

DIRECTORS' REPORT

To,
The Members,

Your Directors have immense pleasure in presenting this 44th Annual Report on the Company's business and operations together with Audited Financial Statements (Standalone and Consolidated) for the Financial Year (FY) ended on 31st March, 2020.

FINANCIAL RESULTS AND STATE OF COMPANY'S AFFAIRS

During the year under review, the Company achieved satisfactory performance on operational and financial fronts. The Company established total 123 new Records during FY 2019-20, out of which 98 and 25 Records were established in Production and Sale / Dispatch respectively.

The Financial Highlights on Standalone basis are summarized below:

Particulars	(Rs. in Crore)	
	2019-20	2018-19
Income from operations	5162	5896
Other Income	153	221
Total Income	5315	6117
Total Expenditure	4621	5028
Profit before Depreciation, Finance Cost and Tax	694	1089
Depreciation	264	263
Finance Cost	5	6
Profit Before Tax	425	819
Tax Expense	(74)	78
Net Profit for the year	A	741
Re-measurement of Losses on defined employee benefit plans (Net of tax)	B	(48)
Balance brought forward from previous year	C	1189
Amount available for Appropriation	A+B+C	1882
Appropriations :		
Dividend paid	109	117
Tax on Dividend	22	24
Transferred to General Reserve	-	175
Surplus carried to Balance Sheet	1920	1566

Emergence of Covid-19

Towards the end of the financial year, the World Health Organization (WHO) declared Covid-19 a pandemic and the outbreak, which infected millions, has resulted in deaths of a significant number of people globally. Covid-19 is seen having an unprecedented severe impact on people and economies worldwide.

The Company is taking all required measures in terms of mitigating the impact of the challenges being faced in its business. The Company is working towards being resilient in order to sail through the current situation. It has focused on controlling the fixed costs, maintaining liquidity and closely monitoring the supply chain to ensure that the manufacturing facilities operate smoothly.

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In order to support the State Governments and the community at large, the Company has supplied hