secretary to Government of Gujarat, as granted and conveyed by the Government of Gujarat, for holding the additional charge of the post of Managing Director of the Company during the period from 14th September, 2005 to 11th April, 2008 (excluding leave period), @ 5% of “presumptive pay” which works out to Rs. 52,377/-.”

- 11. Appointment of Shri Balwant Singh, IAS as Managing Director of the Company :**

To consider and, if thought fit, to pass with or without modification(s), the following Resolution :

As an Ordinary Resolution :

“RESOLVED that subject to the provisions of Sections 198, 269 and 309 read with Schedule XIII and all other applicable provisions, if any, of the Companies Act, 1956 (including any statutory modification or re-enactment thereof for the time being in force), the consent of the Company be and is hereby accorded to the appointment of Shri Balwant Singh, IAS, Principal Secretary to Government of Gujarat, Home Department to hold the additional charge of Managing Director of the Company during the period Smt. Sudha Anchlia, IAS, Chairperson & Managing Director of the Company is on leave i.e. from 27th June, 2008 to 18th August, 2008.”

“FURTHER RESOLVED that the approval and consent of the Company be and is hereby given and the Board of Directors of the Company be and is hereby authorized to agree to the payment of remuneration/special pay, if any, as may be granted and conveyed by the Government of Gujarat to Shri Balwant Singh for holding the additional charge of the post of Managing Director of the Company during the aforesaid period, subject to the same not exceeding the limit specified under Schedule XIII of the Companies Act, 1956 or any statutory modification(s) or re-enactment thereof.”

“RESOLVED FURTHER that the Board, be and is hereby authorized to take all such steps as may be necessary, proper or expedient to give effect to this resolution.”

- 12. Increase in the Borrowing Limits of the Company :**

To consider and, if thought fit, to pass with or without modification(s), the following Resolution :

As an Ordinary Resolution:

“RESOLVED that consent of the Company be and is hereby accorded under Section 293(1)(d) and other applicable provisions, if any, of the Companies Act, 1956, to the Board of Directors of the Company to borrow from time to time, all such sums of money as they may deem requisite, necessary or expedient, for the purpose of the business of the Company upon such terms and conditions and with or without security, as the Board of Directors may in its

absolute discretion think fit, notwithstanding that the money or monies to be borrowed together with the monies already borrowed by the Company (apart from temporary loans obtained from the Company's Bankers in the ordinary course of business) would exceed the aggregate of the paid-up capital of the Company and its free reserves that is to say, reserves not set apart for any specific purpose; provided, however, that the total amount upto which monies may be borrowed by the Board of Directors shall not exceed the sum of Rs.3,000 Crores (Rupees Three Thousand Crores only) outstanding at any point of time.”

- 13. Authorization for creation of mortgage(s)/charge(s) :**

To consider and, if thought fit, to pass with or without modification(s), the following Resolution :

As an Ordinary Resolution :

“RESOLVED that in addition to the mortgages and charges created and to be created by the Company pursuant to the consents given at the General Meetings of the Company held from time to time, the consent of the Company be and is hereby accorded pursuant to the provisions of Section 293(1)(a) and other applicable provisions, if any, of the Companies Act, 1956, to the mortgaging and/or charging by the Board of Directors of the Company of all or any of the immovable and movable properties of the Company, wheresoever situate, both present and future, and the whole of the undertaking of the Company with or without conferring the power to enter upon and to take possession of assets of the Company and/or to take over the management of the business and undertaking of the Company, in certain events, to secure a loan or loans and/or deposits and/or credit facilities and/or deferred payment facilities and/or guarantees for securing any loans or deferred payment facilities and/or debentures or bonds and/or any other form of borrowing, in any currency or currencies, for amounts not exceeding in the aggregate Rs.3,000 Crores remaining outstanding at any point of time and interest and all other monies payable in connection therewith, to be obtained from or to be issued to Financial Institutions and/or Banks and/or other Parties, by the Company.”

“RESOLVED FURTHER that the Board of Directors of the Company be and is hereby authorised to finalise and execute all such documents for creating the aforesaid mortgage(s) and/or charge(s) and on such terms and conditions as they may deem fit, proper or appropriate in their absolute discretion and to do all such acts, things and matters as may be necessary for giving effect to the above Resolution.”

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 SUCH A PROXY NEED NOT BE A MEMBER OF THE COMPANY.
2. THE INSTRUMENT APPOINTING PROXY SHOULD BE DEPOSITED AT THE REGISTERED OFFICE OF THE COMPANY NOT LESS THAN FORTY-EIGHT HOURS BEFORE THE COMMENCEMENT OF THE MEETING.
3. The relative Explanatory Statement pursuant to Section 173 of the Companies Act, 1956, in respect of the business under Item Nos. 4 to 13 set out above are annexed hereto. The information as are required to be furnished under Clause 49 of the Listing Agreement entered into with the Stock Exchanges, of persons seeking appointment as Director under Item Nos. 3 & 5 to 9 are also annexed.

**By Order of the Board of Directors,
For Gujarat Narmada Valley Fertilizers Co. Ltd.**

Registered Office :
P.O. Narmadanagar
Dist. Bharuch : 392 015
Dated : 23rd August, 2008

R B Panchal
Company Secretary



ANNEXURE TO THE NOTICE

AS REQUIRED BY SECTION 173(2) OF THE COMPANIES ACT, 1956, THE FOLLOWING EXPLANATORY STATEMENT SET OUT ALL MATERIAL FACTS RELATING TO THE BUSINESS MENTIONED UNDER ITEM NOS. 4 TO 13 OF THE ACCOMPANYING NOTICE DATED 23RD AUGUST, 2008.

Item No. 4

The shareholding of Gujarat State Investments Ltd., a Government of Gujarat undertaking as also of the Public Financial Institutions, Nationalized Banks and Insurance Companies is more than 25% of the subscribed share capital of the Company in aggregate and hence, the re-appointment of M/s. SR Batliboi & Co, Chartered Accountants, Mumbai, as Auditors of the Company, is required to be made by a Special Resolution, as contemplated under Section 224A of the Companies Act, 1956.

Your Directors, therefore, commend the resolution for your approval. None of the Directors of the Company is, in any way, concerned or interested in the said Resolution.

Item Nos. 5, 6 & 7

In accordance with Article 142 of the Articles of Association of the Company, S/Shri D Rajagopalan, IAS, MM Srivastava, IAS and PN Roychaudhari, IAS, were appointed as Additional Directors on the Board of the Company with effect from 17th June, 2008. Pursuant to Section 260 of the Companies Act, 1956, these three Directors hold office up to the date of this Annual General Meeting and are eligible for appointment as Directors. The Company has received notice(s) under Section 257 of the Companies Act, 1956 in respect of the candidates, proposing their appointment as a Director of the Company, along with the requisite deposit.

Shri D Rajagopalan is a Senior IAS Officer and is presently the Additional Chief Secretary to Government of Gujarat, Finance Department. He has a rich experience in the field of finance, management and administration.

Shri MM Srivastava is a Senior IAS Officer and is presently the Principal Secretary to Government of Gujarat, Energy & Petrochemicals Department. He has a rich experience in the field of management and administration.

Shri PN Roychaudhari is a Senior IAS Officer and is presently the Principal Secretary to Government of Gujarat, Agriculture & Co-operation Department. He has a rich experience in the field of management and administration.

The Board considers that it would be in the interest of the Company to appoint S/Shri D Rajagopalan, MM Srivastava and PN Roychaudhari as Rotational Directors and therefore commends the resolutions for their appointment as a Director of the Company for your approval.

S/Shri D Rajagopalan, MM Srivastava and PN Roychaudhari are concerned or interested in the respective resolutions relating to their own appointment at Item Nos. 5 to 7 of the accompanying notice. None of the remaining Directors is, in any way, concerned or interested in the said resolutions.

Item No. 8

In accordance with the provisions of Article 134 of the Articles of Association of the Company, the Government of Gujarat has nominated Smt. Sudha Anchlia, IAS as Government Director on the Board of the Company. The Board has appointed Smt. Sudha Anchlia as the Chairperson & Managing Director of the Company with effect from 11th April, 2008.

In terms of the provisions of Sections 198, 269, 309, 310 & 311 read with Schedule XIII and all other applicable provisions, if any, of the Companies Act, 1956, the appointment of Smt. Sudha Anchlia as Chairperson & Managing Director of the Company and payment of remuneration to her are subject to the approval of shareholders in General Meeting. The appointment of Smt. Sudha Anchlia and the remuneration payable to her

are in accordance with Schedule XIII of the Companies Act, 1956 and hence do not require the approval of Central Government.

The terms and conditions of appointment and the particulars of remuneration and perquisites paid/payable to Smt. Sudha Anchlia are as follows :

- 1) **Period of Deputation** : Smt. Sudha Anchlia, IAS, will hold office of the Chairperson & Managing Director of the Company for a period from 11th April, 2008 to 30th June, 2009 or till her services are withdrawn by the State Government, whichever is earlier.
- 2) **Pay** : During the period of deputation, she will be eligible to draw her pay in the grade of Additional Chief Secretary to Government (i.e. Rs.26,000/- fixed) by virtue of equation of the post of Chairperson & Managing Director of the Company, with the IAS Cadre post of Additional Chief Secretary to Government, vide GAD Resolution No. AIS/30/2006/Eq-202433/G dated 11.4.2008.
- 3) **Dearness Allowance (DA)** : She will be eligible to draw Dearness Allowance at such rate as the Central Government may prescribe from time to time.
- 4) **City Compensatory Allowance (CCA)** : She will be eligible to draw City Compensatory Allowance as per the Rules applicable to the IAS Officers working in connection with the affairs of the State.
- 5) **House Rent Allowance (HRA)** : She would be required to pay 10% of the Pay plus DA / DP and CCA or the prescribed license fee for similar class of accommodation in the State Government, whichever is lower.
- 6) **Transfer TA / Joining Time** : She will be entitled to Transfer TA and Joining Time, both on joining the post on deputation and on reversion under the Rules of the Company, and which shall not be inferior to the relevant provisions of the All India Services Rules. The expenditure on this account will be borne by the Company.
- 7) **TA / DA for journey on duty** : She will be paid Travelling Allowance and Daily Allowance by the Company under its own Rules for the journey undertaken by her in connection with the official work of the Company. While undertaking foreign visits by Smt. Anchlia, the instructions contained in GAD Circular No.AIS/1099/1720/G dated 17th April, 1999, as amended from time to time, will be applicable for the purpose of drawal of per diem and in other matters.
- 8) **Medical Facilities** : The Company shall afford to Smt. Anchlia, IAS, the medical service facilities as per the Rules of the Company, but shall not be inferior to those admissible to an All India Service Officer of her rank and seniority under the All India Services (Medical Attendance) Rules, 1954.
- 9) **Leave and Pension** : During the period of deputation, she will continue to be governed by the All India Services (Leave) Rules, 1955 and the All India Services (DCRB) Rules, 1958. The entire expenditure in respect of leave taken during and at the end of deputation shall be borne by the Company.
- 10) **Provident Fund** : During the period of Foreign Service, she will continue to subscribe to the All India Services (Provident Fund) Scheme/ Contributory Provident Fund Scheme to which she was subscribing at the time of proceeding on Foreign Service in accordance with the rules of such Fund/Scheme.
- 11) **Conduct, Discipline and Appeal Rules** : During the period of Foreign Service, she will continue to be governed by the All India Services (Conduct) Rules, 1968 and the All India Services (Discipline and Appeal) Rules, 1969.
- 12) **Leave Travel Concession** : The Company shall allow Leave Travel Concession to Smt. Anchlia, as admissible to her under the All India Services (LTC) Rules, 1975. The whole expenditure in this regard will be borne by the Company.
- 13) **Disability Leave** : The Company will be liable to pay leave emoluments in respect of disability leave, if any, granted to her on account of any disability incurred in and through Foreign Service,

even though, such disability manifests itself after termination of the Foreign Service. The relevant All India Services Rules will be applicable in such cases.

- 14) **Leave Salary / Pension Contribution** : She will not be permitted to join the Pension Schemes of the Company under any circumstances. The entire expenditure in respect of pension and leave salary contributions for the period of deputation shall be borne by the Company, failing which by Smt. Sudha Anchlia, herself. The Company will pay to the Government, the leave salary and pension contributions at the rates in force from time to time in accordance with the orders issued by the President under F.R. 116. The payment of these contributions must be paid annually within 15 days from the end of each financial year or at the end of Foreign Service, if the deputation expires before the end of a financial year. Delayed payment will attract liability of payment of interest in terms of the instructions contained in the Ministry of Finance's Notification No F1(1)-E.III/83 dated the 10th August, 1983, as amended from time to time. Pending intimation of the rates of leave salary and pension contributions by the Accountant General, Gujarat, Rajkot / Ahmedabad, the Company shall pay Leave Salary and Pension Contribution provisionally at the prescribed rates.
- 15) **Group Insurance** : She will be governed by the All India Services (Group Insurance) Rules, 1981. The amount deducted from her salary as per the prescribed rates as subscription towards the Central Government Employees Group Insurance Scheme, 1980, shall be remitted to the concerned Accountant General, Gujarat, Rajkot/Ahmedabad by the Company. If at any time, the recovery of subscription falls in arrears, the same shall be recovered with interest admissible under the Scheme on the accretions to the Saving Fund.
- 16) **Residuary Matters** : In all matters relating to conditions of service and benefits/facilities and perquisites in the Company not covered by items 1 to 15 above, she shall be governed by the corresponding rules, regulations and orders laid down for the AIS Officers working in connection with the affairs of the State.

The above mentioned terms & conditions would be applicable till Smt. Sudha Anchlia, IAS, remains on deputation with the Company. On reversion from deputation, she will be governed by the relevant rules laid down for the All India Services Officers.

The proposed resolution is for the aforesaid purpose and is commended to the Shareholders for their approval.

The above shall also be regarded as an abstract of the terms and conditions of the appointment of Smt. Sudha Anchlia as Chairperson & Managing Director including payment of remuneration and Memorandum of concern or interest, under Section 302 of the Companies Act, 1956. Smt. Sudha Anchlia is interested in the resolution. None of the remaining Directors is, in any way, concerned or interested in the said resolution.

Item No. 9

The Shareholders of the Company had, at the 30th Annual General Meeting held on 23rd September, 2006, approved appointment of Shri T Natarajan, IAS as Joint Managing Director of the Company for a period of 2 years effective from 7th June, 2006. In pursuance of the provisions of Article 173 of the Articles of Association of the Company, the Board of Directors re-appointed Shri T Natarajan as Joint Managing Director of the Company in consultation with Government of Gujarat to hold office for a period not exceeding 5 years w.e.f. 7th June, 2008 or until his services are withdrawn from the Company by the State Government, whichever is earlier.

In terms of the provisions of Sections 198, 269, 309, 310, 311 and 317 read with Schedule XIII and all other applicable provisions, if any, of the Companies Act, 1956, the re-appointment of Shri T Natarajan as Joint Managing Director of the Company and payment of remuneration to him are subject to the approval of shareholders in General Meeting. The re-appointment of Shri T Natarajan and the remuneration paid/payable to

him are in accordance with Schedule XIII of the Companies Act, 1956 and hence do not require the approval of Central Government.

The terms and conditions of re-appointment and the particulars of remuneration and perquisites paid/payable to Shri T Natarajan are as follows :

- 1) **Pay** : During the period of deputation, he will be eligible to draw his pay in the Junior Administrative grade of IAS (i.e. Rs.12750-375-16500/-) by virtue of equation of the post of Joint Managing Director of the Company, with the IAS Cadre post of Joint Secretary to Government vide GAD Resolution No. AIS/30.2006/Eq-87881/G dated 21.6.2006.
- 2) **Dearness Allowance (DA)** : He will be eligible to draw Dearness Allowance at such rate as the Central Government may prescribe from time to time.
- 3) **City Compensatory Allowance (CCA)** : He will be eligible to draw City Compensatory Allowance as per the Rules applicable to the IAS Officers working in connection with the affairs of the State.
- 4) **House Rent Allowance (HRA)** : He would be required to pay 10% of the Pay plus DA / DP and CCA or the prescribed license fee for similar class of accommodation in the State Government, whichever is lower.
- 5) **Transfer TA / Joining Time** : He will be entitled to Transfer TA and Joining Time, both on joining the post on deputation and on reversion under the Rules of the Company, which shall not be inferior to the relevant provisions of the All India Services Rules. The expenditure on this account will be borne by the Company.
- 6) **TA / DA for journey on duty** : He will be paid Travelling Allowance and Daily Allowance by the Company under its own Rules for the journey undertaken by him in connection with the official work of the Company. While undertaking foreign visits by Shri T Natarajan, the instructions contained in GAD Circular No.AIS/1099/1720/G dated 17th April, 1999 as amended from time to time, will be applicable for the purpose of drawal of per diem and in other matters.
- 7) **Medical Facilities** : The Company shall afford to Shri T Natarajan, IAS, the medical service facilities as per the Rules of the Company but shall not be inferior to those admissible to an All India Service Officer of his rank and seniority under the All India Services (Medical Attendance) Rules, 1954.
- 8) **Leave and Pension** : During the period of deputation, he will continue to be governed by the All India Services (Leave) Rules, 1955 and the All India Services (DCRB) Rules, 1958. The entire expenditure in respect of leave taken during and at the end of deputation shall be borne by the Company.
- 9) **Provident Fund** : During the period of Foreign Service, he will continue to subscribe to the All India Services (Provident Fund) Scheme/ Contributory Provident Fund Scheme to which he was subscribing at the time of proceeding on Foreign Service in accordance with the rules of such Fund/Scheme.
- 10) **Conduct, Discipline and Appeal Rules** : He will continue to be governed by the All India Services (Conduct) Rules, 1968 and All India Services (Discipline and Appeal) Rules, 1969.
- 11) **Leave Travel Concession** : The Company shall allow Leave Travel Concession to him, as admissible under the All India Services (LTC) Rules, 1975. The whole expenditure in this regard will be borne by the Company.
- 12) **Disability Leave** : The Company will be liable to pay leave emoluments in respect of disability leave, if any, granted to him on account of any disability incurred in and through the Foreign Service even though such disability manifests itself after termination of the Foreign Service. The relevant All India Services Rules will be applicable in such cases.
- 13) **Leave Salary / Pension Contributions** : He will not be permitted to join the Pension Schemes of the Company under any circumstances.



The entire expenditure in respect of pension and leave salary contributions for the period of deputation shall be borne by the Company, failing which by Shri T Natarajan, himself.

The Company will pay to the Government the leave salary and pension contributions at the rates in force from time to time in accordance with the orders issued by the President under F.R. 116. The payment of these contributions must be paid annually within 15 days from the end of each financial year or at the end of Foreign Service, if the deputation expires before the end of a financial year. Delayed payment will attract liability of payment of interest in terms of the instructions contained in the Ministry of Finance's Notification No F1(1)-E.III/83 dated the 10th August, 1983, as amended from time to time. Pending intimation of the rates of leave salary and pension contributions by the Accountant General, Gujarat, Rajkot / Ahmedabad, the Company shall pay leave salary and pension contributions provisionally at the prescribed rates.

- 14) **Group Insurance** : He will be governed by the All India Services (Group Insurance) Rules, 1981. The amount deducted from his salary as per the prescribed rates as subscription towards the Central Government Employees Group Insurance Scheme, 1980, shall be remitted to the concerned Accountant General, Gujarat, Rajkot/Ahmedabad by the Company. If at any time, the recovery of subscription falls in arrears, the same shall be recovered with interest admissible under the Scheme on the accretions to the Saving Fund.
- 15) **Residuary Matters** : In all matters relating to conditions of service and benefits/facilities and perquisites in the Company not covered by items 1 to 14 above, he shall be governed by the corresponding rules, regulations and orders laid down for the AIS Officers working in connection with the affairs of the State.

The above mentioned terms & conditions would be applicable till Shri T Natarajan, IAS, remains on deputation with the Company. On reversion from deputation, he will be governed by the relevant rules laid down for the All India Services Officers.

The proposed resolution is for the aforesaid purpose and is commended to the Shareholders for their approval.

The above shall also be regarded as an abstract of the terms and conditions of the re-appointment of Shri T Natarajan as Joint Managing Director including payment of remuneration and Memorandum of concern or interest, under Section 302 of the Companies Act, 1956.

Shri T Natarajan is interested in the resolution. None of the remaining Directors is, in any way, concerned or interested in the said resolution.

Item No. 10

Shri Balwant Singh, IAS, Principal Secretary to Government, held additional charge of the post of Managing Director of the Company from 14.9.2005 till 11.4.2008. His appointment as Managing Director of the Company was approved by the shareholders at the 30th Annual General Meeting held on 23.9.2006. No remuneration was paid to Shri Balwant Singh for holding the additional charge of the post of Managing Director of the Company during the said period.

Government of Gujarat has vide its order dated 6.5.2008 granted / sanctioned "special pay" to Shri Balwant Singh @ 5% of the presumptive pay for holding additional charge of the post of Managing Director of the Company during the period from 14.9.2005 to 11.4.2008 (excluding leave period). Presumptive pay of a post, when used with reference to a Government employee, means the pay to which he would be entitled, if he held the post substantively and was performing its duties. The special pay calculated @ 5% of the presumptive pay to Shri Balwant Singh for the aforesaid period works out to Rs.52,377/-. The payment of special pay to Shri Balwant Singh is in accordance with Schedule XIII of the Companies Act, 1956 and is subject to the approval of the shareholders in General Meeting.

The proposed resolution is for the aforesaid purpose and is commended to the shareholders for their approval.

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

Item No.11

Smt. Sudha Anchlia, IAS, Chairperson & Managing Director of the Company is on leave for a period from 27.6.2008 to 18.8.2008 (with permission to suffix 19.8.2008 being a Public Holiday). Shri Balwant Singh, IAS, Principal Secretary to Government of Gujarat, Home Department has been appointed Additional Director on the Board and has also been appointed to hold the additional charge of Managing Director of the Company during the period Smt. Anchlia is on leave i.e. from 27.6.2008 to 18.8.2008. No remuneration is paid to Shri Balwant Singh for holding the additional charge of Managing Director of the Company.

In pursuance of the provisions of Section 269 of the Companies Act, 1956, read with Schedule XIII of the said Act, the appointment of Shri Balwant Singh as Managing Director of the Company and payment of remuneration/special pay, if any, is subject to the approval of the shareholders in General Meeting. Accordingly, your Directors commend the proposed resolution for your approval.

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

Item Nos. 12 & 13

The Company has drawn up a Road Map for growth over the next 5 years. Under its Growth Plan, the Company is considering to set-up various projects. The fund requirement for these projects is estimated to be Rs.4000 Crores. The existing borrowing powers of the Board of Directors of the Company is Rs.1200 Crores only. So as to augment the Long Term financial resources of the Company for implementation of the said projects as also for the normal capital expenditure, it is necessary to raise the funds by resorting to borrowings from Financial Institutions / Banks / other Parties, as also by issuance of securities such as, Debentures / Bonds, etc. In view of this, it is proposed to further increase the borrowing limits of the Board of Directors from the present limit of Rs.1200 Crores to Rs.3000 Crores. The financial assistance that may be granted by the Banks / Financial Institutions / other Parties, etc., would be required to be secured by mortgage and / or hypothecation of the immovable and movable properties of the Company, both present and future, with a provision to enter into and to take over the possession and the management of the business and the concern of the Company in certain events.

In pursuance of Section 293(1)(a) and Section 293(1)(d) of the Companies Act, 1956, approval of the shareholders is required for borrowing in excess of the paid-up capital and free reserves of the Company as also for creation of security for the borrowings. As on 31.3.2008 the paid up equity share capital of the Company is Rs.155.43 Crores and the Free Reserves are Rs.1,689.64 Crores. Resolutions placed at Item Nos. 12 & 13 of the accompanying Notice are for the aforesaid purposes and are therefore commended to the shareholders for their approval.

None of the Directors of the Company is in any way concerned or interested in the said resolutions.

Inspection of Documents :

All documents referred to in this Notice and the Explanatory Statement are open for inspection at the Registered Office of the Company between 9:30 A.M. and 11:30 A.M. during working days of the Company.

**By Order of the Board of Directors,
For Gujarat Narmada Valley Fertilizers Co. Ltd.**

Registered Office :
P.O. Narmadanagar
Dist. Bharuch : 392 015
Dated : 23rd August, 2008

R B Panchal
Company Secretary

INFORMATION REQUIRED TO BE FURNISHED IN PURSUANCE OF CLAUSE 49 OF THE LISTING AGREEMENT

Details of Directors seeking appointment / reappointment at the Annual General Meeting are furnished below:

Shri D. C. Anjaria

Shri D. C. Anjaria (62), is a Director of the Company since 4th January, 2006. He is B.Com. and MBA (Finance), from IIM, Ahmedabad. He has long commercial banking experience spanning around 20 years in India and abroad. His expertise extends to operations management, foreign exchange trading, treasury management, financial control and international trade finance. He has held distinguished positions such as Chief Trader, Country Treasurer and Country Financial Controller in India.

Details of his other directorships and committee memberships are -

1. Standard Chartered - STCI Capital Markets Ltd.-Director and Member of Audit Committee, 2. Ratnamani Metals & Tubes Ltd.-Director, Chairman of Audit Committee and member of Shareholders'/ Investors' Grievance Committee, 3. Gujarat State Fertilizers & Chemicals Ltd.-Director and Chairman of Audit Committee, 4. Gujarat International Finance Tech. City Co. Ltd.-Director and Chairman of Audit Committee, 5. GIFT Investment Management Co. Ltd.-Director and Chairman of Audit Committee, 6. International Financial Solutions (P) Ltd.-Director, 7. Indian Institute of Financial Services (P) Ltd.-Director.

He holds 500 Equity Shares of the Company jointly with Gujarat State Investments Ltd.

Shri D Rajagopalan, IAS

Shri D Rajagopalan (59), is a Director of the Company since 17th June, 2008. He is a B.Sc. (Physics) and M.Sc.(Physics). He is a senior IAS Officer having vast experience in the field of Finance, Management and Administration. He has held distinguished positions in the Government of Gujarat. Presently, he is the Additional Chief Secretary to Government of Gujarat, Finance Department.

Details of his other directorships are -

1. Gujarat State Petroleum Corporation Ltd. - Chairman, 2. Gujarat State Petronet Ltd. - Chairman, 3. Gujarat State Financial Services Ltd., Chairman, 4. Gujarat State Investments Ltd. - Director, 5. Gujarat International Finance Tech. City Co. Ltd. - Director, 6. Gujarat State Fertilizers & Chemicals Ltd. - Director.

He holds 500 Equity Shares of the Company jointly with Gujarat State Investments Ltd.

Shri MM Srivastava, IAS

Shri MM Srivastava, IAS (56), is a Director of the Company since 17th June, 2008. He is M.Sc. and MBA. He is a senior IAS Officer having vast experience in the field of Management & Administration. He has held distinguished positions in the Government of Gujarat. Presently, he is Principal Secretary to Government of Gujarat, Energy & Petrochemicals Department.

Details of his other directorships and committee memberships are -

1. Gujarat Urja Vikas Nigam Ltd. - Chairman, 2. Gujarat State Electricity Corpn. Ltd. - Chairman, 3. Gujarat Energy Transmission Corpn. Ltd.-Chairman, 4. GSPC Pipavav Power Co. Ltd. - Chairman, 5. Gujarat Industries Power Co. Ltd. - Chairman, 6. Gujarat State Energy Generation Ltd. - Chairman, 7. Gujarat Power Corpn. Ltd. - Chairman

and Managing Director, 8. GSPC Gas Co. Ltd. - Chairman, 9. Gujarat State Petroleum Corpn. Ltd. - Director, 10. Gujarat Alkalies & Chemicals Ltd. - Director, Member of Audit Committee and Chairman of Shareholders'/ Investors' Grievance Committee, 11. Torrent Power Ltd. - Director, 12. Gujarat State Fertilizers & Chemicals Ltd. - Director, 13. Gujarat State Petronet Ltd, Director.

He holds 500 Equity Shares of the Company jointly with Gujarat State Investments Ltd.

Shri PN Roychaudhari, IAS

Shri PN Roychaudhari, IAS (57), is a Director of the Company since 17th June, 2008. He is M.A. with Mathematics from Kolkata University, M.Sc. (Finance) (UK) and MBA (USA). He is a senior IAS Officer having vast experience in the field of Management & Administration. He has held distinguished positions in the Government of Gujarat. Presently, he is Principal Secretary to Government of Gujarat, Agriculture & Co-operation Department.

Details of his other directorships are -

1. Gujarat Agro Industries Corporation Ltd. - Chairman, 2. Gujarat State Seed Corporation Ltd. - Chairman, 3. Gujarat State Land Devt. Corpn Ltd. - Chairman, 4. Mahindra Gujarat Tractors Ltd. - Director.

He holds 500 Equity Shares of the Company jointly with Gujarat State Investments Ltd.

Smt. Sudha Anchlia, IAS

Smt. Sudha Anchlia, IAS (59), is the Chairperson & Managing Director of the Company since 11th April, 2008. She is M.A. in Economics from University of Rajasthan and MD in Development Economics, Sussex University, UK. She is a Senior IAS Officer. She has a rich and varied experience of over 30 years in public service organizations, such as Chairperson & Managing Director of Gujarat Mineral Development Corporation Ltd., National Agricultural Cooperative Marketing Federation (NAFED), Delhi. She has held distinguished positions in the Government of Gujarat. During her tenure as an Administrative Officer, Smt. Sudha Anchlia has also focused on various training programs on diverse topics like, Personnel & General administration, Agriculture & Cooperation, Science & Technology, Finance, Environment & Forests from reputed institutions like IIM Ahmedabad, IIM Kolkata, IIFT Delhi, ASCI Hyderabad etc.

She is also the Chairperson of Gujarat Chemical Port Terminal Co. Ltd. and Director of The Fertilizer Association of India.

She does not hold any shares of the Company.

Shri T Natarajan, IAS

Shri T Natarajan, IAS (37), is Joint Managing Director of the Company since 7th June, 2006. He is B.E. (Mining Engineering) and MBA (Finance & Marketing). He has worked in Industrial Finance Corporation for 2 years and has also held distinguished positions in the Government of Gujarat.

He is the Director of Bhavnagar Energy Co.Ltd.and Gujarat Green Revolution Co.Ltd.

He does not hold any shares of the Company.

**DIRECTORS' REPORT**

To

The Members,

Your Directors have pleasure in presenting this 32nd Annual Report together with Audited Statements of Accounts of the Company for the year ended 31st March, 2008.

The year 2007-08 was the year of outstanding performance for your Company. The continued emphasis on higher productivity, environmental & safety consciousness, energy conservation & efficiency improvement and innovation / cost reduction, has contributed towards achieving the commendable performance for the year 2007-08. The Company scaled new heights by achieving the highest ever sales turn-over, the profit before tax and the profit after tax. Many new benchmarks have been established in terms of production, marketing and despatches.

FINANCIAL RESULTS

During the year under review, profit before tax was significantly higher at Rs.576.21 Crores registering a growth of 17.74% in comparison to last year. Net profit for the year too, was higher at Rs.372.88 Crores, registering an appreciable growth of 14.22% over the last year.

Following are the financial highlights :

Particulars	(Rs. in Crores)	
	2007-08	2006-07
Income from Sales	3,433.91	2,739.27
Other Income	49.32	35.33
Total Income	3,483.23	2,774.60
Total Expenditure	2,795.79	2,163.00
Profit before Depreciation, Interest and Tax	687.44	611.60
Depreciation	110.52	109.57
Interest (Net)	0.71	12.64
Profit Before Taxes (PBT)	576.21	489.39
Provision for Taxes (Net)	203.33	162.92
Net Profit for the year	372.88	326.47
Balance brought forward from previous year	477.62	359.78
Amount transferred on Amalgamation of Company	—	68.65
Amount available for Appropriation	850.50	754.90
Appropriations		
Proposed Dividend	66.05	66.05
Tax on Dividend	11.23	11.23
General Reserve	250.00	200.00
Balance carried to Balance Sheet	523.22	477.62

DIVIDEND

Keeping in view the Company's need for capital for its Growth Plan and to ensure that the shareholders of the Company get sustained and stable return on their investments, your Directors have recommended a dividend of Rs.4.25 per equity share i.e. @ 42.50%, for the financial year ended 31st March, 2008. On its approval, the dividend pay out will be Rs.77.28 Crores, including tax on dividend of Rs.11.23 Crores.

TRANSFER TO RESERVES

The Company proposes to transfer Rs.250 Crores to the General Reserve out of the amount available for appropriations. An amount of Rs.523.22 Crores is proposed to be retained in the Profit & Loss Account.

PERFORMANCE HIGHLIGHTS

"Management Discussion & Analysis" forming part of the Annual Report deal with the operational and marketing highlights as also the status of project completed during the year, projects under execution and projects under active consideration.

The performance highlights, however, in brief are mentioned hereunder:

- ❖ During the year under review, the operation of the plants was affected by the collapse of Cooling Towers of Nitrophosphate Complex leading to lower output from Nitrophosphate Group of Plants as well as by the unexpected heavy rains resulting into water logging in the Captive Power Plant of the Company. Despite this, the Company has achieved satisfactory production level during the year 2007-08. The Company has established several new records of production, including continuous running of the plants. All the major plants of the Company viz. Ammonia, Urea, Methanol, Formic Acid, Acetic Acid, Weak Nitric Acid, Concentrated Nitric Acid, Ammonium Nitrophosphate, Aniline, TDI and Nitro Benzene plants performed at over 100% capacity utilization.
- ❖ The Company achieved the highest ever sales turn-over during the year, registering an increase of 25.36% over the last year. This top-line growth was mainly backed by higher volume of Fertilizer trading, higher volume of own Fertilizer products, better price realisation of Fertilizers and Chemical products manufactured by the Company as well as upward revision in the subsidies of Fertilizer products.

FERTILIZER POLICY

The Government of India (GOI) has notified a New Pricing Scheme - III (NPS-III) for Urea to remain in force till 31st March, 2010, the salient features of which were reported last year. During the year under review, Gol has switched over the payment of subsidy on Urea from dispatch basis to receipt basis. In order to promote balanced use of fertilizers, Gol has recently notified nutrient based prices of complex Fertilizers. Gol has also decided to pay freight subsidy on actual expenditure basis on decontrolled fertilizers to ensure equitable distribution and even availability throughout the Country.

DIRECTORS' RESPONSIBILITY STATEMENT

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

- 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;
- appropriate Accounting Policies have been selected and applied consistently and judgements and estimates have been made that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company as at 31st March, 2008 and of the profit of the Company for the year ended on that date;
- 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
- the Annual Accounts have been prepared on a going concern basis.

CORPORATE GOVERNANCE

In pursuance of Clause 49 of the Listing Agreement, a Management Discussion and Analysis and a Report on Corporate Governance are included in the Annual Report.

In terms of Clause 49 of the Listing Agreement, a Certificate by the Practising Company Secretary certifying the Company's compliance with the conditions of Corporate Governance and a declaration by the Chairperson & Managing Director of the Company regarding compliance of the Code of Conduct are enclosed as a part of the Corporate Governance Report.

FIXED DEPOSITS

The Company has discontinued acceptance of Fixed Deposits w.e.f. 1.4.2007. However, as on 31.3.2008, the Company had unclaimed

deposits of Rs.1.82 Lacs due to 21 depositors. The Company has during the year transferred Rs.3,16,246/- being unclaimed deposit and interest amount to Investors' Education & Protection Fund set up by the Government of India.

DIRECTORS

In pursuance of the Articles of Association of the Company as also of the provisions of the Companies Act, 1956,

- Shri DC Anjaria retire by rotation at the forthcoming Annual General Meeting and he is eligible for reappointment.
- S/Shri D Rajagopalan, IAS, MM Srivastava, IAS and PN Roychaudhary, IAS who have been appointed Additional Directors on the Board of the Company, retain their offices upto the date of the forthcoming AGM. The Company has received Notice(s) under Section 257 of the Act, along with the requisite deposit in respect of these persons, proposing their appointment as Directors of the Company, at the forthcoming AGM.
- Smt. Sudha Anchlia, IAS has been appointed Chairperson & Managing Director of the Company effective 11th April, 2008.
- On the expiry of his term of office, Shri T Natarajan, IAS has been reappointed Joint Managing Director of the Company effective 7th June, 2008.
- Shri Balwant Singh, IAS, Principal Secretary, Home Department, Govt. of Gujarat has been appointed to hold additional charge of the post of Managing Director of the Company, during the period Smt. Sudha Anchlia is on leave i.e. from 27.6.2008 to 18.8.2008.

Resolutions seeking approval of the Members for the appointment of -

- i) S/Shri D Rajagopalan, MM Srivastava and PN Roychaudhary as Directors,
 - ii) Smt. Sudha Anchlia, as Chairperson and Managing Director;
 - iii) Shri Balwant Singh as the Managing Director; and
 - iv) reappointment of Shri T Natarajan as Joint Managing Director of the Company,
- have been incorporated in the Notice of the forthcoming AGM.

ABRIDGED ACCOUNTS

Keeping in view the increasing availability of information about listed Companies in public domain and to contain the rising cost of compliance, SEBI has vide its Circular No. SEBI/CFD/DIL/LA/2/2007/26/4 dated 26.4.2007 permitted the listed Companies to send Abridged Annual Report to the shareholders in line with the requirement stipulated under Section 219 (1)(b)(iv) of the Companies Act, 1956. Accordingly, an abridged Balance Sheet is sent to the shareholders of the Company. Any shareholder interested in having a copy of the complete and full Balance Sheet and Profit & Loss Account, may write to the Company Secretary at the Registered Office of the Company. The complete and full Balance Sheet and Profit & Loss Account will also be available for inspection at the Registered Office of the Company during working hours of the Company.

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

Information required under Section 217(1) (e) of the Companies Act, 1956, read with Rule (2) of the Companies (Disclosure of particulars in the report of Board of Directors) Rules, 1988 and information as per Section 217 (2A) of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975, as amended from time to time, are given in Annexures - 'A' and 'B' respectively forming part of this report. However, having regard to the provisions of Section 219 (1)(b)(iv) of the said Act, the Abridged Annual Report, excluding the aforesaid

information is sent to the Members of the Company. Any Member interested in obtaining such particulars, may write to the Company Secretary at the Registered Office of the Company.

TRANSFER OF UNPAID / UNCLAIMED AMOUNT TO INVESTOR EDUCATION & PROTECTION FUND

In pursuance of the provisions of the Companies Act, 1956, the amount of -

- (i) declared dividend, (ii) matured debentures and interest thereon; and (iii) matured fixed deposits and interest thereon, which remained unpaid / unclaimed for a period of 7 years have been transferred by the Company to the "Investor Education & Protection Fund", established by the Government of India.

AUDITORS

In pursuance of the provisions of the Companies Act, 1956, M/s SR Batliboi & Co., Chartered Accountants, Mumbai, who are the Statutory Auditors of the Company, hold office upto the conclusion of the forthcoming Annual General Meeting and they are eligible for reappointment.

The Company has received a letter from M/s SR Batliboi & Co., Chartered Accountants, Mumbai, to the effect that their reappointment, if made, would be within the prescribed limits under Section 224 (1)(B) of the Companies Act, 1956 and that they are not disqualified for such reappointment within the meaning of Section 226 of the said Act.

COST AUDITOR

Your Directors have appointed Shri Shirish V Diwanji, Cost Accountant of M/s Diwanji & Associates, Vadodara, as the Cost Auditor of the Company to conduct the cost audit of fertilizer products in respect of financial year 2008-09 under the Cost Accounting Records (Fertilizers) Rules, 1993.

HUMAN RESOURCES

In the fast changing business environment, Human Resource Development (HRD) functions have assumed significant importance. The Company has engaged an HR Consultant to study and recommend improvement in the systems / policies existing in the Company and to design HR restructuring for the Company.

During the year under review, the Industrial relations have remained extremely cordial and harmonious leading to an atmosphere conducive for sustenance of growth. Your Directors convey their high sense of appreciation for the excellent contribution made by the employees.

A fresh Long Term Wage settlement has been entered into with the Employees' Union for the period 1st July, 2006 to 30th June, 2010 on the expiry of previous settlement. The Employees of Aniline and TDI Complex of the Company are not a part of this wage settlement as their Long Term Wage Settlement has become due w.e.f. 1.4.2008.

ACKNOWLEDGEMENT

Your Directors are happy to place on record their gratitude for the support received from the Government of India and the Government of Gujarat. We take this opportunity of extending our wholehearted thanks to all our Consumers, Dealers, Customers, Banks, Business Associates, SEBI, NSDL, CDSL, Stock Exchanges and other Agencies for their continued support and co-operation. Above all, your Directors remain thankful to the valued Investors for strengthening their bond with the Company.

For and on behalf of the Board of Directors,

Place : Bharuch
Date : 02.08.2008

T Natarajan
Jt. Managing Director

Balwant Singh
Managing Director

**ANNEXURES TO DIRECTORS' REPORT****ANNEXURE - "A"****PARTICULARS UNDER COMPANIES (DISCLOSURE OF PARTICULARS IN THE REPORT OF BOARD OF DIRECTORS) RULES, 1988 FOR THE YEAR ENDED ON 31ST MARCH, 2008.****A. CONSERVATION OF ENERGY:**

Company declared Energy policy in February, 2005 in accordance with Energy Conservation Act, 2001 and the same is in force.

(a) Energy Conservation measures taken:

Following schemes were implemented during the year and some energy saving was achieved.

Ammonia Plant:

- Cooling tower pump impellers are replaced with high efficiency impellers. The power saving achieved is 350 KW.
- 120 LSHS rakes were unloaded without steam heating of LSHS in rail wagons, resulting into saving of steam.
- New Fan of super heater with lower head and high efficiency is installed during annual shut down.

Urea Plant:

- Urea revamp with energy saving schemes like MP Pre-decomposer and Urea pre-concentrator has been commissioned during annual shutdown.
- Obsolete Pneumatic control system is replaced with DCS system during annual shut down. This will improve reliability and controllability.

Methanol-II synthesis revamp:

- Basic Engineering of Methanol Synthesis section revamp with Iso-thermal reactor was carried out by M/s Linde, Germany and detailed engineering carried out by M/s LPTI. Revamp is executed during annual shut down.

Methanol-II reformer revamp:

- Basic Engineering of reformer revamp was carried out by M/s Toyo Engineering India. Revamp is executed during annual shut down.

Wind Mill Power Project of 9 MW capacity:

- Company has set up Suzlon make 9 MW (6 machines x 1.5 MW) capacity Wind Turbo Generators at Lathedi Village, Ta: Abdasa, in Kutch region of Gujarat. All the machines were commissioned by 28/12/2007 within a period of 3 months and are in operation.

This project would significantly reduce the emission of Green House Gases to the atmosphere and hence would contribute to the global efforts towards combating global warming. The Company has undertaken this project as Clean Development Mechanism (CDM) under the Kyoto protocol.

Utility Plant:

- 4 nos. of raw water supply pumps at Zanor water works are replaced with new bowl assembly of higher efficiency. This has resulted into power saving to the tune of 50 KW.
- DM & ACT supply pumps impeller trimming is carried out for reliable operation and power saving.

Steam Generation:

- Acoustic cleaning system is installed in three BHEL coal fired Boiler in flue gas path inlet to air pre-heaters. This has reduced 27 MT/day MP steam use for soot blowing.

Hazardous Chemical Plant:

- Methanol Transfer pump impeller trimming is carried out. This has resulted into power saving to the tune of 14 KW.

Steam trap management:

- Steam trap audits/ surveys carried out in Ammonia, Acetic Acid & S&PG plants for identification of defective traps and corrective actions initiated.

Cooling tower improvement:

- Ammonia cooling tower cells are being overhauled for reliability and its performance improvement.

TDI Plant:

- Revamp of primary Ortho Di Chloro Benzene (ODCB) column with high efficiency structured packing is done during annual shut down.

(b) Additional Investment and proposals being implemented for reduction of consumption of energy and to improve productivity:

Following schemes are under advanced stage of implementation. This will improve productivity of plants.

Ammonia plant:

- Job was awarded to M/s Haldor Topsoe, Denmark, for basic engineering work of Ammonia converter series-50. Project execution work is in progress and will be completed by April, 2009 annual shut down.
- Installation of Molecular sieve in air separation unit is planned for removal of water and CO₂ from air in Air Separation Unit. It will improve reliability of Air Separation Unit and reduce switching losses of air. The contract is awarded to M/s Linde, Germany and expected to be completed by March'09.

N₂O Abatement Project under Clean Development Mechanism (CDM) in Weak Nitric Acid Plant:

The existing WNA plant produces unwanted by-product Nitrous Oxide which is vented into atmosphere. N₂O is considered as a Green House Gas like Carbon Dioxide (CO₂) and has 310 times higher Global Warming Potential than CO₂. The WNA plant has potential to reduce emission equivalent to 3,00,000 MT per annum of CO₂.

Company has installed N₂O Abatement catalyst procured from M/s. BASF, Germany in the WNA reactor during the shutdown on 23/11/07 and the plant was restarted on 24/11/07. Thus, the Company has taken the lead in the reduction of Green House Gases and contributed to environmental friendly atmosphere. The Company has undertaken this project as Clean Development Mechanism (CDM) under the Kyoto protocol.

Methanol Distillation Unit (MDU):

Basic & Detailed engineering was carried out by M/s Lurgi, India for new distillation unit. Commissioning activities are under progress.

Aniline / TDI Plant:

- Basic Engineering of Yellow Water Concentration Project is carried out by M/s Plinke, Germany. Commissioning activities are under progress.
- In-house review of TDI revamp was done & schemes of the revamp are under implementation for improving productivity.
- Condensate supply from Ammonia plant is planned to avoid lower steam generation from HRSG during problem in DM plant or during less recovery of condensate from plant.

300 MTD Weak Nitric Acid Plant and 150 MTD Concentrated Nitric Acid Plant:

Shortage of Weak Nitric Acid (WNA) is felt to utilize full potential of Nitro phosphate complex and meet the growing market demand. Moreover, Company is planning to set up a Concentrated Nitric Acid (CNA) plant for which Weak Nitric Acid is the main raw material. Hence, Company is

setting up 300 MTD capacity WNA plant. Agreements have been entered into with M/s Uhde for setting up 300 MTD WNA plant on LSTK basis.

CNA plant of 150 MTD is being set up to meet the requirement of new Toluene Di-isocyanate project and to cater to the growing demand. Agreements have been entered into with M/s Plinke, Germany for license and basic engineering for 150 MTD CNA plant. The project will be completed by September, 2010.

50,000 MTA capacity Toluene Di-isocyanate Project:

To meet the growing demand, a 50,000 MTA capacity TDI project is being set up at Dahej. Agreements have been entered into with M/s. Chematur AB, Sweden for the technology and basic engineering services. The project will be completed by September, 2010.

Dry Fly ash collection & disposal system:

The Company is putting up a project wherein 70-80% ash generated from the coal shall be separated out in the dry form and shall be utilized by cement/brick manufacturers for the purpose of value addition. By this project, the Company shall be collecting only about 0.4 lac MT of ash in wet form and balance 1.40 lac MT of dry ash shall not require any storage facility and will save water and power. Project will be completed and commissioned by Oct.'2008 at the total cost of Rs.15 Crores. Detailed Engineering Supply & Construction (LSTK) job has been awarded to M/s Macawber Beckay Pvt. Ltd., New Delhi.

Co-generation Power & Steam Unit:

Company is setting up Co-generation Power & Steam Unit with a capacity of about 33 MW of power and about 60 MT/Hr High pressure steam. The agreements are being entered into with M/s BHEL.

(c) Impact of measures at (a) & (b) above for reduction of energy consumption and consequent impact on cost of production of goods:

With implementation of energy conservation measures at (a) above there has been some energy saving. However it is difficult to quantify as various factors including plant operation parameters and load influence the same. With implementation of measures at (b) above, there will be some energy saving and reliability of the plants will be maintained. Productivity will be enhanced with above schemes while modifications already carried out during the current year will give sustained higher production of Methanol.

(d) Total energy consumption and energy consumption per unit of production:

The required details are furnished in Form "A" annexed.

(B) TECHNOLOGY ABSORPTION:

Efforts made in Technology absorption are furnished in Form "B" annexed.

(C) FOREIGN EXCHANGE EARNINGS AND OUTGO:

(a) Exports:

The Company's strategy is to cater to the domestic market predominantly and resort to strategic export depending upon the market conditions. During the year 2007-08, the Company exported 10,220 MTs of Methanol, 1,330 MTs of Aniline, 160 MTs of Ortho Toluene Diamine (OTD), 140 MTs of TDI, 20 MTs of Formic Acid and 2 MTs of Meta Toluene Diamine (MTD).

(b) Total Foreign Exchange Used and Earned:

	(Rs. in Lacs)	
Particulars	2007-08	2006-07
Foreign Exchange Used	15,121.18	24,496.11
Foreign Exchange Earned	3,167.16	3,092.18

FORM - A

DISCLOSURE OF PARTICULARS WITH RESPECT TO CONSERVATION OF ENERGY:

Sr. Particulars No.	Unit	2007-08	2006-07
A) Power and Fuel Consumption:			
1. Electricity:			
a) Power imported at factory#	MWH	19,762.487	13,459.405
Power export to GEB	MWH	150.48	4,586.4
Total Amount	Rs. Lacs	1,768.23	1,474.35
Rate/Unit	Rs./Kwh	8.95	10.95
b) Own generation through			
Steam Turbine:	'000 KWH	3,71,082	3,68,347
Unit power per Eq. natural gas	KWH/SM ³	2.52	2.55
Variable cost/unit (excl Power Gen Duty)	Rs./Kwh	2.54	2.32
2. Coal for steam generation (Indian)	MT	3,09,196	3,17,988
Total Cost of Indian Coal	Rs. Lacs	8,031.28	7,688.13
Average Rate	Rs./MT	2,597.47	2,417.74
Coal for steam generation (Imported)	MT	3,49,329	2,81,124
Total Cost of Imported Coal	Rs. Lacs	11,751.05	8,264.30
Average Rate	Rs./MT	3,363.89	2,939.73
3. LSHS (Boiler Oil) for steam generation	KL	13,999	3,855
Total Cost of LSHS fuel	Rs. Lacs	2,744.93	629.25
Average Rate	Rs./KL	19,607.97	16,320.88
4. Natural Gas for steam generation	'000 SM ³	65,583	77,206
Total Cost of Natural Gas	Rs. Lacs	4,880.95	4,836.58
Average Rate	Rs./SM ³	7,442.37	6,264.55
Power and Fuel Consumption (Aniline/ TDI Complex)			
1. Electricity:			
a) Power imported	MWH	##	5,765.068
Power export to GEB	MWH	##	242.821
Total Amount	Rs. Lacs	##	439.64
Rate/Unit	Rs./Kwh	—	7.63
b) Own generation through Gas			
Turbine:	'000 KWH	49,139	35,324.7
Unit power per Eq. natural gas	KWH/SM ³	2.80	2.66
Variable cost/unit after Steam Credit (excl power gen. duty)	Rs./KWH	2.25	2.89
2. Natural Gas for gas turbine unit	'000 SM ³	17534.40	13260.94
Total Cost of Natural Gas	Rs. Lacs	1695.66	1265.00
Average Rate	Rs./SM ³	9670.48	9539.29
Consumption per unit of Production :			
B) i) Ammonia :			
Electricity	KWH/MT	331.306	362.458
LSHS (Boiler Oil)	KL/MT	0.012	0.004
Coal (at 4200 Kcal/kg)	MT/MT	0.685	0.695
Natural Gas	SM ³ /MT	56.663	73.586
ii) Urea			
Electricity	KWH/MT	66.782	65.650
LSHS (Boiler Oil)	KL/MT	0.003	0.001
Coal (at 4200 Kcal/kg)	MT/MT	0.149	0.139
Natural Gas	SM ³ /MT	12.292	14.769
iii) Methanol (I+II+MSU)			
Electricity \$\$	KWH/MT	292.349	266.099
LSHS (Boiler Oil)	KL/MT	0.0016	0.0004
Coal (at 4200 Kcal/kg)	MT/MT	0.090	0.077
Natural Gas	SM ³ /MT	7.413	8.186
# Power imported at factory includes wind mill power generation.			
## After merger GEB power gride for Aniline/TDI (NCPL) is disconnected			
\$\$ Proportional power of reform gas consumed in Methanol plants is allocated.			



Sr. Particulars No.	Unit	2007-08	2006-07
iv) Formic Acid			
Electricity	KWH/MT	924.690	961.850
LSHS (Boiler Oil)	KL/MT	0.021	0.006
Coal (at 4200 Kcal/kg)	MT/MT	1.215	1.180
Natural Gas	SM ³ /MT	100.484	124.967
v) Acetic Acid plant			
Electricity	KWH/MT	191.734	199.047
LSHS (Boiler Oil)	KL/MT	0.0025	0.0007
Coal (at 4200 Kcal/kg)	MT/MT	0.139	0.139
Natural Gas	SM ³ /MT	11.500	14.687
vi) Nitrophosphate Plants:			
(a) ANP:			
Electricity	KWH/MT	194.657	190.928
LSHS (Boiler Oil)	KL/MT	0.0004	0.00012
Coal (at 4200 Kcal/kg)	MT/MT	0.021	0.022
Natural Gas	SM ³ /MT	1.717	2.342
(b) CAN :			
Electricity	KWH/MT	56.166	55.045
LSHS (Boiler Oil)	KL/MT	0.00005	0.00001
Coal (at 4200 Kcal/kg)	MT/MT	0.003	0.003
Natural Gas	SM ³ /MT	0.253	0.282
(c) WNA:			
Electricity	KWH/MT	40.718	39.915
(d) CNA : (I+II)			
Electricity	KWH/MT	32.998	32.424
LSHS (Boiler Oil)	KL/MT	0.0006	0.0002
Coal (at 4200 Kcal/kg)	MT/MT	0.033	0.033
Natural Gas	SM ³ /MT	2.740	3.524
vii) Aniline / TDI complex:			
(a) ANILINE :			
Electricity	KWH/MT	264.78	231.38
(b) TDI:			
Electricity	KWH/MT	2,081.26	1,972.01
LSHS (Boiler Oil)	KL/MT	0.016	0.005
Coal (at 4200 Kcal/kg)	MT/MT	0.902	0.970
Natural Gas	SM ³ /MT	74.626	103.210

FORM - B

DISCLOSURE OF PARTICULARS WITH RESPECT TO TECHNOLOGY ABSORPTION:

(A) RESEARCH & DEVELOPMENT:

1. Specific Areas in which R&D carried out by the Company:

- Optimisation of the process for desulphurisation of sour gas steams using Sulfa Zip catalyst was carried out.
- A number of special studies for improvement of plant performance were carried out during the year.
- Recovery of ammonia from effluent stream was studied and established on lab scale.
- Collaborative projects for development of adsorbent and process CO enrichment in tail gas stream and biological process development for treatment of ammonia bearing effluent are in progress.

2. Benefits derived as a result of the above R&D:

- R&D efforts in solving plant problems have helped in process optimization.
- For CATSOL desulphurisation catalyst and chemicals developed and commercialised through in-house R&D efforts, chemicals and catalyst worth Rs.149 lacs was supplied to HPCL during the year.

3. Future Plan of Action:

The R&D efforts in the above areas are proposed to be strengthened and new areas of work have been identified which can benefit the Company.

4. Expenditure on R&D :

(Rs. in Lacs)

Sr. No.	Nature of Expenditure	2007-08	2006-07
1	Capital Expenditure	12.58	16.34
2	Recurring Expenditure	32.67	40.86
3	Salaries to R&D Personnel	87.64	73.68
	Total	132.89	130.88
4	Total R&D Expenditure as percentage of Total turnover	0.0364%	0.0423%

(B) TECHNOLOGY ABSORPTION, ADAPTATION AND INNOVATION:

1. Efforts in brief, made towards technology absorption, adaptation and innovation:

- The Company has developed its process design capability and successfully implemented important major technical revamp schemes using in-house resources. The modifications are carried out in plants for safe and reliable operations, improving machine / equipment performance, energy saving by reducing utility consumption.
- The Company also interacts frequently with know how supplier / consultant for plant problems, and reliability study to sustain productivity and improving plant performance.

2. Benefits derived as a result of above efforts:

As a result of above measures, there has been improvement in plant performance.

3. Information regarding Technology Imported during the last five years:

Technology Imported	Year of Import	Has Tech. been fully absorbed?	If Tech. not absorbed, reasons thereof
M/s Linde AG, Germany for Revamp of Air Separation Unit in Ammonia plant	2003	Yes	—
M/s. Kaltenbach Thuring SA, France for Ammonium Nitrate Melt Filling Station	2004	Yes	—
M/s Linde AG, Germany for Hydrogen PSA Revamp	2004	Yes	—
M/s. Snamprogetti, Italy for Revamp of Urea (Energy Saving)	2006	Yes	—
M/s Linde AG, Germany for Revamp of synthesis loop of Methanol-II plant	2006	Yes	—
M/s. Toyo Engineering India Ltd., for Revamp of Reformer Section of Methanol-II plant	2006	Yes	—
M/s. Lurgi India Ltd for Methanol Distillation Unit	2006	Under Implementation	—
M/s. Haldor Topsoe, Denmark for Series-50 Revamp of Ammonia Synthesis Loop	2006	Under Implementation	—
M/s. Plinke, Germany for Yellow Water Concentration Unit	2006	Under Implementation	—
M/s. BASF, Germany for Nitrous Oxide abatement catalyst for WNA plant- a CDM Project.	2007	Under Implementation	—
M/s. Linde, Germany for Molecular Sieve system in Ammonia plant	2007	Under Implementation	—
M/s. Chematur AB Sweden for 50000 TDI project	2008	Under Implementation	—
M/s. Plinke, Germany for 150 MTD CNA project	2008	Under Implementation	—
M/s UHDE for 300 MTD WNA project	2008	Under Implementation	—

ANNEXURE : "B"

Statement showing the particulars of employees of the Company as required under Section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975 and forming part of the Report of the Board of Directors for the year ended on 31st March, 2008.

Sr. No.	Name (S/Shri)	Age (Yrs.)	Qualification	Total Exp. (Yrs.)	Designation	Remuneration Received (Rs.)	Date of Joining	Last Employment held
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
A. Employees who were employed throughout the financial year and were in receipt of remuneration for the year which in the aggregate, was not less than Rs.24,00,000/-.								
1	JS Kochar	49	B.Sc. (Chem.), B.Sc. (Tech.of Plastics), PG Dip. in Mgt.	25	Executive Director (on contract)	26,23,612	01/01/2001	Managing Director, Software Frontiers Ltd., Gandhinagar
B. Employees who were employed for a part of the financial year and were in receipt of remuneration for any part of that year at the rate which in the aggregate was not less than Rs.2,00,000/- per month.								
1	Late CB Dave	57	B.Sc., Dip. in Textile Engg.	28	Sr. Manager	15,33,868	04/09/1979	Operator, GSFC Ltd.
2	GH Desai	60	B.Sc.	36	Manager	13,04,393	04/10/1979	Shift Supervisor, M/s. Benzo Chem. Combines
3	HM Desai	49	B.Sc.	26	Sr. Operator	7,80,978	01/11/1980	Trainee, GNFC Ltd.
4	VS Joshi	60	BE(Chem.), DBA	36	General Manager	24,78,583	26/10/1979	Sr. Process Engr. Polychem Ltd., Bombay
5	BN Mehta	60	BE(Mech.)	37	Chief Manager	19,59,229	15/11/1977	Jr. Engr.Trainee, PWD (Ukai Mech. Circle)
6	KB Patel	54	M.Sc.	30	Manager	9,05,013	22/10/1981	Jr. Optr. GSFC Ltd., Baroda
7	RKSharma	60	SSC, Dip. In NFSC, Sub Officer Course	38	Sr. Manager	16,65,024	21/08/1980	Fireman GSFC Ltd., Baroda
8	KA Shah	60	B.Sc. (Chem. Engg.)	37	Executive Director	31,12,672	24/10/1979	Shift Engr. GSFC Ltd., Baroda
9	V Subramanian	60	Pre. Commerce	42	Manager	11,76,061	01/11/1978	PA to MD, GACL, Baroda
10	DS Taunk	60	B.Com, CA	39	Special Director	27,01,396	14/07/1978	Accounts Officer, Petrofills Ltd., Baroda
11	JJ Vaidya	60	BE(Elect.)	37	Executive Director	30,90,085	01/12/1980	Elect. Engr., IPCL, Baroda
12	GS Patel	58	B.Sc. (Agri.)	32	Sr. Marketing Manager	14,27,755	23/10/1982	Jr. Sales Promotion Asstt. GSFC, Baorda
13	JA Prajapati	60	B.Sc. (Agri.)	37	Sr. Soil Chemist	11,95,284	27/01/1983	Agri. Supervisor Director of Agriculture
14	PK Trehan	60	AMIE(Elect.)	40	General Manager	20,95,166	23/04/1983	Asstt. Engr. Shri Ram Fert, and Chem., Kota
15	RB Gandhi	46	Dip. in Chemical	23	Sr. Operator	5,47,229	16/04/1985	Jr. Optr. Trainee, GNFC
16	KB Patel	60	B.Sc.	37	Sr. Manager	14,60,436	19/01/1984	Head Timekeeper, Sarabhai
17	DR Patel	43	ITI (Inst. Mech.), Dip. in Elec. Engr.	23	Operator	5,23,082	16/09/1986	Trainee Apprentice, GNFC

NOTES :

- The total remuneration includes Salaries, Allowances, Special Pay, Company's contribution to PF, Leave Encashment, Leave Travel Concession and Medical aids, where applicable, etc. The perquisites have been evaluated in accordance with the Income-tax Rules.
- None of the above employees is a relative of any Director of the Company.



MANAGEMENT DISCUSSION AND ANALYSIS

1.0 INDUSTRY STRUCTURE AND DEVELOPMENTS:

The Company manufactures and distributes nitrogenous and phosphatic fertilizers like Urea, Ammonium Nitrophosphate (ANP) and Calcium Ammonium Nitrate (CAN) and chemicals like Ammonia, Weak Nitric Acid, Concentrated Nitric Acid, Methanol, Acetic Acid, Formic Acid, Aniline, Toluene Di-Isocyanate (TDI) and various services in the area of Information Technology. The Company continues to trade in imported fertilizers like DAP, Muriate of Potash (MOP), Single Super Phosphate (SSP), Urea and Chemicals like Acetic acid, Methanol etc. In the total turnover of the Company, the share of fertilizer and chemical divisions was 56.67% and 42.42% as against 47.91% and 51.45% respectively in the previous year.

The year under review has posted the outstanding financial performance with the highest ever Sales Turnover, Profit Before Tax (PBT) and Profit After Tax (PAT) together with several milestones achieved in the areas of production, sales and despatches. The Company's consistent performance has always endorsed its vision. The continuous efforts of the Management for cost reduction in various areas of operations and focus on consolidation have resulted in positive gains to the Company.

2.0 BUSINESS SEGMENT :

2.1 Fertilizer Business :

The year 2007-08 was a good year for the Fertilizer Segment of the Company recording healthy profits both in own manufactured fertilizers as well as in the trading of imported fertilizers.

The sale of 16.41 lac MT Urea (own + imported) was highest ever achieved during the year which was nearly three times the sale of 5.61 lac MT Urea sold last year.

The highest ever sale of 11.52 lac MT (including 10.5 Lac MT of Imported Urea) traded fertilisers was achieved during the year.

8.05 lac MT fertilizers out of the total sale of 21.25 lac MT fertilizers or 38%, were sold in Gujarat. The turnover from trading of fertilizers during 2007-08 was Rs.779 crores as compared to Rs.324 crores last year. Turnover of all fertilizers increased to Rs.2,082 crores during 2007-08 as compared to Rs.1,417 crores in the year 2006-07.

Govt. of India has switched over to the payment of subsidy on Urea from despatch basis to receipt basis. In case of ANP, payment of concession has been switched over from sale basis to receipt basis. Fertilizer bonds with a maturity period of 16 years & 18 years bearing interest rate of 8.3% & 7.95%, respectively, are issued by GOI for a part of subsidy and they are traded at a discount.

The Company awaits more details and guidelines from Govt. of India regarding policy on conversion of non-gas based unit to NG/LNG. As regards the impact of policy initiatives and other measures as per policy, the negative impact will be marginal.

The Company has taken up promotion and marketing of 100% Water Soluble Fertilizers through a tie up arrangement with M/s. Haifa Chemicals, Israel to cater to the specific requirements of the crops grown through micro irrigation system. The Company has also entered into seed business recently.

2.2 Industrial Chemicals Business:

In spite of custom duty on chemicals being reduced by 5% and the US \$ depreciating by nearly 10%, the turnover from chemical business increased by 2% to Rs.1,550.13 crores.

The sale of Acetic Acid was highest ever at 1,54,593 MTs registering growth of 19% over the previous year. Similarly Formic Acid sale was highest ever at 17,405 MTs which is 11% higher than the previous year.

The average international Methanol price reduced from US \$ 393 in 2006-07 to US \$ 350 in 2007-08. This coupled with depreciating US dollar resulted in lower prices in the domestic market. In view of this, feed gas was diverted for Ammonia production resulting in lower availability of Methanol during the year. The sale of Methanol was 1,41,217 MTs which includes an export of 10,220 MTs. 7,006 MTs of Ammonia was sold during the year as compared to nil sales last year.

The market for TDI, Formic Acid, WNA, CAN & AN (Melt) was good throughout the year.

The Company is the leading manufacturer of various building block chemicals in India. The Company enjoys 30% share of the Indian Acetic Acid market and 20% share of the Indian Methanol market. The Company is the only manufacturer of TDI in South Asia and commands 69% market share in India. In case of Aniline, the Company's market share is 52% of the total sales in India.

The Company is the leading manufacturer of Formic Acid in India with a market share of 63%. The Company also has 40% market share in Indian Concentrated Nitric Acid market.

2.3 Information Technology (IT) Business :

2.3.1 IT Infrastructure (Infotower) :

GNFC Infotower has been developed as a mini software technology park, where software companies have all the infrastructure and networking ready to suit their needs. It houses companies which are in software development, IT enabled services, BPO and Call Centers. About 3000 people work at the Infotower at present.

2.3.2 PKI Based Commercial Certifying Authority :

The (n)Code Solutions, Division of the Company has been licensed as a Certifying Authority by the Ministry of IT, Government of India for issuing Digital Certificates under the Indian IT laws. Digital Certificates find wide applications in providing secure electronic business (e-commerce) on Internet. The potential applications are in Banking, Finance, Insurance, Supply Chain Management, e-Governance, e-Commerce etc.

The growth expectations for the current year appear better as more and more applications are being added at the national level. Some major applications using Digital Certificates are: Licence applications for DGFT, Income Tax e-filing, MCA-21 e-filing, Indian Patent office e-filing, online ticket booking at IRCTC, e-procurement for Gujarat and other States & large corporates.

2.3.3 Services :

(n)Code Solutions is providing e-procurement (or electronic tendering) services to the various departments and public sector units of Government of Gujarat through a portal called www.nprocure.com.

(n)Code also designs and builds world class data centers. During the year, it completed three major projects for a total value exceeding Rs.10 crores and has four more projects under execution.

In the current year, a major initiative was undertaken to offer managed IT services including Managed Security and Authentication Services to the large enterprises and organizations.

2.3.4 The Company has taken a close look and decided to exit from the VSAT / ISP Gateway Business.

3.0 OPERATIONS :

3.1 Production and Capacity Utilization :

Participative Management style with focus on production targets and continued emphasis on:(a) Higher Productivity,(b) Environmental and Safety Consciousness, (c) Energy Conservation and Efficiency Improvement, (d) Innovation / Cost reduction has paid rich dividends.

During the financial year 2007-08, the major strength of the organization has been a high productivity coupled with cost effective operations.

Production and Capacity Utilization achieved during the year 2007-08 are as follows :

Plant	Production (MT)	Capacity Utilization (%)
Ammonia	535,478	120.20
Urea	670,290	105.39
Methanol-I	58,539	117.08
Methanol-II	141,941	141.94
Methanol Synthesis Unit	24,147	78.91
Methyl Formate	21,831	95.75
Formic Acid	17,290	172.90
Acetic Acid	152,966	152.97
Weak Nitric Acid	290,379	117.33
Concentrated Nitric Acid-I	32,319	97.94
Concentrated Nitric Acid-II	34,341	104.07
Ammonium Nitrophosphate	193,224	135.60
Calcium Ammonium Nitrate	134,639	94.48
Aniline	38,771	110.78
Toluene Di-Isocyanate	16,546	118.19
Nitrobenzene	51,752	109.53

3.2 Environment and Safety Aspects :

Tree planting activity, awareness campaign on clean environment and Earth Day celebrations were the highlights of the year.

There has been an increasing awareness about the global warming, the climatic changes and its impact on the future of our planet.

All the effluent received from different plants were suitably treated to maintain the discharge effluent quality as per GPCB norms. Reuse of treated water for ash slurry preparation, golf ground and dusting suppression at ash pond was also continued.

The Company conducted various environment and ecology related programmes during the year.

M/s. TUVNORD, Germany issued OHSAS-18001 Certificate, for the Company as a whole, after successful certification audit, which is valid upto September, 2010.

M/s. TUVNORD, Germany issued ISO-9001 Certificate valid upto May, 2009 for Aniline-TDI plants.

4.0 Projects under Clean Development Mechanism (CDM) :

4.1 N2O Abatement Project in Weak Nitric Acid Plant

The existing WNA plant produces unwanted by-product Nitrous Oxide which is vented into atmosphere. N2O is considered as a Green House Gas like Carbon Dioxide (CO2) and has 310 times higher Global Warming Potential than CO2.

The WNA plant has potential to reduce about 300,000~350,000 MT per annum of CO2.

The Company has installed N2O Abatement catalyst procured from M/s. BASF, Germany in the WNA reactor during the shutdown on 23/11/07 and the plant was restarted on 24/11/07.

4.2 Wind Mill Power Project of 9 MW capacity

The Wind Mill Power project of 9 MW capacity was commissioned in December,'07. This is a renewable energy project which does not emit any green house gases, thus contributing to the global efforts towards combating global warming.

This project has potential to reduce about 35,000 MT CO2 per annum.

The Company has undertaken these projects as Clean Development Mechanism (CDM) under the Kyoto protocol.

Thus, the Company has taken the lead in the reduction of Green House Gases and contributed to environment friendly atmosphere.

5.0 OPPORTUNITIES & THREATS :

5.1 OPPORTUNITIES :

- Implementing the feedstock conversion project based on finalisation of policy and approval from Government.
- Number of projects identified in the chemical sector for the future growth.
- India, being one of the preferred investment destinations, efforts are made for tie-ups with leading technology suppliers / international Companies for new business opportunities.

5.2 RISKS & CONCERNS:

- Rising oil prices, rising ocean freights & other project supplies.
- Natural Gas availability is very tight and supply is reduced. The increase in foreign currency component of R-LNG by about 50% is talked about. Gas suppliers are not ready to commit the supply quantity and the price. Costly LSHS will have to be used in boilers in case of short supply of gas. The situation is expected to improve by 2009 with availability of more LNG and also availability of gas from Krishna-Godavari basin and other sources.
- Company's Ammonia plant is based on LSHS sourced from Indian Oil Corporation (IOC). IOC is setting Coker unit to convert LSHS into value added products. Hence, Company will have to make alternative arrangement for sourcing LSHS and /or Fuel Oil.
- Price of crude oil is very high. This has direct effect on cost of energy and other raw materials / intermediate inputs.
- Interest rates are firming up which will result into higher cost of funding for the upcoming projects.
- The import tariff is on decline year by year. Because of international competition, there could be pressure on the margins. New plants should have economies of scale to face stiff international competition.

6.0 OUTLOOK:

The Company is continuously making plans for implementing projects by way of making short term plans as well as long term plans. Presently, the Company is implementing many projects such as WNA, CNA, TDI, Ethyl Acetate, Wet Sulphuric Acid and Co-Generation Power and Steam Unit etc. For implementing in the long term, projects like Feedstock Conversion, MDI, Formic Acid capacity enhancement etc. are being considered.



Market leadership position is maintained in Methanol, Formic Acid, Acetic Acid, Aniline and TDI.

The performance of the Company is improving year by year due to continuous emphasis on higher productivity, energy conservation and efficiency improvement, innovation / cost reduction by its excellent human resource, environmental consciousness, safety consciousness etc.

7.0 ROAD MAP FOR THE NEXT DECADE:

The management of the Company has initiated the process of developing road map for growth over next decade and benchmarking.

The Company is also actively pursuing on new initiatives being undertaken by various departments of the Company to ultimately make the business processes more competitive, profitable and growth oriented. The initiatives have been launched to benchmark various processes and practices of the Company to be broadly in line with and in conformity with best international practices in the industry and change the mindset to address the challenges ahead.

8.0 FINANCIAL PERFORMANCE OF THE COMPANY:

The financial performance of the Company is excellent and the highest ever during the year under review. Financial highlights are as under :

- 25.36% growth, in Net Sales Turnover, taking it to Rs.3,433.91 Crores.
- 25.54% growth in Total Income, taking it to Rs.3,483.23 Crores.
- 12.4% growth in Earnings Before Interest, Depreciation and Tax (EBIDTA), taking it to Rs.687.44 Crores.
- 17.74% growth in Profit Before Tax (PBT), taking it to Rs.576.21 Crores.
- 10.28% growth in Cash Profit After Tax (CPAT) (Rs.483.40 Crores).
- 14.22% growth in Profit After Tax (PAT) (Rs.372.88 Crores).
- 22.42% growth in Book Value per Share (Rs.123.71).
- 13.4% growth in Cash Earnings Per Share (CEPS) (Rs.31.84).
- 14.18% growth in Earnings Per Share (EPS) (Rs.23.99).

9.0 NEW PROJECTS :

9.1 PROJECT COMPLETED DURING 2007-08:

i. Wind Mill Power Project of 9 MW capacity :

Suzlon make 9 MW (6 machines x 1.5 MW) capacity Wind Turbo Generators are set up in Dec.'07 at Lathedi Village, Ta: Abdasa, in Kutch region for environment friendly generation of electricity. This project has been taken under Clean Development Mechanism (CDM).

ii. Methanol Plant Revamp / Urea Plant Revamp :

- Methanol plant is revamped to increase the production by about 175 MT per day.
- Urea Plant is revamped by which the energy saving is about 0.1 Million Kcal/MT urea.

9.2 PROJECTS UNDER EXECUTION :

- To mitigate the shortage of WNA in existing complex, to meet the growing market demand as well as for new CNA plant, a 300 MTD capacity WNA plant is being set up. 150

MTD CNA plant is also being set up to meet the requirement of new TDI project and to cater to the growing demand. Expected completion is by September, 2010. To meet the growing demand, a 50,000 MTA capacity TDI project is being set up at Dahej. The project is expected to be completed by September, 2010.

- The revamp of Ammonia loop will provide energy saving and also enhance the production potential of Ammonia. Project execution work is in progress and is expected to be completed by April, 2009. The cost of revamp of Ammonia is Rs.72 Crores.
- Installation of Molecular Sieve System in Ammonia Plant for improvement in reliability and stability of Ammonia plant is planned by employing improved technology for removal of water and CO₂ from air in Air Separation Unit. The modification is expected to be completed by March, 2009.
- Further 12 MW capacity Wind Turbo Generators are being set up in the Kutch region of Gujarat. This Project will also be executed by M/s. Suzlon Energy Limited. Expected completion is by September, 2008. This project would reduce the emission of CO₂ into the atmosphere.
- A 50,000 MTA capacity Ethyl Acetate manufacturing facilities plant is being set up as a forward integration of Acetic Acid. The project is expected to be completed by June, 2010.
- Wet Sulphuric Acid Plant: As LSHS will not be available after March, 2010, the Company will have to use Fuel oil containing higher sulphur. Hence, to abate pollution problem and to produce value added product, wet sulphuric acid plant based on H₂S containing gas is being set up.
- A Co-generation Power & Steam Generation unit is being installed to generate 33 MW power and 61 MT/Hr high pressure steam. The project is expected to be completed by August/September, 2010.

9.3 PROJECTS UNDER ACTIVE CONSIDERATION

9.3.1 Ammonia plant feedstock conversion from LSHS to Natural Gas :

- In order to reduce the subsidy amount and to encourage usage of cheaper and more efficient feedstock/fuel, Government of India has announced policy guidelines for conversion of fuel oil based Ammonia plants into NG/LNG based plants. Hence, the Company has initiated actions for conversion of feedstock of Ammonia plant from LSHS to NG/LNG. The project is capital intensive in nature and hence, Government is formulating guidelines to provide additional incentives to make the conversion project a viable proposition.

Decision for the conversion will be taken based on the final Government clearance based on policy guidelines and techno-economic viability of the project.

9.3.2 Revamp of Formic Acid Plant:

- It is also planned to revamp the existing Formic Acid plant to increase the capacity by about 30 MTPD.

10.0 HUMAN RESOURCE MANAGEMENT:

The Company is very much concerned towards Human Resource (HR) which is a prime asset for improvement and enhancement of productivity and profitability. Very harmonious, cordial and healthy Industrial Relation (IR) throughout the year led to an atmosphere conducive for sustenance of growth and enrichment of value for shareholders.

The Company makes continuous and concerted efforts to groom its Human Resource to meet with the present and future challenges in the field of Technology and Management functions and to enable them to contribute on a continuous basis for the growth of organization. The Company ensures effective extensive training for its valuable Human Asset. The Management had engaged an HR Consultant to study and recommend an organization structure, HR Policies, training and development needs. Their recommendations are being implemented. The Company has entered into Wage Settlement of the duration of 4 years with the employees, effective from 1st July, 2006. The total strength of human asset of the Company as on 31st March, 2008 was 2766.

11.0 INTERNAL CONTROL SYSTEM & ITS ADEQUACY:

The Company has a broad based Internal Audit as well as Risk Management framework which operates through the following mechanism:

- All the proposals involving expenditure above a certain basic amount are subject to financial concurrence through the Finance Dept. followed by approval from Senior Executive or Managing Director or from the Board of Directors (depending upon the value of proposals).
- The Company prepares exhaustive operational as well as procurement budget for various budget centers at the beginning of each financial year. Throughout the year, the actual expenses are closely monitored against such targets. Variances are analysed and timely corrective measures are taken.
- Various Operating Departments generate reports for management on all relevant parameters of their department and compare the same with quantitative/ qualitative goals for Management. This helps to keep the operations on its targets. The Company runs ERP package viz. SAP, which offers a seamless database and data flow, linking all important functions like production, materials, finance, marketing, etc. of the Company. All the Regional and Area Offices have been connected to make the organisation a virtual work place.
- **Material Management System** : As a part of continuous improvement in the internal processes, the materials management processes are redesigned aiming moving towards the best benchmarks. The redesigned processes will bring improvement in phased manner in the form of process simplification by automation, time and cost reduction and better service level. The Company has already adopted e-tendering process successfully since last 2 years for high value items. This process is most transparent and with high level of security and has reduced processing time and operational cost.
- The Company has engaged services of a reputed firm of Chartered Accountants as Internal Auditors of the Company as well as Risk Management Consultants for the year under review and their reports are properly dealt with at the Audit Committee of Board of Directors, periodically, for suitable corrective actions and guidance. The audit plan also covers systems & processes.
- The Company has adequate internal control procedures and systems to ensure higher efficiency standards. However, improvement in systems is an ongoing process considering the dynamic environment in which the Company operates. The Company has developed Internal Control System and

guidelines for Materials Management function. Continuous and dedicated efforts are put for cost reduction by developing new sources of supply and effective negotiations.

12.0 EXTENSION SERVICES & COMMUNITY DEVELOPMENT:

The Company ensures that crop & soil nutrition needs in its area of operation are addressed. The Company has a large number of farmers as shareholders. To cater to the responsibility of the Company towards its farmer shareholders, the Company undertakes various programmes for betterment of the farming community through 56 Narmada Khedut Sahay Kendras spread all over Gujarat manned by trained and experienced agricultural graduates.

An unique Narmada Kisan Parivar Scheme was initiated by the Company in 1984. Two monthly magazines namely "Narmada Kisan Parivar Patra" in Gujarati and "Narmada Krishi Parivar" in Hindi are published. As on date about one lakh farmers from Gujarat, Madhya Pradesh, Maharashtra and Rajasthan are the members of this scheme.

Different Agro-projects like Agro Forestry, Fruit Crop, Field Crop, Nursery Management, High Tech Agriculture inclusive of Rain Gun, Computerized Drip Irrigation System, Medicinal Plants and Vermi Compost have been developed at the Demonstration Farm (50 acres). The Company has initiated a project for development of tissue culture plants, particularly of Banana, at Bharuch.

To encourage balanced use of fertilizers, Company's Soil Testing Laboratory analyzed 36,495 soil samples received. Similarly, 2,550 water samples were also analyzed at our soil testing laboratory.

To impart knowledge about modern agriculture practices, 584 young farmers from Gujarat and Rajasthan have been imparted training under 24 training programs organized so far. For promoting use of e-farming among farmers, 6 Model Narmada Khedut Sahay Kendras (NKSK) have been established. In each such NKSK, a KIOSK having the facility of "touch screen" is developed. Visiting farmers access all agriculture related information at one place.

13.0 Narmadanagar Rural Development Society (NARDES):

Through NARDES, the NGO promoted by the employees and their families, several rural development initiatives are undertaken in the field of health & hygiene, education, employment, rehabilitation of the physically challenged people, etc. and the benefits of these community services are being delivered with the sincere intent to improve the quality of life in the regions which are marked with rural & tribal presence.

14.0 Narmada Education and Scientific Research Society (NEST):

Narmada Education and Scientific Research Society (NEST), a trust, promoted by the Company runs the Narmada College campus. Institutions at the campus impart graduate & post graduate level education in Science, Commerce, Management & Computer Application stream and also part time courses for the employed professionals.

15.0 Cautionary Statement

Statements in the Management Discussion & Analysis describing the Company's objectives, expectations or projections, may be forward looking and it is not unlikely that the actual outcome may differ materially from that expressed, influenced by wide variety of factors affecting the business environment and Company's operations.



REPORT ON CORPORATE GOVERNANCE

COMPANY'S PHILOSOPHY ON CODE OF CORPORATE GOVERNANCE

The Company accords utmost importance to the observance of best corporate governance practices in all its activities. The Company's philosophy on corporate governance envisages attainment of the highest levels of accountability, transparency and integrity in all facets of its operations and aims at maximising the shareholders' value; protecting the interests of all the stakeholders and meeting societal expectations.

BOARD OF DIRECTORS

Composition of the Board

The Board of Directors of the Company presently comprises 11 Directors, of which 8 Directors are the non-executive Directors, constituting more than 50% of the total strength of the Board. The Company has an Executive Chairperson and number of independent Directors on the Board are more than half of the total number of Directors. In the judgement of the Board of Directors of the Company, all the Non-Executive Directors on the Board are the Independent Directors. The composition of the Board is in conformity with Clause 49 of the Listing Agreement.

The composition and category of the Directors on the Board of the Company are as follows:

Sr. No.	Name of Director	Category
1.	Smt. Sudha Anchlia, IAS Chairperson & Managing Director	Promoter, Executive Director, Non-Independent
2.	Shri Balwant Singh, IAS* Managing Director	Executive Director, Non-Independent
3.	Shri T Natarajan, IAS Joint Managing Director	Promoter, Executive Director, Non-Independent
4.	Shri Pankaj Kumar, IAS	Non-Executive Director, Independent
5.	Dr. TT Ram Mohan	Non-Executive Director, Independent
6.	Shri DC Anjaria	Non-Executive Director, Independent
7.	Dr. Ashok Shah	Non-Executive Director, Independent
8.	Shri HV Patel, IAS **	Non-Executive Director, Independent
9.	Shri D Rajagopalan, IAS ***	Non-Executive Director, Independent
10.	Shri M M Srivastava, IAS ***	Non-Executive Director, Independent
11.	Shri PN Roychaudhary, IAS***	Non-Executive Director, Independent

* Appointed as Additional Director w.e.f. 26-06-2008 & Managing Director w.e.f. 27-06-2008

** Appointed as Director in the casual vacancy w.e.f. 20-05-2008

*** Appointed as Additional Director w.e.f. 17-06-2008

Consequent upon the change in Directorate, the Board of Directors of the Company has been re-organized from time to time. The changes occurred in the Board are as under :

1. Shri SG Mankad resigned as Director and Chairman w.e.f. 31st August, 2007.
2. Dr. Manjula Subramaniam, IAS was nominated as Government Director and was appointed as Chairperson w.e.f. 1st September, 2007. Her nomination as Government Director was withdrawn w.e.f. 10th April, 2008. As such, she ceased to be the Chairperson effective from that date.
3. Shri PK Taneja, IAS resigned as Director w.e.f. 8th April, 2008.

4. Shri Balwant Singh, IAS resigned as Director and Managing Director w.e.f. 11th April, 2008.
5. Smt. VL Joshi, IAS resigned as Director w.e.f. 15th April, 2008.
6. Dr. Avinash Kumar resigned as Director w.e.f. 17th April, 2008.
7. Smt. Sudha Anchlia, IAS has been nominated as Government Director w.e.f. 10th April, 2008. She has been appointed as Chairperson and Managing Director of the Company w.e.f. 11th April, 2008.
8. Shri HV Patel, IAS has been appointed as Director in the casual vacancy w.e.f. 20th May, 2008.
9. Shri T Natarajan, IAS has been re-appointed Joint Managing Director of the Company w.e.f. 7th June, 2008.
10. S/Shri D Rajagopalan, IAS, MM Srivastava, IAS and PN Roychaudhary, IAS have been appointed Additional Directors on the Board w.e.f. 17th June, 2008.
11. Shri Balwant Singh, IAS has been appointed Additional Director w.e.f. 26th June, 2008. He has been appointed as Managing Director of the Company w.e.f. 27th June, 2008 to hold office during the period Smt. Anchlia is on leave i.e. upto 18th August, 2008.
12. Shri PN Vijay resigned as Director w.e.f. 25th July, 2008.

Number of Board Meetings :

During the year 2007-08, six meetings of the Board of Directors were held with a time-gap of not more than 4 months between any two meetings. The dates on which the said meetings were held are 5th May, 2007; 14th July, 2007; 22nd September, 2007; 20th October, 2007; 29th January, 2008 and 25th March, 2008.

Directors' attendance Record and Directorships held :

Attendance of Directors at the Board Meetings during the year and at the last Annual General Meeting as also the number of Directorship(s) and Committee position held by them in other Companies are given below :

Name of Director	Attendance at Meetings during 2007-08		No. of Other Directorship(s)*	No. of Committee position held in other Companies**	
	Board Meeting	Last AGM		As Chairman	As Member
Shri Pankaj Kumar	4	Not Attended	1	None	None
Dr. TT Ram Mohan	4	Not Attended	4	None	None
Shri DC Anjaria	5	Attended	5	4	2
Dr. Ashok Shah	5	Attended	None	None	None
Shri T Natarajan	6	Attended	2	None	None
Shri SG Mankad	2	—	4	None	None
Shri PK Taneja	4	Attended	8	1	3
Dr. Manjula Subramaniam	4	Not Attended	6	None	None
Shri Balwant Singh	6	Attended	2	None	None
Smt. VL Joshi	4	Not Attended	14	2	1
Dr. Avinash Kumar	—	Not Attended	6	1	2
Shri PN Vijay	—	Not Attended	3	2	2

* Other Directorships do not include Directorships of Private Limited companies, companies incorporated outside India and companies under Section 25 of the Companies Act, 1956.

** In accordance with Clause 49 of the Listing Agreement, Chairmanship/ Membership of Board Committees include only Audit and Shareholders'/ Investors' Grievance Committees.

Notes:

- (i) None of the Directors on the Board 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.

Information supplied to the Board :

Requisite information as enumerated in the Listing Agreement is made available to the Board of Directors, whenever applicable, for discussions and consideration at the Board Meeting. Agenda Papers are circulated to the Directors sufficiently in advance so as to have the focussed and meaningful discussion thereon. At every Board Meeting, a presentation is made on the matters covering finance, marketing, operations and any other material/significant developments. Some urgent matters are approved by passing a resolution by circulation and the same is put-up to the Board in the next meeting for taking note thereof. Action Taken Report in respect of the decisions taken at a Board Meeting is put-up at the subsequent Board Meeting for consideration.

In addition to the Audit Committee and the Shareholders' / Investors' Grievance Committee, as are mandatorily required to be constituted in terms of the Listing Agreement, the Board has constituted other Committees of the Directors such as "Project Committee" and "Human Resource Development Committee". These Committees have been delegated powers and duties by the Board for specific purposes. The meetings of the Committees are held whenever the need arises. Minutes of all Committee Meetings are put-up before the Board for taking note thereof. Besides, Action Taken Reports in respect of the decisions taken at the Committee Meetings are also put-up to the Board for information.

The Board periodically reviews compliance reports of all laws applicable to the Company as also the steps taken to rectify non-compliances, if any.

Membership of the Committees of the Board :

None of the Directors holds membership in more than 10 Committees or acts as Chairman of more than 5 Committees, across all the Companies in which he/she is a Director. The disclosure as required regarding Committee positions have been made by the Directors.

Disclosure regarding appointment of new Directors/ reappointment of Directors :

The information as required under Clause 49 (IV)(G) of the Listing Agreement is annexed to the Notice of the Annual General Meeting.

Code of Conduct :

The Board has laid down a Code of Conduct for all Board Members and designated Senior Management of the Company. The Code of Conduct sets ethical standards for the Directors and Senior Management Personnel of the Company. The Code of Conduct is available on Company's website viz. www.gnfc.in. All Board Members and designated Senior Management Personnel have affirmed their compliance with the said Code. A declaration to this effect signed by the Chairperson & Managing Director of the Company is annexed to this Report.

AUDIT COMMITTEE**Constitution :**

The Audit Committee of the Directors seeks to ensure better Corporate Governance and provide assistance to the Board of Directors in fulfilling the Board's overall responsibilities. The Audit Committee of the Company is constituted in line with the provisions of Clause 49 of the Listing Agreement entered into with the Stock Exchanges read with Section 292A of the Companies Act, 1956.

Composition :

The Audit Committee presently comprises Five Members viz. Shri DC Anjaria, Dr. TT Ram Mohan, Dr. Ashok Shah, Smt. Sudha Anclia and Shri T Natarajan. Except Smt. Sudha Anclia, Chairperson and Managing Director and Shri T Natarajan, Joint Managing Director of the Company,

who are the Executive Directors, all other Members of the Committee are the Independent Non-executive Directors. Shri DC Anjaria is the Chairman of the Audit Committee and is an Independent Director. All the members of the Committee possess good knowledge of Finance, Accounts and basic elements of Company Law. The Company Secretary acts as Secretary to the Audit Committee.

Terms of Reference :

The terms of reference of the Audit Committee are as follows:

- ❖ Oversight of the Company's financial reporting process and the disclosure of its financial information to ensure that the financial statement is correct, sufficient and credible.
- ❖ Recommending to the Board the appointment, reappointment and if required, the replacement or removal of Statutory Auditors and fixation of audit fees.
- ❖ Approval of payment for any other services rendered by Statutory Auditors.
- ❖ Reviewing with the Management, the annual financial statements before submission to the Board for approval, focussing primarily on;
 - a. Matters required to be included in the Directors' Responsibility Statement included in the report of the Board of Directors.
 - b. Any changes in accounting policies and practices and reasons for the same.
 - c. Major accounting entries involving estimates based on exercise of judgment by management.
 - d. Qualifications in draft audit report.
 - e. Significant adjustments arising out of audit.
 - f. Compliance with listing and other legal requirements concerning financial statements.
 - g. Disclosure of related party transactions.
- ❖ Reviewing with the Management, the quarterly financial statements before submission to the Board for approval.
- ❖ Reviewing with the Management, performance of statutory and internal auditors and the adequacy of internal control systems.
- ❖ Reviewing the adequacy of internal audit function, including the structure of the internal audit department, staffing and seniority of the official heading the department, reporting structure coverage and frequency of internal audit.
- ❖ Discussion with internal auditors on any significant findings and follow up thereon.
- ❖ Reviewing the findings of any internal investigations by the internal auditors into matters where there is suspected fraud or irregularity or a failure of internal control systems of a material nature and reporting the matter to the Board.
- ❖ Discussion with statutory auditors before the audit commences about nature and scope of audit as well as post-audit discussion to ascertain any area of concern.
- ❖ To look into the reasons for substantial defaults in the payment to the depositors, debenture holders, shareholders (in case of non-payment of declared dividends) and creditors.
- ❖ To review the functioning of the Whistle Blower mechanism, in case the same is existing.
- ❖ Carrying out any other function as is mentioned in the terms of reference of the Audit committee.
- ❖ Review the following information:
 - a. Management Discussion and Analysis of Financial Condition and Results of Operations;
 - b. Internal audit reports relating to internal control weaknesses;
 - c. Management letters / letters of internal control weaknesses issued by Statutory Auditors;



- d. Statement of significant related party transactions; and
- e. The appointment, removal and terms of remuneration of the Chief internal auditor.

The Audit Committee has the following powers:

- ▶ to investigate any activity within its terms of reference.
- ▶ to seek information from any employee.
- ▶ to obtain outside legal or other professional advice.
- ▶ to secure attendance of outsiders with relevant expertise, if it considers necessary.

Number of Meetings :

During the financial year 2007-08, Nine Meetings of the Audit Committee were held. The dates on which the said meetings were held are : 3rd April, 2007; 4th May, 2007; 7th July, 2007; 13th July, 2007; 14th September, 2007; 19th October, 2007, 3rd January, 2008; 28th January, 2008 and 19th March, 2008.

Attendance at the Meetings :

The Audit Committee meetings are usually attended by the Special Director - Head of Finance functions of the Company, Executives of Finance Department, representatives of the Statutory Auditors as also representatives of the Internal Auditors. The Operation Heads are invited to the meeting, when required. The Cost Auditor appointed under Section 233B of the Companies Act, 1956 also attend the Audit Committee meeting where Cost Audit Report is discussed.

Attendance of each Member at the Audit Committee Meetings held during the year 2007-08 :

Name of the Member	No. of Meetings held during the tenure of Membership	No. of Meetings Attended
Shri DC Anjaria	9	9
Dr. TT Ram Mohan	9	9
Dr. Ashok Shah *	5	5
Shri T Natarajan	9	8
Dr. Manjula Subramaniam**	4	1
Shri Balwant Singh ***	9	6

* Inducted as Member w.e.f. 14-07-2007.

** Ceased to be a Director and as Member of the Committee w.e.f. 31-08-2007.

*** Ceased to be a Director and as Member of the Committee w.e.f. 11-04-2008.

Shri DC Anjaria, the Chairman of the Audit Committee was present at the last Annual General Meeting.

REMUNERATION POLICY :

No Remuneration Committee has been constituted by the Board. The remuneration of the Directors is decided by the Board of Directors, keeping in view the provisions of Articles of Association of the Company and the Companies Act, 1956, subject to the approvals, if any, from the Shareholders, where necessary.

The appointment of the Managing Director is made by the Board in consultation with the Government of Gujarat, and usually he/she is from IAS Cadre. He/She is being paid remuneration as per the terms and conditions prescribed by the Government of Gujarat. Remuneration of the Managing Director and other Non-Executive Directors of the Company is decided by the Board. Non-Executive Directors of the Company are paid remuneration by way of sitting fees only for attending the meetings of the Board of Directors and Committees thereof. Non-Executive Directors of the Company are paid sitting fees @ Rs.5,000/- per meeting attended by them.

No remuneration was paid by the Company to Shri Balwant Singh during the year 2007-08 for holding the additional charge of the post of the Managing Director of the Company.

The details of the remuneration paid to the Directors during the financial year 2007-08 are as follows :

(Amount in Rs.)

Sr. No.	Name of Director	Salary	Perquisites and allowances	Sitting Fees	Total
1.	Shri SG Mankad	--	--	15,000 *	15,000
2.	Dr. Manjula Subramaniam	--	--	40,000 *	40,000
3.	Shri PK Taneja	--	--	30,000 *	30,000
4.	Smt. VL Joshi	--	--	25,000 *	25,000
5.	Shri Pankaj Kumar	--	--	85,000 *	85,000
6.	Dr. TT Ram Mohan	--	--	1,10,000	1,10,000
7.	Dr. Ashok Shah	--	--	1,30,000	1,30,000
8.	Shri DC Anjaria	--	--	95,000	95,000
9.	Shri T Natarajan, Joint Managing Director	4,15,946	43,236	--	4,59,182

* Amount deposited in Government Treasury

Details of Equity shares held in the Company by the Non-Executive Directors are as under :

Sr. No.	Name of Director	No. of Equity Shares held
1.	Shri Pankaj Kumar	500
2.	Dr. TT Ram Mohan	500
3.	Dr. Ashok Shah	575
4.	Shri DC Anjaria	500
5.	Shri HV Patel	500
6.	Shri D Rajagopalan	500
7.	Shri MM Srivastava	500
8.	Shri PN Roychaudhary	500

The Company has not issued any convertible instruments. Besides, the Company has also not granted any stock option to its Directors.

SHAREHOLDERS'/ INVESTORS' GRIEVANCE COMMITTEE

Composition :

The Shareholders'/Investors' Grievance Committee presently comprises three members viz. Shri Pankaj Kumar, Dr. Ashok Shah and Shri T Natarajan. Shri Pankaj Kumar and Dr. Ashok Shah are the Non-Executive Directors and one of them is elected as Chairman to preside over at the meeting.

Terms of Reference :

The Shares-cum-Debentures Transfer/Investors' Grievance Committee specifically looks into various issues of the shareholders such as registration of transfer of shares, Issue of share certificates, redressal of shareholders' complaints relating to transfer of shares, non-receipt of annual reports, non-receipt of dividend, etc. This Committee has been delegated authority by the Board to approve transfer/transmission of shares, issuance of share certificates etc.

With a view to expediting the process of share transfers, the Board has in addition to the Shares-cum-Debentures Transfer / Investors' Grievance Committee, delegated the power to approve transfer / transmission of shares to the Company Secretary and two other Executives of the Company.

Number of Meetings :

During the year 2007-08, Nine meetings of the Committee were held. The dates on which the said meetings were held are 11th May, 2007, 12th June, 2007, 14th July, 2007, 31st August, 2007, 29th September, 2007, 12th November, 2007, 19th December, 2007, 28th January, 2008 and 19th March, 2008.

Attendance :

The details of meetings attended by the Members during the year 2007-08 are as under :

Name of Member	Category of Director	No. of meetings held during the tenure of membership	No. of meetings attended
Shri Pankaj Kumar	NED & IND	9	8
Dr. Ashok Shah	NED & IND	9	7
Shri T Natarajan	Jt.MD & Non-IND	9	5
Shri Balwant Singh*	MD & Non-IND	9	9

* Ceased to be a Director and Member of the Committee w.e.f. 11th April, 2008

NED = Non-Executive Director Jt.MD = Joint Managing Director

IND = Independent Director MD = Managing Director

Non-IND = Non-Independent Director

Compliance Officer :

Shri RB Panchal, Company Secretary is the Compliance Officer of the Company for complying with the requirements of Listing Agreement entered into with the Stock Exchanges as also of SEBI (Prohibition of Insider Trading) Regulations, 1992.

Investors' Grievance Redressal :

The total number of complaints received and replied to the shareholders during the year under review was 496. As on 31st March, 2008, no complaint was pending redressal, no share transfer was pending registration and no request for dematerialization of shares was pending for confirmation.

General Body Meetings :

Location and time of last three Annual General Meetings were as under :

Year	Date	Venue	Time
2006-07	Sept.22, 2007	At the Regd. Office of the Company,	2:00 PM
2005-06	Sept.23, 2006	Near Jan Vikas Temple,	2:00 PM
2004-05	Sept.22, 2005	Narmadanagar-392015,Dist.Bharuch.	2:30 PM

All resolutions moved at the last Annual General Meeting were passed by show of hands with requisite majority of members attending the meeting.

Special Resolutions passed at the previous three Annual General Meetings were as under :

Sr No.	Date of AGM	Particulars of Resolution
1.	22nd September, 2007	Reappointment of Auditors
2.	23rd September, 2006	Appointment of Auditors
3.	22nd September, 2005	Reappointment of Auditors

During the year, no resolution was passed by the Company's Members through postal ballot. No resolution is proposed to be passed through postal ballot at the ensuing Annual General Meeting.

As directed by the Hon'ble High Court of Gujarat, a meeting of the shareholders of the Company, was convened on 29th June, 2006 to approve the Scheme of Amalgamation of Narmada Chematur Petrochemicals Ltd (NCPL) with the Company. Resolution moved at the said meeting was passed by the majority in number representing Three-Fourths in value of the Members.

DISCLOSURES**Related Party Transactions :**

The Company has entered into related party transactions as set out in the notes to accounts, which are not likely to have conflict with the interest of the Company at large. The details of all significant transactions with related parties are periodically placed before the Audit Committee.

Disclosure of Accounting treatment :

The Company has complied with the applicable Accounting Standards issued by the Institute of Chartered Accountants of India (ICAI) in preparation of its financial statements.

Details of Non-compliance :

The Company has complied with all the requirements stipulated by the Regulatory Authorities. No penalty/stricture has been imposed on the Company by the Stock Exchanges or SEBI or any other Statutory Authority on any matter related to the capital market during the last three years.

Disclosure on Risk Management :

The Consultant appointed for implementation of Enterprise-wide Risk Management (ERM) have already identified various risks, the Company is faced with. Risk Scaling, Risk Quantification and Risk Co-relation have been done. The Risk Management Policies and reporting framework of the Company will be suitably modified after considering the recommendations of the Consultant.

Code of prevention of Insider Trading Practices :

In compliance with the SEBI Regulations on prevention of insider trading, the Company has framed a comprehensive code of conduct for prevention of insider trading practices in the equity shares of the Company. The Code lays down the guidelines, which advises the connected persons mentioned in the Code, on the procedures to be followed and disclosures to be made by them, while dealing in the shares of the Company and cautioning them of the consequences of violations.

CEO/CFO Certification :

The Chairperson & Managing Director (CEO) and the Special Director - Head of Finance functions (CFO) have in respect of the financial year ended 31st March, 2008 certified to the Board regarding compliance of covenants contained in Clause 49 (V) of the Listing Agreement.

MANAGEMENT**Management Discussion & Analysis :**

Management Discussion & Analysis forms part of the Annual Report and include discussions on various matters specified under Clause 49 (IV)(F) of the Listing Agreement.

Means of Communication :

The Quarterly, Half-yearly and Annual Financial Results are regularly submitted to the Stock Exchanges, published in the news-papers and are displayed on the Company's Website www.gnfc.in. As per the requirement of Clause 51 of the Listing Agreement with the Stock Exchanges, the data relating to Financial Results, Shareholding Pattern, etc. are e-filed on Electronic Data Information Filing & Retrieval System (EDIFAR) within the time frame prescribed therefore. These are available on SEBI website viz. www.sebidifar.nic.in.

The quarterly Financial Results are published in English and in Gujarati Daily News-papers. The official news releases on significant developments about the Company are also displayed on the Company's Website. Presentations are also made to the financial analysts, etc. whenever felt expedient.

Compliance :

Mandatory requirement : The Company is fully compliant with the applicable mandatory requirements of Clause 49 of the Listing Agreement.

Adoption of Non-mandatory requirement : No specific tenure has been specified for the Independent Directors. However, none of the Independent Directors has a tenure exceeding in aggregate, a period of 9 years on the Board of the Company. All the Independent Directors on the Board have requisite qualifications and experience and they contribute effectively to the Company in the capacity as Independent Director. The Financial Statements of the Company are free from any qualification by the Auditors.



GENERAL SHAREHOLDER INFORMATION

Annual General Meeting :

Day : Thursday
 Date : 25th September, 2008
 Time : 2.30 PM
 Venue : At the Registered Office of the Company at
 P.O. Narmadanagar-392 015, Dist. Bharuch.

Financial Calender :

Financial Year : 1st April, to 31st March.
 Results for the Quarter ending on will be announced by
 - 30th June, 2008 - July, 2008
 - 30th September, 2008 - October, 2008
 - 31st December, 2008 - January, 2009
 - 31st March, 2009 - May/June, 2009

Book Closure

Closure of Register of Members and Share Transfer Books : Friday, the 22nd August, 2008 to Friday, the 29th August, 2008. (both days inclusive) for the payment of Dividend.

Dividend Payment : Dividend of Rs.4.25 per equity share will be paid from 6th October, 2008 onwards, subject to the approval by the Shareholders at the Annual General Meeting.

Listing :

The equity shares of the Company are presently listed on the following two Stock Exchanges:

- 1) National Stock Exchange of India Limited (NSE), Exchange Plaza, Bandra-Kurla Complex, Bandra (E), Mumbai-400 051.
- 2) Bombay Stock Exchange Limited (BSE), Floor 25, P J Towers, Dalal Street, Mumbai-400 001.

The equity shares of the Company have been included in the list of securities allowed for dealing in "Future and Options" contracts by NSE.

The Company has already made payment of Annual Listing Fees to BSE and NSE for the year 2008-2009.

Other details:

The ISIN for the Company's equity shares is : INE 113 A01013. The Stock Code of the Company's equity shares at the Bombay Stock Exchange Ltd., Mumbai is "500670" and at the National Stock Exchange of India Ltd., Mumbai, is "GNFC EQ".

The GDRs issued by the Company in the International Market are listed on the Luxumberg Stock Exchange.

Stock Market Price Data

Monthly High & Low quotation on Bombay Stock Exchange Ltd. (BSE) and National Stock Exchange of India Ltd (NSE)

(Amount in Rupees)

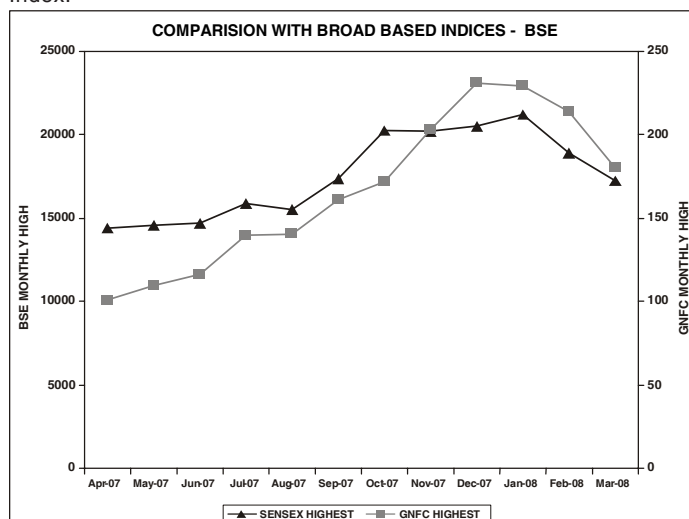
MONTH	BSE		NSE	
	HIGH	LOW	HIGH	LOW
April, 2007	100.80	86.50	101.00	89.00
May, 2007	109.50	99.10	109.60	99.45
June, 2007	116.00	102.25	116.80	101.00
July, 2007	139.90	107.70	142.00	107.10
August, 2007	140.40	113.65	142.00	112.55
September, 2007	161.40	127.35	180.25	127.25
October, 2007	171.90	130.10	171.90	122.55
November, 2007	203.00	150.10	203.30	125.00
December, 2007	231.00	171.00	228.00	171.00
January, 2008	229.30	147.00	232.05	150.00
February, 2008	214.00	157.00	213.80	158.20
March, 2008	179.80	121.10	179.30	121.00

Stock Performance : 2007-08

STOCK PERFORMANCE VS BSE INDEX

MONTH	SENSEX HIGHEST	GNFC HIGHEST
April, 2007	14383.72	100.80
May, 2007	14576.37	109.50
June, 2007	14683.36	116.00
July, 2007	15868.85	139.90
August, 2007	15542.40	140.40
September, 2007	17361.47	161.40
October, 2007	20238.16	171.90
November, 2007	20204.21	203.00
December, 2007	20498.11	231.00
January, 2008	21206.77	229.30
February, 2008	18895.34	214.00
March, 2008	17227.56	179.80

Performance of the Company's shares on BSE in comparison to BSE Index.



Investors' Services:

The Company is registered with the Securities & Exchange Board of India (SEBI) as an in-house Share Transfer Agent - Category - II. The entire work relating to registration of physical transfer of shares as well as dematerialisation / rematerialisation of securities is handled by the Company in-house.

Share Transfer System:

Equity shares lodged for transfer with the Company are normally processed within 15 days from the date of lodgement, if the documents furnished are found valid in all respects. All requests for dematerialisation of shares are processed and confirmation is given to the respective depositories, generally within 15 days. The complaints received from investors and other miscellaneous correspondence on change of address, particulars of bank account, dividend payment mandate etc., are processed within 30 days from the receipt thereof.

The Board has delegated the power to approve transfer/transmission of shares, etc. to the Company Secretary and two other Executives of the Company. A summary of transfer/transmission of shares, etc., so approved by the Company Secretary and other Executives is placed before the Shares-cum-Debentures Transfer/Investors' Grievance Committee. The Company obtains from the Company Secretary in Practice a certificate of compliance with the share transfer formalities as required under Clause 47 (C) of the Listing Agreement on half-yearly basis and files a copy of the certificate with the Stock Exchanges. Pursuant to SEBI (Depositories & Participants) Regulations, 1996,

certificates have been received from a Company Secretary-in-Practice for timely dematerialisation of shares of the Company as also for conducting a Secretarial Audit on a Quarterly basis for reconciliation of share capital of the Company.

Distribution of Shareholding as on 31st March, 2008 :

Category of Equity Shares	No of Share holders	% to Total Share holders	No of Shares	% to Total Equity Capital
1 to 250	261888	92.273	18140073	11.672
251 to 500	13000	4.580	4840114	3.114
501 to 1000	5177	1.824	4046657	2.604
1001 to 2000	2033	0.716	3086334	1.986
2001 to 3000	592	0.209	1511370	0.972
3001 to 4000	276	0.097	997524	0.642
4001 to 5000	218	0.077	1034964	0.666
5001 to 10000	349	0.123	2564045	1.650
10001 and above	286	0.101	119197702	76.694
Total	283819	100.000	155418783	100.000

Shareholding Pattern of the Company as on 31st March, 2008 :

Sr. No.	Holders	Total No. of Shares	% of Total Equity Capital
1.	Promoters	64006713	41.183
2.	Mutual Funds & UTI	17176548	11.052
3.	Banks, Financial Institutions & Insurance Companies.	20835938	13.406
4.	Foreign Institutional Investors (FII)	6411591	4.125
5.	NRIs / OCBs	3283540	2.113
6.	Bodies Corporate	7622042	4.904
7.	Co-operative Societies	352348	0.227
8.	Indian Public	35616733	22.917
9.	Shares in Pool A/c (As reported by Depositories)	113330	0.073
	Total	155418783	100.000

Dematerialisation of Shares & Liquidity:

About 91% of the Company's paid-up equity share capital has been dematerialised up to 31st March, 2008. Trading in equity shares of the Company is permitted only in dematerialised form, as notified by SEBI.

Outstanding GDRs:

As on 31st March, 2008, 83,548 GDRs were outstanding, which represent 417740 equity shares. There are no other outstanding instruments convertible into equity shares in future.

Plant Locations :

All the manufacturing Plants of the Company are located at the Registered Office situated at P.O. Narmadanagar - 392 015, Dist. Bharuch.

The activities in the area of Information Technology (IT) are being carried out at the Registered Office as also at the Infotower established by the Company at Ahmedabad at the following address:

GNFC INFOTOWER
3rd Floor, Bodakdev
Gandhinagar-Sarkhej Highway
AHMEDABAD - 380 054.

Address for Correspondence :

All correspondence relating to the equity shares of the Company should be forwarded to :

Secretarial & Legal Department
Gujarat Narmada Valley Fertilizers Co. Ltd.
Narmada House, Corporate Office,
P.O. Narmadanagar - 392 015, Dist. Bharuch.
FAX : (02642) 247084
EMAIL : investor@gnfc.in

Exclusive E-mail ID for redressal of Investors' Complaints :

The Company has designated the following E-mail ID, exclusively for the purpose of registering complaints by investors :

"investor@gnfc.in".

Declaration regarding compliance by Board Members and Senior Management Personnel with the Company's Code of Conduct.

I hereby confirm that the Company has adopted two separate code of conduct for its Board Members and for the Senior Management Personnel of the Company. Both these "Code of Conduct" are available on the Company's website www.gnfc.in. The Company has obtained affirmation as to compliance of code of conduct from all the Board Members and Senior Management Personnel of the Company in respect of Financial Year 2007-08. This is a declaration as required under Clause 49 I (D) (II) of the Listing Agreement entered into with the Stock Exchanges.

Place : Narmadanagar
Date : 25.6.2008

SUDHA ANCHLIA
CHAIRPERSON & MANAGING DIRECTOR

CERTIFICATE BY PRACTICING COMPANY SECRETARY ON COMPLIANCE WITH THE CONDITIONS OF THE LISTING AGREEMENT ON CORPORATE GOVERNANCE TO THE MEMBERS OF GUJARAT NARMADA VALLEY FERTILIZERS COMPANY LIMITED

We have examined the compliance of conditions of Corporate Governance by **GUJARAT NARMADA VALLEY FERTILIZERS COMPANY LIMITED** for the year ended on 31st March, 2008 as stipulated in clause 49 of the Listing Agreement of the said Company with Stock Exchanges, as amended from time to time.

The compliance of conditions of Corporate Governance is the responsibility of the Management. Our examination is limited to a review of the procedures and implementation thereof, adopted by the Company for ensuring the compliance with the conditions of the Corporate Governance as stipulated in the said clause. It is neither an audit nor an expression of opinion on the financial statements of the Company.

In our opinion and to the best of our information and according to the explanations given to us and based on the representations made by the Directors and the Management, we certify that the Company has complied with the conditions of Corporate Governance as stipulated in Clause 49 of the above mentioned Listing Agreement.

Further, we have to state that as at 31st March, 2008, no investor grievance was pending for a period of one month against the Company as per the records maintained by the Shareholders'/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.

For KANHA ASSOCIATES
Company Secretaries
Arvind D. Gaudana
Partner
C.P. No. 2183

Place : Ahmedabad
Date : 30.7.2008



AUDITORS' REPORT

To,

The Members of Gujarat Narmada Valley Fertilizers Company Limited

1. We have audited the attached Balance Sheet of Gujarat Narmada Valley Fertilizers Company Limited ("the Company") as at March 31, 2008 and also the Profit and Loss Account and the Cash Flow Statement for the year ended on that date annexed thereto. 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 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 misstatement. 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) issued by the Central 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. Further to our comments in the Annexure referred to above, we report that:
 - i. 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;
 - ii. 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;
 - iii. The Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of account;
 - iv. In our opinion, the Balance Sheet, Profit and Loss Account and 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.
 - v. On the basis of the written representations received from the Directors, as on March 31, 2008, and taken on record by the Board of Directors, we report that none of the Directors is disqualified as on March 31, 2008 from being appointed as a Director in terms of clause (g) of Sub-Section (1) of Section 274 of the Companies Act, 1956.
 - vi. In our opinion and to the best of our information and according to the explanations given to us, the said accounts 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;
 - a) in the case of the Balance Sheet, of the state of affairs of the Company as at March 31, 2008;
 - b) in the case of the Profit and Loss Account, of the Profit for the year ended on that date; and
 - c) in the case of Cash Flow Statement, of the Cash Flows for the year ended on that date.

For S.R. BATLIBOI & CO.
Chartered Accountants

per Vijay Bhatt
Partner

Membership No.: 36647

Place : Mumbai
Date : 20.5.2008

Annexure referred to in paragraph [3] of our report of even date

Re: Gujarat Narmada Valley Fertilizers Company Limited

- (i) (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.
 - (b) The Company has a programme of physical verification of all its fixed assets over a period of three years, which in our opinion, is reasonable having regard to the size of the Company and the nature of its assets. In accordance with this programme, certain fixed assets have been verified by the management during the year and according to the information and explanations given to us, assets so verified have been substantially reconciled with the book records and no material discrepancies were noticed on such verification.
 - (c) There was no substantial disposal of fixed assets during the year.
- (ii) (a) The management has conducted physical verification of inventory at reasonable intervals during the year.
 - (b) The procedures of physical verification of inventory followed by the management are reasonable and adequate in relation to the size of the Company and the nature of its business.
 - (c) The Company is maintaining proper records of inventory and no material discrepancies were noticed on physical verification.
- (iii) As informed, the Company has not taken/granted any loans, secured or unsecured from/to companies, firms or other parties covered in the register maintained under Section 301 of the Companies Act, 1956. Accordingly, provisions of paragraphs 4(iii) (b), (c), (d), (f) and (g) of the Companies (Auditor's Report) Order, 2003 (as amended) are not applicable to the Company.
- (iv) In our opinion and according to the information and explanations given to us, there is an adequate internal control system commensurate with the size of the Company and the nature of its business, for the purchase of inventory and fixed assets and for the sale of goods and services. During the course of our audit, no major weakness has been noticed in the internal control system in respect of these areas.
- (v) According to the information and explanations provided by the management, we are of the opinion that there are no contracts or arrangements referred to in Section 301 of the Act that need to be entered into the register maintained under Section 301.
- (vi) In respect of deposits accepted, in our opinion and according to the information and explanations given to us, directives issued by the Reserve Bank of India and the provisions of Sections 58A, 58AA or any other relevant provisions of the Companies Act, 1956 and the rules framed there under, to the extent applicable, have been complied with. We are informed by the management that no order has been passed by the Company Law Board, National Company Law Tribunal or 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 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 are of the opinion that prima facie, the prescribed accounts and records have been made and maintained.
- (ix) (a) The Company is regular in depositing with appropriate authorities undisputed statutory dues including provident fund, investor education and protection fund, employees' state insurance, income-tax, sales-tax, wealth-tax, service tax, customs duty, excise duty, cess and other material statutory dues applicable to it.

- (b) According to the information and explanations given to us, no undisputed amounts payable in respect of provident fund, investor education and protection fund, employees' state insurance, income-tax, wealth-tax, service tax, sales-tax, customs duty, excise duty, cess and other undisputed statutory dues were outstanding, at the year end, for a period of more than six months from the date they became payable.
- (c) According to the records of the Company, the dues outstanding of service tax, excise duty and cess on account of any dispute, are as follows:

Nature of Statute	Nature of the Dues	Amount (Rs. in Lacs)	Period to which the amount relates	Forum where dispute is pending
Central Excise & Customs Act, 1944	Excise Duty	152.51	FY 2003-04	CEGAT
		26.59	FY 2004-05	CEGAT
	38.71	FY 2005-06	CEGAT	
	Service Tax	23.64	FY 2003-04	CESTATE
		1.31	FY 2005-06	CESTATE
		0.91	FY 2005-06	Asst. Commissioner (Appeal) of Central Excise & Customs – Baroda
	Excise Duty	704.49	FY 2004-05	Department in Appeals, Supreme Court
		2.10	FY 2002-03	Department in Appeals, Supreme Court
Income Tax Act, 1961	Income Tax	526.74	AY 2005-06	CIT Appeals
		372.57	AY 2005-06	CIT Appeals
		48.70	AY 2003-04	CIT Appeals

- (x) The Company has no accumulated losses at the end of the financial year and it has not incurred cash losses in the current and immediately preceding financial year.
- (xi) Based on our audit procedures and as per the information and explanations given by the management, we are of the opinion that the Company has not defaulted in repayment of dues to a financial institution, bank or debenture holders.
- (xii) According to the information and explanations given to us and based on the documents and records produced to us, the Company has not granted loans and advances on the basis of

security by way of pledge of shares, debentures and other securities.

- (xiii) In our opinion, the Company is not a chit fund or a nidhi / mutual benefit fund / society. Therefore, the provisions of clause 4(xiii) of the Companies (Auditor's Report) Order, 2003 (as amended) are not applicable to the Company.
- (xiv) In our opinion, the Company is not dealing in or trading in shares, securities, debentures and other investments. Accordingly, the provisions of clause 4(xiv) of the Companies (Auditor's Report) Order, 2003 (as amended) are not applicable to the Company.
- (xv) According to the information and explanations given to us, the Company has not given any guarantee for loans taken by others from bank or financial institutions.
- (xvi) Based on information and explanations given to us by the management, term loans were applied for the purpose for which loans were obtained.
- (xvii) 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 used for long-term investment.
- (xviii) The Company has not made any preferential allotment of shares to parties or companies covered in the register maintained under Section 301 of the Companies Act, 1956.
- (xix) The Company did not have any outstanding debentures during the year.
- (xx) The Company has not raised money through public issues during the year.
- (xxi) Based upon the audit procedures performed for the purpose of reporting the true and fair view of the financial statements and as per the information and explanations given by the management, we report that no fraud on or by the Company has been noticed or reported during the course of our audit.

For S.R. BATLIBOI & CO.
Chartered Accountants

per Vijay Bhatt

Partner

Membership No.: 36647

Place : Mumbai

Date : 20.5.2008



BALANCE SHEET AS AT 31ST MARCH, 2008

		(Rs. in Lacs)		
		SCHEDULE	31-03-2008	31-03-2007
SOURCES OF FUNDS:				
Shareholders' Funds:				
Share Capital	1	15,543.74		15,543.74
Reserves & Surplus	2	<u>1,69,026.13</u>		<u>1,41,518.60</u>
			1,84,569.87	1,57,062.34
Loan Funds:				
Secured Loans	3	31,046.38		34,836.37
Unsecured Loans	4	<u>305.00</u>		<u>322.11</u>
			31,351.38	35,158.48
Deferred Tax:				
Deferred Tax Liabilities	5	23,598.65		24,033.56
Less: Deferred Tax Assets		<u>2,002.18</u>		<u>836.07</u>
			21,596.47	23,197.49
TOTAL			<u>2,37,517.72</u>	<u>2,15,418.31</u>
APPLICATION OF FUNDS:				
Fixed Assets:				
Gross Block	6	2,75,053.07		2,67,728.77
Less: Accumulated Depreciation/ Impairment		<u>1,68,030.19</u>		<u>1,57,096.09</u>
Net Block		1,07,022.88		1,10,632.68
Capital Work-in-Progress		<u>25,921.16</u>		<u>2,875.04</u>
			1,32,944.04	1,13,507.72
Investments				
	7		33,043.69	14,850.27
Current Assets, Loans and Advances:				
Interest Accrued on Investments		447.65		141.48
Inventories	8	38,599.79		38,846.52
Sundry Debtors	9	38,968.35		60,527.55
Cash and Bank Balances	10	15,141.34		13,047.91
Loans and Advances	11	<u>27,240.05</u>		<u>28,465.60</u>
			1,20,397.18	1,41,029.06
Less: Current Liabilities & Provisions				
Current Liabilities	12	35,272.20		44,245.09
Provisions		<u>13,594.99</u>		<u>9,723.65</u>
			48,867.19	53,968.74
Net Current Assets			71,529.99	87,060.32
TOTAL			<u>2,37,517.72</u>	<u>2,15,418.31</u>
Notes to Accounts	19			

The Schedules referred to above and Notes to Accounts form an integral part of the Balance Sheet

D.S. Taunk Special Director (Finance)	R.B. Panchal Company Secretary	T. Natarajan Joint Managing Director	Sudha Anchlia Chairperson & Managing Director
Pankaj Kumar Director	Dr. T.T. Ram Mohan Director	D.C. Anjaria Director	Dr. Ashok Shah Director
			P.N. Vijay Director
			H.V. Patel Director

Place : Ahmedabad
Date : 20.5.2008

AS PER OUR REPORT OF EVEN DATE
For **S.R. BATLIBOI & CO.**
Chartered Accountants

Place : Mumbai
Date : 20.5.2008

per **Vijay Bhatt**
Partner
Membership No. : 36647

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2008

		(Rs. in Lacs)	
SCHEDULE		2007-08	2006-07
INCOME:			
Sales & Services		3,65,344.17	2,95,666.61
Less: Excise Duty		<u>21,952.96</u>	<u>21,739.87</u>
Sales (Net)		3,43,391.21	2,73,926.74
Lease Rent		15.82	1.95
Less: Lease Equalisation Account		<u>0.00</u>	<u>3.61</u>
Other Income	13	15.82 <u>4,916.63</u>	(1.66) <u>3,534.35</u>
		3,48,323.66	2,77,459.43
EXPENDITURE:			
Purchases of Goods for Sale		63,665.56	40,212.52
Manufacturing Expenses	14	1,77,770.92	1,48,964.90
(Increase)/ Decrease in Stock of Finished Goods and Stock in Process	15	1,375.01	(5,077.09)
Marketing, Administration and Other Expenses	16	17,751.56	15,313.18
Personnel Expenses	17	19,016.67	16,886.56
Interest (Net)	18	70.77	1,263.66
Depreciation/ Amortisation		<u>11,051.70</u>	<u>10,957.02</u>
		2,90,702.19	2,28,520.75
Profit Before Tax		57,621.47	48,938.68
Less: Provision for Current Tax (Including Wealth Tax)		20,797.27	17,444.74
Add : Provision for Deferred Tax		681.93	564.88
Less: Provision for Fringe Benefit Tax		222.10	192.25
Add : Excess Provision for Taxation of Earlier Year written back		<u>4.27</u>	<u>780.08</u>
Profit After Tax		37,288.30	32,646.65
Add: Balance brought forward from previous year		47,761.80	35,977.83
Add: Balance of Profit and Loss account for the year ended 31st March, 2006 of Narmada Chematur Petrochemicals Ltd. on amalgamation for FY 2005-06 (Net of Appropriations) (Refer Note No. 5 of Schedule 19 B)		0.00	2,139.77
Add: Balance of Profit and Loss Account prior to March 31, 2005 of Narmada Chematur Petrochemicals Ltd. taken over on amalgamation		0.00	4,539.09
Add: Net addition on account of amalgamation of Narmada Chematur Petrochemicals Ltd. (Refer Note No. 5 of Schedule 19 B)		<u>0.00</u>	<u>186.33</u>
Amount available for Appropriations		85,050.10	75,489.67
APPROPRIATIONS:			
Transferred to:			
General Reserve		25,000.00	20,000.00
Proposed Dividend		6,605.30	6,605.30
Tax on Dividend		1,122.57	1,122.57
Balance Carried to Balance Sheet		<u>52,322.23</u>	<u>47,761.80</u>
		85,050.10	75,489.67
Notes to Accounts	19		
Earnings per share - Basic & Diluted (Rs.)		23.99	21.01
The Schedules referred to above and Notes to Accounts form an integral part of the Profit and Loss Account			

D.S. Taunk
Special Director (Finance)

R.B. Panchal
Company Secretary

T. Natarajan
Joint Managing Director

Sudha Anchlia
Chairperson & Managing Director

Pankaj Kumar
Director

Dr. T.T. Ram Mohan
Director

D.C. Anjaria
Director

Dr. Ashok Shah
Director

P.N. Vijay
Director

H.V. Patel
Director

Place : Ahmedabad
Date : 20.5.2008

AS PER OUR REPORT OF EVEN DATE
For **S.R. BATLIBOI & CO.**
Chartered Accountants

Place : Mumbai
Date : 20.5.2008

per Vijay Bhatt
Partner
Membership No. : 36647



CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH, 2008

(Rs. in Lacs)

Particulars	2007-2008	2006-2007
A. Cash flow from Operating Activities:		
Net Profit before Taxation & extraordinary items	57,621.47	48,938.68
Adjustments for:		
- Depreciation/ Amortisation	11,051.70	10,957.02
- Foreign exchange loss	0.15	6.44
- Interest income	(1,821.03)	(843.06)
- Dividend income	(168.52)	(172.52)
- Interest expense	1,158.85	1,679.94
- Deferred expenses written off	0.00	229.18
- (Profit)/Loss on sale of Fixed Assets (Net)	4.38	32.97
- Provision for Diminution in Value of Investments	1,051.30	0.00
- (Profit)/Loss on sale of Investments (Net)	89.89	0.00
	<u>11,366.72</u>	<u>11,889.97</u>
Operating Profit before Working Capital Changes	68,988.19	60,828.65
Adjustment for:		
- Trade and other Receivables	23,444.46	(27,593.23)
- Inventories	246.73	(7,745.22)
- Trade Payables	(8,034.70)	15,532.78
	<u>15,656.49</u>	<u>(19,805.67)</u>
Cash Generated from Operations	84,644.68	41,022.98
- Income Tax paid (Net of Refund)	(21,674.81)	(20,739.63)
Net Cash Flow from Operating Activities	62,969.87	20,283.35
B. Cash Flow from Investing Activities:		
- Purchase of Fixed Assets	(30,661.22)	(6,347.23)
- Sale of Fixed Assets	168.82	72.32
- Interest received	1,514.86	843.06
- Dividends received	168.52	172.52
- Purchase of Investments	(19,493.80)	0.00
- Sale of Investments	159.19	15.00
Net Cash Flow from Investing Activities	(48,143.63)	(5,244.33)
C. Cash Flow from Financing Activities:		
- Short Term Borrowings	(2,525.28)	9,834.36
- Repayment of long term borrowings	(1,281.82)	(8,032.07)
- Interest paid	(1,197.26)	(1,693.79)
- Dividend paid (Including Dividend Tax)	(7,728.30)	(7,666.38)
- Foreign exchange loss	(0.15)	(6.44)
Net Cash used in Financing Activities	(12,732.81)	(7,564.32)
Net increase/ (decrease) in cash and cash equivalents	2,093.43	7,474.70
Cash and cash equivalents at the beginning of period	13,047.91	5,573.21
Cash and cash equivalents at the end of period	15,141.34	13,047.91

D.S. Taunk
Special Director (Finance)R.B. Panchal
Company SecretaryT. Natarajan
Joint Managing DirectorSudha Anchlia
Chairperson & Managing DirectorPankaj Kumar
DirectorDr. T.T. Ram Mohan
DirectorD.C. Anjaria
DirectorDr. Ashok Shah
DirectorP.N. Vijay
DirectorH.V. Patel
DirectorPlace : Ahmedabad
Date : 20.5.2008AS PER OUR REPORT OF EVEN DATE
For **S.R. BATLIBOI & CO.**
Chartered AccountantsPlace : Mumbai
Date : 20.5.2008per **Vijay Bhatt**
Partner
Membership No. : 36647

SCHEDULE - 1	(Rs. in Lacs)	
	31-03-2008	31-03-2007
SHARE CAPITAL:		
Authorised:		
25,00,00,000 Equity Shares of Rs.10/- each	25,000.00	25,000.00
Issued:		
15,75,07,569 Equity Shares of Rs.10/- each fully paid	15,750.76	15,750.76
Subscribed and Paid up:		
15,54,18,783 Equity Shares of Rs.10/- each fully paid up	15,541.88	15,541.88
(Out of above, 89,42,569 shares issued pursuant to the scheme of amalgamation for consideration other than cash)		
Add : Forfeited Shares - (Amounts originally paid up @ Rs. 5/- on 37,300 Equity Shares of the Amalgamating Company Viz. NCPL)	1.86	1.86
TOTAL	15,543.74	15,543.74
SCHEDULE - 2		
RESERVES AND SURPLUS:		
Capital Reserve:		
(Amount received under Central/ State Subsidy Scheme and amount received/ transferred on Shares/ Debentures Forfeited)		
As per last Balance Sheet	61.97	61.97
Securities Premium Account:		
As per last Balance Sheet	31,330.67	25,168.54
Add: Amount credited on Amalgamation (Refer Note No.5 of Schedule 19 B)	0.00	6,162.13
	31,330.67	31,330.67
General Reserve:		
As per last Balance Sheet	62,364.16	41,872.46
Add : Amount credited on Amalgamation	0.00	492.27
Add : Transferred from Profit & Loss Account	25,000.00	20,000.00
Less : Rounding Difference of Dividend	0.43	0.57
Less : AS-15 Provisions (Net of Deferred Tax)	2,052.47	0.00
	85,311.26	62,364.16
Balance in Profit and Loss Account	52,322.23	47,761.80
TOTAL	169,026.13	141,518.60

SCHEDULE - 3	(Rs. in Lacs)	
	31-03-2008	31-03-2007
SECURED LOANS:		
1. TERM LOANS FROM BANKS:		
Rupee Loan	163.64	845.31
FCNR (B) Loan	0.00	583.04
	163.64	1,428.35
2. OTHER LOANS FROM BANKS:		
Cash Credit, Overdraft & Packing Credit Accounts	30,882.74	24,658.02
Short Term Loans From Banks	0.00	8,750.00
	30,882.74	33,408.02
TOTAL	31,046.38	34,836.37

Notes:

- (a) Rupee Loan of **Rs. 163.64 lacs** is secured by hypothecation of GNFC Infotower Building, 3rd Floor to 8th Floor.
 - (b) FCNR (B) Loan from Banks are secured by hypothecation of movable machinery of the Company acquired out of the said loans.
 - (c) Other Loans from banks as Cash Credit Accounts and Short Term Loans are secured by first charge by way of hypothecation of stocks and book debts and all other movables, both present and future.
 - (d) All the above charges are ranking pari-passu among the lenders.
- Out of Secured Loans at 1 above, **Rs. 163.64 lacs** (previous year Rs. 1,083.03 lacs) is payable within one year.

SCHEDULE - 4**UNSECURED LOANS:**

Fixed Deposits	0.00	17.11
From Others	305.00	305.00
TOTAL	305.00	322.11

Note :

Out of unsecured loans, **Rs. Nil lacs** (previous year Rs.17.11 lacs) is payable within one year.

SCHEDULE - 5**DEFERRED TAX:****Liabilities:****Arising on account of timing differences in:**

Depreciation	23,598.65	24,033.56
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Less: Assets:**Arising on account of timing differences in:**

Provision for Doubtful Debts/Advances/Loans	161.38	662.39
Provision for Leave Encachment & Bonus	1,483.46	173.68
Provision for Diminution in Value of Investments	357.34	0.00

	2,002.18	836.07
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TOTAL	21,596.47	23,197.49
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SCHEDULE - 6
FIXED ASSETS :

(Rs. in Lacs)

Sr No	Assets	COST			DEPRECIATION		IMPAIRMENT	NET BLOCK		
		As on 01-04-2007	Additions/ Adjustments	Deductions/ Adjustments	As on 31-03-2008	For the year	Upto 31-03-2008	Upto 31-03-2008	As on 31-03-2008	As on 31-03-2007
1	Intangible Assets - Goodwill	1,688.99	0.00	0.00	1,688.99	337.80	675.59	0.00	1,013.40	1,351.19
2	Free Hold Land	338.80	0.00	0.00	338.80	0.00	0.00	0.00	338.80	338.80
3	Roads, Culverts & Compound Wall	1,329.75	97.88	0.00	1,427.63	21.91	345.41	0.00	1,082.22	1,006.25
4	Buildings	11,499.00	106.64	180.73	11,424.91	301.55	3,640.71	0.00	7,784.20	8,120.17
5	Plant & Machinery	2,44,728.69	7,013.70	25.87	2,51,716.52	9,977.37	1,57,555.69	477.96	93,682.87	96,655.26
6	Intangible Assets - Softwares & Licence	2,586.17	86.86	0.00	2,673.03	250.68	1,076.07	0.00	1,596.96	1,760.79
7	Railway Sidings	376.99	0.00	0.00	376.99	1.99	353.43	0.00	23.56	25.55
8	Water Supply & Drainage System	1,924.90	18.00	0.00	1,942.90	39.59	1,416.78	0.00	526.12	547.71
9	Furniture, Fixture & Equipment	2,086.84	231.47	43.26	2,275.05	101.15	1,492.52	0.00	782.53	660.63
10	Vehicles	224.07	60.55	40.94	243.68	19.66	103.63	0.00	140.05	114.16
		2,66,784.20	7,615.10	290.80	2,74,108.50	11,051.70	1,66,659.83	477.96	1,06,970.71	1,10,580.51
11	Assets given on Lease:									
	Plant & Machinery	939.37	0.00	0.00	939.37	0.00	892.40	0.00	46.97	46.97
	Lease Assets Adjustment Account	5.20	0.00	0.00	5.20	—	—	—	5.20	5.20
	TOTAL	2,67,728.77	7,615.10	290.80	2,75,053.07	11,051.70	1,67,552.23	477.96	1,07,022.88	1,10,632.68
	As on 31-03-2007	2,13,788.79	58,467.69	4,527.71	2,67,728.77	10,957.02	1,56,618.13	477.96	1,10,632.68	

Notes :

- (1) Buildings include value of shares of **Rs.600/-** issued by the association under the Bye-laws in the names of the Company's nominees.
- (2) Additions include **Rs. 7.84 lacs** (Previous year Rs. 11.88 lacs) of foreign exchange variance. This is in respect of Exchange Differences on liability relating to fixed assets acquired within India arising out of transactions entered on or before March 31, 2004.
- (3) Additions to fixed assets during the year include **Rs. 12.58 lacs** (previous year Rs. 1.81 lacs) used for Research and Development.

SCHEDULE - 6 (Continued)

(Rs. in Lacs)

(Rs. in Lacs)

	31-03-2008	31-03-2007		31-03-2008	31-03-2007
CAPITAL WORK-IN-PROGRESS: (Including Capital Advances)			Long Term Investments:		
Shifting of Filling Station	0.00	261.62	1. In Shares of Subsidiary Companies:		
Methanol Revamp	6,712.59	1,013.20	Non-Trade Investments:		
Ammonia Plant Feedstock Conversion	232.38	213.00	(In fully paid up Equity Shares-Unquoted)		
Yellow Water Concentration Unit	506.23	113.84	51,55,207 Gujarat Narmada Auto Ltd.	473.44	473.44
Ammonia Revamp	2,696.03	261.20	(Under liquidation) of		
TDI at Dahej	1,320.73	0.00	Rs. 10/- each		
WNA	2,588.93	0.00	Less: Provision/ Write Off for	473.44	473.44
Other Capital Schemes	11,864.27	1,012.18	Diminution in Value		
TOTAL	25,921.16	2,875.04	of Investment	0.00	0.00

SCHEDULE - 7

INVESTMENTS: (at cost unless otherwise stated)

Short Term Investments:

In Govt. of India's Fertilizers Bonds:

73,00,000 8.30% Govt. of India	7,076.66	0.00
Bonds of Rs. 100/- each		
1,21,37,600 7.95% Govt. of India	11,309.64	0.00
Bonds of Rs.100/- each		
	18,386.30	0.00

2. Other Investments:

(In fully paid up Equity Shares-Quoted)

Trade Investments:

15,00,000 Gujarat State Fertilizers & Chemicals Ltd. of Rs.10/- each	1,503.75	1,503.75
2,92,800 Gujarat Alkalies & Chemicals Ltd. of Rs.10/- each	224.52	224.52
	C/F	18,386.30
		1,728.27

SCHEDULE - 7 (Continued)	(Rs. in Lacs)		SCHEDULE - 8	(Rs. in Lacs)	
	31-03-2008	31-03-2007		31-03-2008	31-03-2007
B/F	18,386.30	1,728.27	INVENTORIES:		
Non-Trade Investments:			(At lower of Cost and Net Realisable Value)		
1,80,000 Videocon Industries Ltd. of Rs.10/- each	1,080.00	1,080.00	Stores and Spares (including coal)	19,966.31	19,342.98
0 N.K.Industries Ltd. of Rs.10/- each (Previous year 4,900 shares)	0.00	1.96	(Includes in transit Rs. 2082.30 lacs- Previous Year Rs. 3964.87 lacs)		
2,85,440 Industrial Development Bank of India of Rs.10/- each	231.92	231.92	STOCK-IN-TRADE:		
2,00,000 Indian Oil Corporation Ltd. of Rs.10/- each	467.92	467.92	Raw Materials	5,774.87	5,269.92
71,900 Dena Bank of Rs.10/- each	21.57	21.57	(Includes in transit Rs. 801.28 lacs - Previous Year Rs. Nil)		
0 Gujarat State Financial Corporation Ltd of Rs.10/- each (Previous year 9,35,600 shares)	0.00	187.12	Finished Goods	9,411.58	13,653.44
80,00,000 Gujarat State Petronet Ltd. of Rs. 10/- each	1,000.00	1,000.00	Stock-in-process	3,447.03	580.18
(In fully paid up Equity Shares-Unquoted)				18,633.48	19,503.54
Non-Trade Investments:			TOTAL	38,599.79	38,846.52
10,00,000 Gujarat State Petroleum Corporation Ltd. of Rs.10/- each	100.00	100.00	SCHEDULE - 9		
42,000 Bharuch Enviro Infrastructure Ltd. of Rs.10/- each	4.20	4.20	SUNDRY DEBTORS:		
20,000 Gujarat Venture Finance Ltd. of Rs.10/- each	2.00	2.00	(Unsecured)		
12,50,000 Gujarat Green Revolution Co. Ltd. of Rs. 10/- each (Previous year 7,50,000 shares)	125.00	75.00	Debts outstanding for period exceeding six months:		
50,000 GSPC Gas Co. Ltd. of Rs.10/- each	5.00	5.00	Considered Good	6,620.06	973.06
3,44,60,000 Gujarat Chemical Port Terminal Co. Ltd. of Rs. 10/- each	3,446.00	3,446.00	Considered Doubtful	311.05	445.05
62,000 Bhavnagar Energy Co. Ltd. of Rs. 10/- each	6.20	0.00		6,931.11	1,418.11
	8,218.08	8,350.96	Other Debts - Considered Good	32,348.29	59,554.49
3. In Unit Trust of India:				39,279.40	60,972.60
(In fully paid up Units/ Bonds - Quoted)			Less: Provision for Doubtful Debts	311.05	445.05
4,84,500 Master Gain-92 Scheme of Rs.10/-each	73.61	73.61	TOTAL	38,968.35	60,527.55
Less: Provision for Diminution in Value	6.94	6.94	Note:		
	66.67	66.67	The above debtors include subsidy and other claims receivables	17,660.02	36,901.04
63,22,640 UTI 6.75% US-64 Bonds of Rs. 100/- each	6,322.64	6,322.64	SCHEDULE - 10		
	6,389.31	6,389.31	CASH AND BANK BALANCES:		
4. Contribution to Gujarat Venture Capital Fund Scheme - 1995:	50.00	110.00	Cash and Cheques on hand @	11.82	14.10
			Bank Balances with Scheduled Banks :		
TOTAL	33,043.69	14,850.27	Current Accounts (*)	7,525.78	2,920.63
Aggregate Book Value of Unquoted Investments	22,124.70	3,742.20	Bank Deposit (**)	7,603.74	10,113.18
Aggregate Cost of Quoted Investments	10,918.99	11,108.07	TOTAL	15,141.34	13,033.81
Aggregate Market Value of Quoted Investments	15,719.39	15,056.63	@ Includes Cheques on Hand	0.00	0.31
			(*) Includes in respect of Unpaid Dividends	601.98	533.97
			(**) Includes Deposits pledged with Government Authorities and Banks	7,603.74	3.18



SCHEDULE - 11	(Rs. in Lacs)	
	31-03-2008	31-03-2007
LOANS AND ADVANCES:		
1. Loan to Subsidiary Company Gujarat Narmada Auto Ltd. (Under Liquidation):		
A. Secured		
(Paid against full and final Settlement of GNAL dues to Financial Institutions and Bankers against Term Loans and Cash Credit Account)		
(a) Considered Good	0.00	0.00
(b) Considered Doubtful	0.00	1,359.08
Less: Provision for Doubtful of Recovery (Refer Note No.8 of Schedule 19 B)	0.00	1,359.08
	0.00	0.00
B. Unsecured- Considered Doubtful	0.00	6,477.38
Less: Provision for Doubtful of Recovery (Refer Note No.8 of Schedule 19 B)	0.00	6,477.38
	0.00	0.00
2. Other Loans and Advances:		
A. Unsecured- Considered Good		
Loans to Other Companies	40.00	40.00
Loans to Others	199.00	299.00
Advances recoverable in cash or in kind or for value to be received	23,915.04	25,159.69
Balance with Central Excise, Customs and Other Government Departments etc.	204.97	745.58
Advance Tax and Tax Deducted at Source	92,164.03	70,485.23
Less : Provision for Taxation/ Fringe Benefit Tax	89,282.99	68,263.90
	2,881.04	2,221.33
B. Unsecured- Considered Doubtful		
Advances recoverable in cash or in kind or for value to be received	163.74	163.74
Less: Provision for Doubtful of Recovery	163.74	163.74
	0.00	0.00
TOTAL	27,240.05	28,465.60

Other Loans and Advances includes amount due from:

1. Employees who have mortgaged/ hypothecated their Buildings and Vehicles to the Company	8,237.53	7,591.05
2. An officer of the Company	3.42	3.36
- Maximum amount due during the year	3.48	3.77

SCHEDULE - 12

CURRENT LIABILITIES AND PROVISIONS:

A. Current Liabilities:

Sundry Creditors (Refer Note No.11 of Schedule 19 B)	30,174.94	39,389.51
Other Liabilities	3,707.59	3,490.19

	(Rs. in Lacs)	
	31-03-2008	31-03-2007
Interest accrued but not due	769.70	798.40
Investor Education and Protection Fund:		
Unclaimed Dividend	601.97	533.97
Unpaid Matured Deposits	4.81	10.12
Interest on Matured Deposits/ Debentures	13.19	22.90
	619.97	566.99
	35,272.20	44,245.09
B. Provisions:		
Proposed Dividend	6,605.30	6,605.30
Tax on Proposed Dividend	1,122.57	1,122.57
Provision for Leave Encashment on Retirement	5,594.75	1,995.78
Provision for Post Retirement Medical Benefit	272.37	0.00
	13,594.99	9,723.65
TOTAL	48,867.19	53,968.74

SCHEDULE - 13

OTHER INCOME:

	2007-08	2006-07
Rent	547.14	465.34
[Tax Deducted at Source Rs. 49.90 lacs (Previous year Rs. 20.51 lacs)]		
Income from Investments:		
Dividend @	168.52	172.52
Interest on Tax-free Bonds	732.95	426.78
	901.47	599.30
Excess Provision of Doubtful Debts Written Back	144.69	12.06
Excess Provision of Expenses Written Back (Refer Note No. 15 of Schedule 19 B)	294.79	208.00
Insurance Claims	1,874.45	1,336.50
Interest on Income-Tax Refund	6.27	0.00
Miscellaneous Income	1,147.82	913.15
[Tax Deducted at Source Rs. 0.02 lacs (Previous year Rs. 4.21 lacs)]		
TOTAL	4,916.63	3,534.35

@ Dividend for the year includes dividend on non trade investments of **Rs. 98.10 lacs** (Previous year Rs. 85.98 lacs)

SCHEDULE - 14

MANUFACTURING EXPENSES:

Raw Materials Consumed	1,23,118.41	1,05,123.23
Power, Fuel and Other Utilities @	34,161.70	26,895.67
Stores, Chemicals and Catalysts	3,945.83	3,215.75
Packing Expenses	6,310.97	4,268.28
Insurance	1,458.30	1,378.62
C/F	1,68,995.21	1,40,881.55

SCHEDULE - 14 (Continued)	(Rs. in Lacs)		(Rs. in Lacs)	
	2007-08	2006-07	2007-08	2006-07
B/F	1,68,995.21	1,40,881.55		
Repairs and Maintenance to:				
Buildings	531.21	462.11		
Plant and Machinery	7,514.91	6,948.25		
Others	349.58	266.83		
	<u>8,395.70</u>	<u>7,677.19</u>		
Materials Handling Expenses at Factory	245.96	240.64		
Laboratory Expenses	77.83	56.11		
R&D Expenses	32.67	52.16		
Other Operating Expenses	23.55	57.25		
TOTAL	<u><u>1,77,770.92</u></u>	<u><u>1,48,964.90</u></u>		
@ Includes Rs. 2.20 lacs (Previous year Rs. 2.31 lacs) pertaining to Research and Development.				
SCHEDULE - 15				
(INCREASE)/ DECREASE IN STOCK OF FINISHED GOODS AND STOCK-IN-PROCESS:				
Opening Stock:				
Finished Goods	13,653.44	5,861.36		
Stock-in-process	580.18	3,295.17		
	<u>14,233.62</u>	<u>9,156.53</u>		
Less : Closing Stock:				
Finished Goods	9,411.58	13,653.44		
Stock-in-process	3,447.03	580.18		
	<u>12,858.61</u>	<u>14,233.62</u>		
TOTAL	<u><u>1,375.01</u></u>	<u><u>(5,077.09)</u></u>		
SCHEDULE - 16				
MARKETING, ADMINISTRATION AND OTHER EXPENSES:				
Outward Freight and Other Charges	9,961.58	8,736.67		
Selling Expenses	777.91	611.61		
Selling Commission to Other Selling Agents	97.94	282.18		
Turnover, Consignment and Service Tax	241.83	22.74		
Rates and Taxes	169.46	172.26		
Rent	125.54	98.14		
Printing, Stationery, Postage, Telegrams, Telephones & Advertisement	549.05	703.33		
Bank Charges & Commission	256.06	132.12		
Traveling and Conveyance Expenses	543.46	401.23		
Vehicle Running and Maintenance Expenses	257.91	218.89		
Fire fighting, Safety and Security Expenses	299.51	267.19		
Conference, Seminar, Subscription & Membership Fees	152.55	66.49		
Professional and Consultation Charges	776.41	321.41		
Purchase of Services	298.61	44.98		
Miscellaneous Expenses	1,579.42	1,583.69		
(Refer Note No. 4 (f) of Schedule 19 B)				
Loss on Sale of Fixed Assets (Net)	4.38	32.97		
Loss on Sale of Investments (Net)			89.89	0.00
Directors' Sitting Fees			5.30	8.44
Auditors' Fees (including service tax)			53.09	48.26
Donations			400.00	1,323.00
Premium on Foreign Exchange Contracts			0.15	6.44
Bad Debts Written Off			25.16	0.00
Advances Given to GNAL (in liquidation) written off			7,836.46	0.00
Less: Provision made for amount doubtful of recovery			<u>7,836.46</u>	<u>0.00</u>
			0.00	0.00
Expenses incurred on behalf of GNAL (In Liquidation) Written Off			0.01	1.96
Expenses on Abandoned Projects			35.04	0.00
Provision for Diminution in Value of Investments			1,051.30	0.00
Amortisation of:				
VRS Compensation			0.00	98.81
Preliminary Expenses			0.00	17.25
Share Issue Expenses			0.00	109.62
Deferred Revenue Expenditure			0.00	3.50
			<u>0.00</u>	<u>229.18</u>
TOTAL			<u><u>17,751.56</u></u>	<u><u>15,313.18</u></u>
SCHEDULE - 17				
PERSONNEL EXPENSES:				
Salaries, Wages and Bonus			13,183.42	11,546.70
Contribution to Provident Fund and Pension Funds			2,210.18	1,394.98
Contribution to Gratuity Fund			808.85	1,396.03
Welfare Expenses			2,816.46	2,553.48
			<u>19,018.91</u>	<u>16,891.19</u>
Less:				
Amount Received on Deputation of Employees			2.24	4.63
			<u>19,016.67</u>	<u>16,886.56</u>
@ Includes Rs. 87.64 lacs (Previous year Rs. 73.57 lacs) pertaining to Research and Development.				
SCHEDULE - 18				
INTEREST:				
On Loans from Banks			98.43	999.71
Others			1,060.42	680.23
			<u>1,158.85</u>	<u>1,679.94</u>
Less:				
Interest Income			1,088.08	416.28
[Tax Deducted at Source Rs. 166.28 lacs (Previous year Rs. 21.46 lacs)]				
TOTAL			<u><u>70.77</u></u>	<u><u>1,263.66</u></u>

**SCHEDULE - 19****NOTES TO ACCOUNTS :****A. SIGNIFICANT ACCOUNTING POLICIES:****1. Accounting Convention:**

The financial statements have been prepared to comply in all material respects with the notified Accounting Standards by Companies Accounting Standards Rules, 2006 and the relevant provisions of the Companies Act, 1956. The financial statements have been prepared under the historical cost convention on an accrual basis except in case of assets for which provision for impairment is made. The accounting policies have been consistently applied by the Company.

Use of Estimates:

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities at the date of the financial statements and the results of operations during the reporting period end. Although these estimates are based upon management's best knowledge of current events and actions, actual results could differ from these estimates.

2. Fixed Assets:

Fixed assets are stated at cost less accumulated depreciation and impairment losses if any. Cost comprises the purchase price and any attributable cost of bringing the asset to its working condition for its intended use. Borrowing costs relating to acquisition of fixed assets which takes substantial period of time to get ready for its intended use are also included to the extent they relate to the period till such assets are ready to be put to use.

3. Depreciation:

Depreciation is provided using the Straight Line Method as per the useful lives of the assets estimated by the management or at the rates prescribed under Schedule XIV of the Companies Act, 1956, whichever is higher.

In respect of assets acquired upto 31st March, 1993, the specified period has been recomputed by applying to the original cost, the revised rates as per Schedule XIV as per Government Notification dated 16-12-93, and depreciation charge calculated by allocating the unamortized value as per books of account over the remaining part, if any, of the recomputed period.

In respect of equipment of IT and PKI Projects, they are depreciated at the rate of 9.5% per annum which is based on useful life of such assets estimated by the management.

Furniture exceeding Rs. 5,000/- provided to employees is depreciated fully in the year of purchase.

In respect of assets acquired for giving on lease, the depreciation is provided at flat rates equally spread over the tenure of lease agreement or at the rates specified in Schedule XIV of the Companies Act, 1956, whichever is higher.

The core engine, an integral part of Captive Power Plant, needs replacement at the end of every three years and so the replacement amount is capitalized and is depreciated over its useful life of three years.

Goodwill is amortized over the period of 5 years commencing from the financial year in which the amalgamation is effected and accounted for.

4. Impairment:

The carrying amounts of assets are reviewed at each balance sheet date if there is any indication of impairment based on internal/external factors. An impairment loss is recognized wherever the carrying amount of an asset exceeds its recoverable amount. The recoverable amount is the greater of the asset's net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value at the weighted average cost of capital.

After impairment, depreciation is provided on the revised carrying amount of the asset over its remaining useful life.

A previously recognised impairment loss is increased or reversed depending on changes in circumstances. However, the carrying value after reversal is not increased beyond the carrying value that would have prevailed by charging usual depreciation if there was no impairment.

5. Intangible Assets:

Software is amortised over its estimated useful life of six years. License acquired and used along with and directly related to the plant and machinery is amortised over the estimated useful life of the related plant and machinery.

6. Leases:**Finance Lease:**

Assets given under a finance lease are recognised as a receivable at an amount equal to the net investment in the lease. Lease rentals are apportioned between principal and interest on the IRR method. The principal amount received reduces the net investment in the lease and interest is recognised as revenue. Initial direct costs such as legal costs, brokerage costs, etc. are recognised immediately in the Profit and Loss Account.

Operating Lease:

Assets subject to operating leases are included in fixed assets. Lease income is recognised in the Profit and Loss Account on a straight-line basis over the lease term. Costs, including depreciation are recognised as an expense in the Profit and Loss Account. Initial direct costs such as legal costs, brokerage costs, etc. are recognised immediately in the Profit and Loss Account.

7. Investments:

Investments that are readily realizable and intended to be held for not more than a year are classified as current investments. All other investments are classified as long-term investments. Current investments are carried at lower of cost and fair value determined on investment category basis. 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 the investments.

8. Inventories:

Inventories are valued as follows:

(A) At Plant:

- | | |
|--|---|
| 1. Stores & Spares (including coal) | At weighted average cost. |
| 2. Raw Materials and Finished Goods and Stock-in-Process | At Lower of Cost or Net Realisable Value. Annual cost is computed on full absorption costing method including material cost and conversion costs. |

- | | |
|--|---|
| 3. Fertilizers of sub-standard quality | At Lower of Cost or Net Realisable Value as estimated by the Company. Annual cost is computed on full absorption costing method including material cost and conversion costs. |
|--|---|

(B) At Field:

- | | |
|--|---|
| 1. Finished Goods | At Lower of Cost or Net Realisable Value. Annual cost is computed on full absorption costing method including material cost and conversion costs. Cost of field stocks includes freight to the destination. |
| 2. Fertilizers of sub-standard quality | At Lower of Cost or Net Realisable Value as estimated by the Company. |

Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and estimated costs necessary to make the sale.

9. Foreign Currency Transactions:**Initial Recognition:**

Foreign currency transactions are recorded in the reporting currency, by applying to the foreign currency amount the exchange rate between the reporting currency and the foreign currency at the date of the transaction.

Conversion:

Foreign currency monetary items are reported using the closing rate. Non-monetary items which are carried in terms of historical cost denominated in a foreign currency are reported using the exchange rate at the date of the transaction; and non-monetary items which are carried at fair value or other similar valuation denominated in a foreign currency are reported using the exchange rates that existed when the values were determined.

Exchange Differences:

The net gain or loss on account of exchange rate differences arising on settlement of foreign currency transactions are recognised as income or expenses of the period in which they arise except on liability relating to fixed assets acquired within India arising out of transactions entered on or before March 31, 2004 are added to the cost of such assets in line with old AS-11.

Forward Exchange Contracts not intended for trading or speculation purposes:

The premium or discount arising at the inception of forward exchange contracts is amortised as expense or income over the life of the contract. Exchange differences on such contracts are recognised in the statement of profit and loss in the year in which the exchange rates change. Any profit or loss arising on cancellation or renewal of forward exchange contract is recognised as income or as expense for the year. .

10. Revenue Recognition:

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured.

a. Sale of Goods:

Revenue is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer.

Sales, net of sales tax and discounts, comprise of sale of goods and services, excise duty and claims preferred on the Government of India for retention price reimbursement on dispatches of fertilizers and admissible claims for change in retention price on account of variation in the costs. The excise duty collected on sales is shown by way of further deduction from sales.

b. Other Income:

Interest:

Revenue is recognised on a time proportion basis taking into account the amount outstanding and the rate applicable.

Dividends:

Revenue is recognised on actual receipt basis.

Other Income:

The amounts receivable from various agencies are accounted on accrual basis to the extent it is possible to ascertain the income with reasonable accuracy.

11. Retirement Benefits:

- a) Retirement benefits in the form of Provident Fund and Pension Fund is a defined contribution scheme and the contributions are charged to the Profit and Loss Account of the year when the contribution to the respective funds are due. There are no other obligation other than the contribution payable to the respective trusts.
- b) Gratuity liability and Post employment Medical Benefit liability are defined benefit obligation and are provided for on the basis of as actuarial valuation made at the end of each financial year on projected unit credit method.
- c) Short term compensated absence are provided for based on estimates. Long term compensated absence are provided for based on actuarial valuation.
- d) Actuarial gains / losses are immediately taken to Profit and Loss Account and are not deferred.

12. Taxation:

Tax expense comprises of current tax, wealth tax, deferred tax and fringe benefit tax. Current income tax and fringe benefit tax is measured at the amount expected to be paid to the tax authorities in accordance with the Indian Income Tax Act. Deferred income tax reflects the impact of current year timing differences between taxable income and accounting income for the year and reversal of timing differences of earlier years.

Deferred tax is measured based on the tax rates and the tax laws enacted or substantively enacted at the Balance Sheet date. Deferred tax assets are recognised only to the extent that there is reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realised.

The carrying amount of deferred tax assets is reviewed at each Balance Sheet date. The Company writes down the carrying amount of a deferred tax asset to the extent that it is no longer reasonably certain or virtually certain as the case may be, that sufficient future taxable income will be available against which such deferred tax assets can be realised.

13. Provisions:

A provision is recognised when an enterprise has a present obligation as a result of past event; it is probable that an outflow of resources will be required to settle the obligation, in respect of which a reliable estimate can be made. Provisions are not discounted to its present value and are determined based on best estimate required to settle



the obligation at the Balance Sheet date. These are reviewed at each Balance Sheet date and adjusted to reflect the current best estimates.

14. Earnings per Share:

Basic earnings per share are calculated by dividing the net profit or loss for the period attributable to equity shareholders by the weighted average number of equity shares outstanding during the period. Partly paid equity shares are treated as a fraction of an equity share to the extent that they were entitled to participate in dividends relative to a fully paid equity share during the reporting period.

For the purpose of calculating diluted earnings per share, the net profit or loss for the period attributable to equity shareholders and the weighted average number of shares outstanding during the period are adjusted for the effects of all dilutive potential equity shares.

15. Cash and Cash Equivalents:

Cash and cash equivalents in Balance Sheet comprise cash at bank and in hand and fixed deposits with banks.

16. Segment Reporting Policies:

Identification of Segments:

The Company's operating businesses are organized and managed separately according to the nature of products and services provided, with each segment representing a strategic business unit that offers different products. Majority of the Company's products are sold within India and hence geographical segment is not identified. There are no intersegment transfers.

Allocation of Common Costs:

To the extent the costs can be directly identified they are allocated to the related segment. Common allocable costs are allocated to each segment according to the relative production tonnage, sales tonnage/ value and other related basis.

Unallocated items:

Other segment includes Information Technology activity and general corporate income and expense items which are not allocated to any business segment.

(Rs. in Lacs)

B. NOTES TO ACCOUNTS:

	2007-08	2006-07
1 Estimated amount of contracts remaining to be executed on capital account and not provided for (Net of Advances)	10,682.83	7,795.00
2 Contingent Liabilities not provided for:		
(i) Claims against the Company not acknowledged as debts (mainly on account of water charges and compensation for land acquisition)	677.76	1,496.60
(ii) Guarantees/ Letters of Credit given by Banks on behalf of the Company	4,044.37	1,979.48
(iii) Claims in respect of employees'/ contract labour matters	Amount not ascertainable	
(iv) Income tax assessment orders contested	2,140.28	1,774.93
3 The Company has received demands in respect of Central Excise Duty, Service Tax and miscellaneous issues of Central Excise in fertilizers and chemical	1,053.34	272.81

(Rs. in Lacs)

2007-08 2006-07

division's activities. The contingent liability in respect of above as estimated by the Company

4 Profit and Loss Account includes:

(a) In the item of Sales (which is net of Rebate and Discounts) :

(i) Subsidy from Government of India under the Retention Price Scheme **61,817.21** 43,681.29

(ii) Reimbursement of expenses in respect of Imported Fertilizers **7,550.74** 0.00

(b) Remuneration to Joint Managing Director of the Company. (For part of the year in 2006-07): **4.59** 3.87

(i) Salary **4.16** 3.53

(ii) Leave salary and Pension Fund Contribution **0.43** 0.34

(c) Payments to Auditors : **53.09** 48.26

(i) Statutory Audit Fees **24.41** 22.58

(ii) Tax Audit Fees **4.09** 5.67

(iii) Other services for Certification work etc. **22.60** 18.77

(iv) Reimbursement of Expenses **1.99** 1.24

(d) Payment to Cost Auditor:

(i) Cost Audit Fees **1.07** 1.01

(ii) Reimbursement of Expenses **0.03** 0.06

(e) Foreign Exchange Rate Differences- Loss/ (Gain) **75.58** 13.40

(f) Miscellaneous Expenses includes (Increase)/ Decrease of excise duty on Inventory. In accordance with ASI 14 (Revised) on 'Disclosure of Revenue from Sales Transactions' issued by Institute of Chartered Accountants of India, excise duty on sales amounting to **Rs.21,952.96 lacs** (Previous year Rs. 21,739.87 lacs) has been reduced from sales in Profit & Loss Account and excise duty on increase/decrease in stock amounting to **Rs. 66.17 lacs** (Previous year (Rs. 29.27 lacs)) has been considered as (income)/ expense in Schedule 16 of financial statements.

5. **Amalgamation of Subsidiary Company Narmada Chematur Petrochemicals Limited (NCPL)**

(i) In the previous year, pursuant to the scheme of Amalgamation of NCPL with the Company as consented by the shareholders and sanctioned by the Honorable High Court of Gujarat at Ahmedabad vide their order dated 9th January, 2007 the business of NCPL including all its assets and liabilities stood transferred to and vested in the Company with effect from 1st April 2005. The scheme had, accordingly, been given effect to in the previous year.

(ii) The operations of NCPL was similar to that of the Company's Industrial Products segment.

(iii) The amalgamation had been accounted for under the "Pooling of Interest" method as prescribed by Accounting Standard (AS-14) issued by the Institute of Chartered Accountants of India. Accordingly, the total assets of NCPL amounting to Rs.27,828.89 lacs and total liabilities of Rs.10,737.85 lacs and reserves of

Rs. 6,389.81 lacs had been recorded by the Company at their carrying amounts and the accumulated profits of the Company as at March 31, 2005 amounting to Rs.4,539.09 lacs had been added to the profit and loss balance of the Company. The excess of consideration over its net assets of Rs.1,688.99 lacs was recorded as goodwill, in accordance with the High Court Order, which would have otherwise been adjusted against reserves.

- (iv) As provided in the Scheme of Amalgamation, the investments in NCPL amounting to Rs.6,955 Lacs made by the Company into NCPL had been cancelled and the Company issued additional 89,42,569 equity shares of Rs.10/- each to the other shareholders of NCPL in the ratio of one equity share of Rs.10/- each against three equity shares of Rs.10/- each held in NCPL.
- (v) The difference between lease equalisation reserve of NCPL, lease adjustment account of the Company created for the purpose of assets leased to NCPL and dividend for the year ended March 31, 2006 payable by NCPL to the Company aggregated to Rs.186.33 lacs.
6. The Company has strategic investment in the equity capital of Gujarat Chemical Port Terminal Company Ltd. (GCPTCL), aggregating to Rs. 3,446.00 lacs as on 31st March, 2008. As per the latest audited accounts of GCPTCL, there has been substantial erosion in its net worth. GCPTCL has undertaken restructuring programme which has improved its operations with the resultant improvement in its net worth. The aforesaid shares are held in capacity of promoters.

In view of this, the Company believes that there is no permanent diminution in the value of the investment and no provision in respect thereof is considered necessary.

7. Provision for doubtful debts include receivables of Rs. 240.91 lacs from 2 parties, who had issued cheques in payment for supplies made and since the cheques of the said party could not be realised, the Company has initiated legal actions including criminal proceedings and the matter is sub-judice at Bharuch Court.
8. The Hon'ble High Court of Gujarat has under its Order dated 2nd August, 1995 ordered the GNAL to be wound-up. The Official Liquidator attached to the High Court of Gujarat has already taken over the charge of GNAL (In Liqn.) w.e.f. 1st August, 1998.

The Company, being the sole secured creditor, the only share holder and the major unsecured creditor to the extent of 95%, had made applications before the Hon'ble High Court of Gujarat for release of sale proceeds of the assets of the GNAL (In Liqn.). The Company, as guarantor of GNAL had made one time settlement with the financial institutions, banks etc. by paying an amount of Rs. 4,127.61 lacs against the outstanding loan/ working capital liabilities of Rs. 8,372.38 lacs, thereby, subrogated itself in their place as the secured creditor. Subsequently, an amount of Rs. 45.58 lacs was received from GNAL and hence, Rs. 4,082.03 lacs was outstanding as secured loan. Hon'ble High Court of Gujarat had, from time to time passed Orders directing the Official Liquidator to release Rs.2,723.00 lacs to GNFC which has been duly received. Thus, outstanding secured loan as on 31-03-2008 stood at Rs. 1,359.08 lacs. With the disposal of the properties of GNAL (in liquidation) situated at Odhav, Ahmedabad (including land thereat) vide Order dated 12th July, 2006 passed by Hon'ble High Court of Gujarat, there remains no asset /property to be disposed off by the Official Liquidator of the GNAL (in liquidation) nor there has been any further progress in the liquidation proceedings of GNAL thereafter and there remains no assets whatsoever of GNAL to be disposed off.

The Company made necessary provision in accounts in the earlier years for the likely shortfall in realizable value of assets of GNAL against secured loans. The company also fully provided for Investments in shares of GNAL of Rs. 473.44 lacs and Unsecured advances of Rs. 6,477.38 lacs in the same way in earlier years. Now, as there remains no asset/property to be disposed off by Official Liquidator of the GNAL (in liquidation), the Company has written off all provisions made for secured as well as unsecured advances of GNAL and Investment in shares of GNAL.

9. Loans and Advances include:

- (a) Interest free advance of Rs. 199.00 lacs to Narmada Education & Scientific Research Society, a Trust which has been created for running the college and other educational activities. The Managing Director of the Company is one of the Trustees in the said Trust.
- (b) Amount of Rs. 80.00 lacs paid to Gujarat Industrial Development Corporation Ltd. (GIDC) towards allotment of 80 hectares of land at Dahej, Dist. Bharuch. Necessary adjustments will be made after discussions with the authorities for the refund.
10. Urea is under the Retention Pricing Scheme of Government of India. Government of India has revised the Scheme for subsidy under NPS III with effect from October 1, 2006. The notification for the above scheme was issued by the Government on March 7, 2007. The Government of India is still in the process of fixing certain norms under the revised scheme. Pending finalisation of norms under the new NPS III, the Company has accounted for the subsidy to the extent the clarity available under the scheme. Adjustments for the balance would be accounted in the year when such norms are finalised.

For the claim of subsidy under other than NPS III, the Company continues to account the same on the basis of cost data submitted to the Fertilizers Industries Co-ordination Committee taking full cognizance of the pricing norms. Necessary adjustments for prior years, if any, will be made in the year in which such price is fixed.

11. 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. 629.88 Lacs** (Previous year Rs. 129.42 Lacs) and no interest due thereon is remaining unpaid. These amounts have been included in Sundry Creditors.

This information has been determined to the extent such parties have been identified on the basis of information available with the Company.

12. Earnings per share:

	Unit	2007-08	2006-07
Net profit after tax	Rs. Lacs	37,288.30	32,646.64
Weighted average number of equity shares of nominal value of Rs.10/- each in calculating basic EPS	Nos.	15,54,18,783	15,54,18,783
Basic earning per share	Rs.	23.99	21.01
Weighted average number of equity shares of nominal value of Rs.10/- each in calculating diluted EPS	Nos.	15,54,25,000	15,54,25,000
Diluted earning per share	Rs.	23.99	21.01



13. Related Party Disclosures:

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

Key Management Personnel:

Shri Balwant Singh Managing Director
Shri T Natarajan Joint Managing Director (For part of the year in previous year)

Remuneration of **Rs. 4.59 lacs** (Previous year Rs. 3.87 lacs) was given to the Jt MD.

14. Following amounts are included in the Schedule-11 Loans and Advances which are in the nature of Loans to Subsidiaries and Associates:

(Rs. in lacs)

Name of the Entity	Balance as on 31.03.2008	Maximum Amount Outstanding During the year
Gujarat Narmada Auto Ltd. (in liquidation) (net of provision)	- (-)	- (1,315.00)
Narmada Education and Scientific Research Society	199.00 (299.00)	299.00 (399.00)
ING Satcom Ltd.	- (-)	- (0.31)
Gujarat Green Revolution Company Ltd.	- (50.00)	50.00 (50.00)

Figures in brackets are in respect of previous year

15. Excess Provision of Expenses Written back in the current year mainly pertains to the write back on account of claims settled and in the previous year, on account of sale proceeds realised from Gujarat Narmada Auto Ltd. which was earlier provided for.

16. Adoption of Accounting Standard-15 (Revised) – Employee Benefits (Rs. in lacs)

A) The Amounts recognized in respect of unfunded obligations:

Amount recognized in the Balance Sheet in respect of leave liability 5594.75

Amount recognized in Salary, Wages and Employee Benefits in the Profit and Loss Account in respect of leave liability 894.97

Principal Actuarial Assumptions At the Balance Sheet date (31.03.08)

Discount rate 8%
Estimated rate of return on plan assets 8%
Future Salary escalation 4% to 5%
Mortality Rate LIC (1994-96) 5%

B) Defined Contribution Plan:

Amount recognized as an expense and included in Schedule – Contribution to Provident and Pension Fund 2210.18

Till March 31, 2007, the Company was providing leave encashment and Gratuity as per actuarial valuation based on Old Accounting Standard-15. In current year, the Company has adopted Accounting Standard-15 (Revised 2005) which is mandatory from accounting periods starting from December 7, 2006. In accordance with the transitional provision in the revised Accounting Standard, Rs.2,971.56 lacs (net of tax liability Rs.2,052.47 lacs) in respect of leave encashment, post retirement medical benefits and certain Gratuity benefit has been adjusted to the General Reserve.

C) Defined benefit plans - As per actuarial valuation on 31st March, 2008

(Rs. in Lacs)

I	Expense recognized in the Statement of Profit & Loss Account for the year ended 31st March, 2008	Gratuity	Medical
1	Current Service Cost	438.68	13.00
2	Interest Cost	603.68	19.00
3	Expected return on plan assets	(682.01)	0.00
4	Actuarial (Gain)/ Losses	453.44	2.38
5	Total expenses	808.85	34.37

II	Net Assets (Liability) recognized in the Balance Sheet as at 31st March, 2008	Gratuity	Medical
1	Present value of Defined Benefit Obligation as at 31st March, 2008	9,185.26	272.37
2	Fair value of plan assets as at 31st March, 2008	9,085.20	0.00
3	Funded status [Surplus / (Deficit)]	(100.06)	(272.37)
4	Net assets/(Liability) as at 31st March, 2008	(100.06)	(272.37)

III	Change in obligation during the year ended 31st March, 2008	Gratuity	Medical
1	Present value of Defined Benefit Obligation at the beginning of the year	8,028.52	262.00
2	Current Service Cost	438.68	13.00
3	Interest Cost	603.68	19.00
4	Actuarial (Gains) / Losses	395.58	(17.82)
5	Benefit Payments	(281.20)	(3.81)
6	Present value of Defined Benefit Obligation at the end of the year	9,185.26	272.37

IV	Change in fair value of plan assets during the year ended 31st March, 2008	Gratuity	Medical
1	Plan assets at the beginning of the year	7,856.12	0.00
2	Expected return on plan assets	682.01	0.00
3	Contribution by employer	809.64	3.81
4	Actual benefit paid	(281.20)	(3.81)
5	Actual Gains / (Losses)	18.61	0.00
6	Plan assets at the end of the year	9,085.20	0.00
7	Actual return on plan assets	700.62	0.00

V	Actuarial assumptions	Gratuity	Medical
1	Discount Rate	8%	8%
2	Expected rate of return on plan assets	8%	8%
3	Mortality pre-retirement	LIC (1994-96) Table	Not Applicable
4	Medical Inflation rate	—	4%
5	Salary Escalation	4%	—
6	Attrition Rate	—	—

The planned assets are invested partly in LIC managed funds and balance in Company managed trust governed by the Provident Fund Act.

17. Finance Lease:

The Company has given CNG Buses on finance lease. The lease term is for three years after which the legal title is passed to the lessee. There is no escalation clause in the lease agreement. There are no restrictions imposed by lease arrangements.

(Rs. in Lacs)

	2007-08	2006-07
Total gross investment in the lease	150.00	Nil
Less : Unearned finance income	0.00	Nil
Less : Unguaranteed residual value	0.00	Nil
Present value of minimum lease payments	80.00	Nil
Gross investment in the lease for the period :		
Not later than one year [Present value of minimum lease payments receivable Rs. 30 Lacs as on 31.03.2008]	30.00	Nil
Later than one year but not later than five years [Present value of minimum lease payments Rs. 50 Lacs as on 31.03.2008]	50.00	Nil

Operating Lease:

The Company has given office premises on operating lease. The lease term is for three to four years. There is no escalation clause in the lease agreement. There are no restrictions imposed by lease arrangements.

(Rs. in Lacs)

	2007-08	2006-07
Future minimum lease payments:		
Not later than one year	107.90	10.64
Later than one year and not later than five years	478.81	44.07
Later than five years	Nil	Nil
Total	586.71	54.71

18. Research and Development Expenses:

(Rs. in Lacs)

Sr. No.	Particulars	2007-08	2006-07
1	Capital Expenditure	12.58	1.81
2	Salaries, Wages and Bonus	87.64	73.57
3	Consumable and Spares	32.67	52.16
4	Power and Fuel	2.20	2.31
	Total	135.09	129.85

19. Segment Information:

Based on the guiding principles given in Accounting Standard on 'Segment Reporting' (AS-17) issued by the Institute of Chartered Accountants of India, the Company's primary business segments are Fertilizers, Chemicals and Others (which includes mainly IT Division's activities) which have got their own respective risk and return profiles.

Financial information about the primary business segments for the year ended 31st March, 2008:

(Rs. in Lacs)

	Fertilizers		Chemicals		Others		Total	
	2007-08	2006-07	2007-08	2006-07	2007-08	2006-07	2007-08	2006-07
A REVENUE:								
External Sales Revenue	2,08,433.04	1,41,689.46	1,53,430.73	1,51,755.68	3,480.40	2,221.47	3,65,344.17	2,95,666.61
Intersegment Revenue	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Total Revenue	2,08,433.04	1,41,689.46	1,53,430.73	1,51,755.68	3,480.40	2,221.47	3,65,344.17	2,95,666.61
Less : Excise Duty	197.70	13.37	21,730.65	21,681.87	24.61	44.63	21,952.96	21,739.87
Net Revenue	2,08,235.34	1,41,676.09	1,31,700.08	1,30,073.81	3,455.79	2,176.84	3,43,391.21	2,73,926.74
B RESULT:								
Segment result - profit / (loss)	6,106.75	(3,877.60)	51,446.34	53,384.10	(118.68)	(233.66)	57,434.41	49,272.84
Other Income							3,108.43	3,532.69
Unallocable Expenses							(2,850.60)	(2,603.20)
Operating profit							57,692.24	50,202.33
Interest expense (net of interest income)							(70.77)	(1,263.66)
Profit before tax							57,621.47	48,938.67
Provision for income tax (including deferred tax)							(20,333.17)	(16,292.03)
Net Profit							37,288.30	32,646.64
C OTHER INFORMATION:								
Capital Employed:								
Segment assets	1,01,743.17	1,02,259.88	1,04,290.36	96,400.88	4,536.98	3,683.39	2,10,570.51	2,02,344.15
Segment liabilities	(12,266.36)	(25,659.07)	(6,888.23)	(6,391.94)	(382.30)	(293.57)	(19,536.89)	(32,344.58)
Other unallocable corporate assets & liabilities							(6,463.75)	(12,937.23)
Total capital employed	89,476.81	76,600.81	97,402.13	90,008.94	4,154.68	3,389.82	1,84,569.87	1,57,062.34
Capital assets/expenditure incurred during the year:								
Capital assets including capital work in progress	9,074.57	2,739.89	10,867.09	48,376.38	319.78	43.94	20,261.44	51,160.21
Other unallocable capital expenditures							10,399.79	5,319.70
TOTAL	9,074.57	2,739.89	10,867.09	48,376.38	319.78	43.94	30,661.23	56,479.91
D Segment depreciation	2,955.46	3,156.27	7,546.43	7,263.79	549.81	536.96	11,051.70	10,957.02
E Non cash expenses other than depreciation							1,051.30	229.18



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

(A) Capacity and Production 2007-08:

Products	Licensed Capacity	Installed Capacity	Production (MT)
	(MT)	(MT)	
(Per Annum)			
Ammonia	4,45,500	4,45,500	5,35,478
	(4,45,500)	(4,45,500)	(4,72,305)
Urea	5,94,000	6,36,000	6,70,290
	(5,94,000)	(6,36,000)	(6,26,192)
Ammonium Nitro Phosphate	1,42,500	1,42,500	1,93,224
	(1,42,500)	(1,42,500)	(1,99,006)
Calcium Ammonium Nitrate	1,42,500	1,42,500	1,34,639
	(1,42,500)	(1,42,500)	(1,44,021)
Methanol	1,46,900	1,80,600	2,24,627
	(1,46,900)	(1,80,600)	(2,30,140)
Formic Acid	10,000	10,000	17,290
	(10,000)	(10,000)	(15,355)
Acetic Acid	1,50,000	1,00,000	1,52,966
	(1,50,000)	(1,00,000)	(1,32,665)
Concentrated Nitric Acid	66,000	66,000	66,661
	(66,000)	(66,000)	(69,272)
Aniline	35,000	20,000	38,771
	(35,000)	(20,000)	(40,277)
Toluene Di-Isocyanate	14,000	10,000	16,546
	(14,000)	(10,000)	(15,943)

NOTES :

- Figures in Brackets () are of previous year.
- Being intermediate product, the production includes quantity intended for captive consumption of 5,17,906 MT of Ammonia (previous year 4,83,463 MT), 84,525 MT of Methanol (previous year 73,251 MT) and 43,908 MT of Concentrated Nitric Acid (previous year 44,668 MT).
- The Licensed Capacities (includes capacity approved by Secretariat for Industrial Approval) and Installed Capacities are as certified by the management.

(B) (1) Sales and Closing Stock 2007-08:

Products	Sales		Closing Stock as on 31-03-2008	
	Qty (MT)	Rs. in lacs	Qty (MT)	Rs. in lacs
Ammonia	6,556	1,367.26	0	0.00
	(0)	(0.00)	(0)	(0.00)
Urea	6,44,474	29,894.23	26,512	3,502.87
	(6,36,176)	(29,495.99)	(4,384)	(447.03)
Ammonium Nitro Phosphate	1,94,158	25,546.42	1,232	136.35
	(1,97,647)	(24,869.35)	(2,198)	(225.90)
Calcium Ammonium Nitrate	1,35,134	11,819.97	1,076	85.26
	(1,43,749)	(11,146.99)	(1,590)	(113.39)
Methanol	1,41,217	27,093.10	4,357	546.54
	(1,53,215)	(38,051.81)	(5,507)	(648.56)
Formic Acid	17,405	6,143.38	723	128.12
	(15,691)	(5,089.11)	(839)	(167.44)
Acetic Acid	1,55,515	47,154.16	2,745	455.36
	(1,30,733)	(39,097.04)	(4,364)	(696.11)
Concentrated Nitric Acid	22,356	3,154.33	646	66.93
	(22,284)	(2,401.61)	(250)	(23.12)
Aniline	38,451	26,011.64	769	481.54
	(41,342)	(29,862.73)	(449)	(285.40)
TDI	16,145	32,183.75	695	829.49
	(16,641)	(26,655.61)	(294)	(344.20)
V-SAT & Gateway		0.04		
		(53.87)		
By-products and Others		13,221.85		
		(10,623.20)		
Subsidy on Fertilizers and Freight		61,817.21		
		(43,681.29)		
TOTAL		2,85,407.34		
		(2,61,028.60)		

NOTES :

- Figures in Brackets () are of previous year.
- Closing stock of Fertilizers considered for packed Finished Goods only.
- The above quantities do not include excess/shortages and captive consumption.

(B) (2) Goods Traded 2007-08:

Products	Opening Stock as on 01-04-2007		Purchases		Sales		Closing Stock as on 31-03-2008	
	MT	Rs. in Lacs	MT	Rs. in Lacs	MT	Rs. in Lacs	MT	Rs. in Lacs
Imported Urea	4 (4)	0.15 (0.15)	1,048,246 (0)	53,409.55 (0.00)	998,114 (5)	48,297.30 (0.17)	46,339 (4)	2,190.11 (0.15)
Single Super Phosphate	0 (0)	0.00 (0.00)	5,123 (25,246)	150.67 (821.79)	5,123 (25,246)	159.40 (842.82)	0 (0)	0.00 (0.00)
DAP (Including Imported)	49,329 (83)	7,530.70 (6.39)	0 (136,543)	0.00 (19,966.43)	48,736 (86,774)	10,095.70 (13,297.99)	544 (49,329)	5.11 (7,530.70)
Imported Muriate of Potash	22,455 (20,116)	2,433.93 (2,176.91)	83,313 (166,616)	8,514.96 (17,534.64)	100,903 (163,372)	11,840.76 (18,271.80)	4,325 (22,455)	458.58 (2,433.93)
Imported Acetic Acid	0 (0)	0.00 (0.00)	0 (5,450)	0.00 (1,359.60)	0 (5,450)	0.00 (1,485.41)	0 (0)	0.00 (0.00)
Imported Formic Acid	0 (0)	0.00 (0.00)	0 (332)	0.00 (93.18)	0 (332)	0.00 (96.64)	0 (0)	0.00 (0.00)
Imported Methanol	0 (0)	0.00 (0.00)	2,500 0	280.61 0.00	2,500 0	426.92 0.00	0 (0)	0.00 (0.00)
PKI & Data Centre				1,271.77 (348.58)		1,563.66 (622.15)		
Others				1.09 (20.21)		2.35 (21.03)		
Reimbursement of Exp. for Imported Fertilizers						7,550.74 (0.00)		
TOTAL						79,936.83 (34,638.01)		

NOTES :

- Figures in Brackets () are of previous year.
- Closing Stock is net of handling loss.
- The above quantities do not include excess/shortages.

(C) RAW MATERIALS CONSUMED 2007-08:

	Unit	Quantity	Rs. in Lacs
Fuel Oil/ LSHS (Feed Stock)	MT	4,48,459	80,995.65
		(4,14,029)	(63,874.31)
Natural Gas	000SM3	1,96,272	13,759.49
		(1,85,992)	(10,614.70)
Rock Phosphate	MT	1,25,230	5,765.34
		(1,25,663)	(5,583.13)
Liquid Ammonia	MT	17,728	2,597.55
		(29,440)	(4,034.13)
Naphtha	MT	307	110.18
		(532)	(177.79)
Raw Materials for Catsol	—	—	159.29
		(—)	(94.52)
Benzene	MT	33,093	14,758.16
		(34,966)	(15,381.25)
Toluene	MT	10,682	4,050.07
		(10,488)	(4,392.31)
Chlorine	MT	15,801	827.74
		(15,023)	(836.63)
Raw Materials for others	—	—	94.94
		(—)	(134.46)
TOTAL			1,23,118.41 (1,05,123.23)

NOTES :

- Figure in Brackets () are of previous year.
- Liquid Ammonia being an intermediate product, materials acquired from outside only are considered.
- It is not practicable to furnish quantitative information for all the items in view of the large number of items which differ in size and nature, each being less than 10% in value of the total.

(D) Value of Imported and Indigenous Raw Materials, Components and Spares Consumed and percentage thereof to the total consumption:

	2007-08		2006-07	
	Rs. in Lacs	%	Rs. in Lacs	%
RAW MATERIALS				
Imported	5,002.96	4.06	4,867.92	4.63
Indigenous	1,18,115.45	95.94	1,00,255.31	95.37
TOTAL	1,23,118.41	100.00	1,05,123.23	100.00
COMPONENTS & SPARES				
Imported	2,161.09	28.76	1,448.57	20.85
Indigenous	5,353.82	71.24	5,499.68	79.15
TOTAL	7,514.91	100.00	6,948.25	100.00



(E) C.I.F. Value of Imports:	(Rs. in Lacs)	
	2007-08	2006-07
(i) Raw Materials and Fuel	9,400.16	5,029.61
(ii) Spares	2,590.42	2,853.67
(iii) Capital goods	1,901.68	1,751.77
(iv) Finished goods	0.00	14,282.21

(F) Expenditure in Foreign Currency (Accrual Basis):	(Rs. in Lacs)	
	2007-08	2006-07
(i) Engineering, Licence and Know-how fees - Capital Nature	895.64	477.50
(ii) Engineering, Licence and Know-how fees - Revenue Nature	69.36	-
(iii) Bandwidth charges, Travelling, Journal, Membership fees etc.	74.42	78.54

(G) Amount remitted during the year in Foreign Currencies on account of Dividend

(a) In respect of GNFC Ltd.

(i) Number of Shareholders	552	563
(ii) No of Shares held by them on which Dividend was due	5,19,468	3,380
(iii) Year to which Dividend relates	2006-07	2005-06
(iv) Amount remitted (Net of Tax) (Rs. in Lacs)	22.08	22.79

(b) In respect of erstwhile NCPL unit

(i) Number of Shareholders	-	1
(ii) No of Shares held by them on which Dividend was due	-	1,000
(iii) Year to which Dividend relates	-	2005-06
(iv) Amount remitted (Net of Tax) (Rs. in Lacs)	-	0.02

(H) Earnings in Foreign Exchange (Accrual Basis):

	(Rs. in Lacs)	
	2007-08	2006-07
(i) Export of goods on FOB basis	2,936.83	3,020.66
(ii) Technical consultancy & other fees	230.33	71.52

(I) The foreign currency payables and receivables unhedged at the year end are as follows:

i) Amounts Payable in Foreign Currency :

Particulars	As on 31-03-2008		As on 31-03-2007	
	Rs. in Lacs	Amt in FC	Rs. in Lacs	Amt in FC
Sundry Creditors for Import	11.84	Euro 18,621	64.96	Euro 1,11,393
Sundry Creditors for Import	1,082.66	USD 27,00,577	0.68	USD 1,559

ii) Amounts Receivable in Foreign Currency :

Particulars	As on 31-03-2008		As on 31-03-2007	
	Rs. in Lacs	Amt in FC	Rs. in Lacs	Amt in FC
Sundry Debtors	81.52	Euro 1,30,780	958.16	USD 22,24,650

(J) The foreign currency receivables hedged at the year end are as follows:

Particulars	As on 31-03-2008	
	Rs. in Lacs	Amt in FC
Sundry Debtors	294.84	USD 7,45,969

Signatures to Schedules 1 to 19

D.S. Taunk
Special Director (Finance)

R.B. Panchal
Company Secretary

T. Natarajan
Joint Managing Director

Sudha Anchlia
Chairperson & Managing Director

Pankaj Kumar
Director

Dr. T.T. Ram Mohan
Director

D.C. Anjaria
Director

Dr. Ashok Shah
Director

P.N. Vijay
Director

H.V. Patel
Director

Place : Ahmedabad
Date : 20.5.2008

AS PER OUR REPORT OF EVEN DATE
For **S.R. BATLIBOI & CO.**
Chartered Accountants

Place : Mumbai
Date : 20.5.2008

per **Vijay Bhatt**
Partner
Membership No. : 36647

D. BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE :**I Registration Details:**

Registration No. State Code

Balance sheet Date

II Capital raised during the year (Amount in Rupees Thousand):

Public Issue Right Issue

Bonus Issue Private Placement

III Position of Mobilization and Deployment of Funds (Amount in Rupees Thousand):

Total Liabilities **Total Assets**

Sources of Funds:

Paid-up Capital

Reserves & Surplus

Secured Loans

Unsecured Loans

Deferred Tax

Application of Funds:

Net Fixed Assets

Investments

Net Current Assets

Misc. Expenditure

Accumulated Losses

IV Performance of Company (Amount in Rupees Thousand):

Turnover & Other Income

Profit before tax

Earning per Share in Rs.

Total Expenditure

Profit after tax

Dividend Rate %

V Generic Names of Three Principal Products/Services of Company:

Item Code No. (ITC Code) Product Description

D.S. Taunk
Special Director (Finance)

R.B. Panchal
Company Secretary

T. Natarajan
Joint Managing Director

Sudha Anchlia
Chairperson & Managing Director

Pankaj Kumar
Director

Dr. T.T. Ram Mohan
Director

D.C. Anjaria
Director

Dr. Ashok Shah
Director

P.N. Vijay
Director

H.V. Patel
Director



ADDITIONAL INFORMATION FOR SHAREHOLDERS

Recommendation and payment of dividend

The Board of Directors of the Company has recommended a dividend of Rs.4.25 (42.5%) per equity share of the Company for the financial year ended 31st March, 2008, subject to the approval by the shareholders at the Annual General Meeting (AGM) [dividend paid in the previous year was Rs.4.25 (42.5%) per equity share]. The dividend, if approved, will be paid on or after **6th October, 2008**.

Closure of Share Transfer Books and Register of Members for dividend

The Register of Members and Share Transfer Books of the Company will remain closed from **Friday, the 22nd August, 2008 to Friday, the 29th August, 2008 (both days inclusive)** for determining the entitlement for payment of dividend.

Dividend remittance

Dividend on equity shares as recommended by the Directors for the year ended 31st March, 2008, when declared at the AGM will be paid –

- i) to those members whose names appear on the Register of Members of the Company, after giving effect to all valid share transfers in physical form lodged with the Company on or before 21st August, 2008; and
- ii) in respect of shares held in electronic form, to those members whose names appear in the statement of Beneficial Ownership furnished by National Securities Depository Ltd., (NSDL) and Central Depository Services (India) Ltd., (CDSL) as at the end of business hours on 21st August, 2008.

Unclaimed Dividends

Transfer to General Revenue Account of Central Government

In pursuance of Section 205A of the Companies Act, 1956, unclaimed dividends upto and including for the financial year 1993-94 have been transferred to the General Revenue Account of the Central Government. Since 1994-95, the dividends of subsequent years which remain unclaimed for more than 7 years have been transferred to the Investor Education & Protection Fund. The shareholders who have not encashed their dividend warrants relating to financial year(s) upto 1993-94 are requested to claim the amounts from the office of Registrar of Companies, Gujarat, ROC Bhavan, Opp. Rupal Park, Near Ankur Bus-stop, Naranpura, Ahmedabad – 380 013 in the prescribed form, which will be furnished by the Company on request.

Transfer to Investor Education & Protection Fund (IEPF)

The dividends for the year 1994-95 to 1999-2000, remaining unclaimed for 7 years from the respective date of declaration have been transferred to the IEPF established by the Government of India, pursuant to Section 205C of the Companies Act, 1956.

No claim shall lie against the Company or IEPF in respect of amount of unclaimed or unpaid dividend transferred to IEPF.

Dividend to be transferred to Investor Education & Protection Fund (IEPF)

The dividend for the following years remaining unclaimed for 7 years from the date of declaration is required to be transferred by the Company to IEPF and the various due dates for transfer of such amounts are as under :

Financial Year	Dividend No.	Date of Declaration	Due for transfer to IEPF on*
2000-2001	18th	21st September, 2001	15th October, 2008
2001-2002	19th	26th September, 2002	14th October, 2009
2002-2003	20th	25th September, 2003	10th October, 2010
2003-2004	21st	16th September, 2004	04th October, 2011
2004-2005	22nd	22nd September, 2005	04th October, 2012
2005-2006	23rd	23rd September, 2006	04th October, 2013
2006-2007	24th	22nd September, 2007	14th October, 2014

* actual dates of transfer to IEPF may vary

Members who have so far not encashed their dividend warrants in respect of above years, are requested to claim their dividend from the Company. Such Members may write to the Company Secretary at the Registered Office of the Company, for payment of unclaimed dividend amount.

Electronic Clearing Services (ECS) for payment of Dividend

Members desirous of receiving dividend by direct electronic deposit to their Bank Accounts may authorize the Company with their ECS Bank Mandate.

Bank details for physical shareholding

In order to provide protection against fraudulent encashment of dividend warrants, Members are requested to provide, if not provided earlier, their Bank Account No., type of Bank Account, Name & Address of the Bank Branch, quoting their Registered Folio No., to the Company Secretary at the Registered Office of the Company, for incorporating the same on their dividend warrants. This is a mandatory requirement in terms of Securities & Exchange Board of India (SEBI) Circular dated 13th November, 2001.

Bank details for Electronic Shareholding

Members may have given their Bank Account details to their Depository Participants (DPs), which will be used by the Company for printing on Dividend Warrants for remittance of dividend. SEBI has vide its Circular dated 15th October, 2001 advised that all Companies should mandatorily use Electronic Clearing Service (ECS) facility, wherever available.

Further, SEBI has also vide its Circular dated 13th November, 2001 advised the Companies to mandatorily print the Bank Account details furnished by the depositories, on the dividend warrants. Members are therefore, requested to furnish complete details of their Bank Account, including MICR CODE of their Bank to their Depository Participant.

Nomination Facility

The Companies Act, 1956, provides facility for making nominations by shareholders in respect of their shares. Such nomination facilitates transmission of shares from the name of deceased shareholder to his / her nominee without having to go through the time consuming and cumbersome process of obtaining succession certificate / probate of the Will. Some of the shareholders have already availed of nomination facilities. It would be in the interest of the shareholders holding shares in single name to make such nomination without delay. Nomination will have to be made in the prescribed form which can be obtained from the Secretarial & Legal Department of the Company. In respect of shares held in electronic form, nominations may be directly registered with the respective Depository Participants.

For Shareholders of erstwhile Narmada Chematur Petrochemicals Ltd. (NCPL)

The Company is statutorily required to transfer to the IEPF set-up by Government of India, all unclaimed/ unpaid dividend(s) remaining unclaimed/ unpaid for a period of 7 years from the date they became due for payment and once such amounts are transferred to IEPF, no claim of the shareholders shall lie against the Company or IEPF. For the information of the shareholders of the erstwhile NCPL, it is hereby notified that the dividend declared by the erstwhile NCPL in respect of the following financial years will be due for transfer to the IEPF and various due dates for transfer of such amounts are as under :

Financial Year	Dividend No.	Date of Declaration	Due for transfer to IEPF on
2002-2003	1st	11th September, 2003	30th September, 2010
2003-2004	2nd	09th September, 2004	01st October, 2011
2004-2005	3rd	15th September, 2005	01st October, 2012
2005-2006	4th	16th September, 2006	25th September, 2013

The shareholders of erstwhile NCPL, who have not yet encashed their dividend warrants in respect of the said years may write to the Company Secretary at the Registered Office of the Company immediately.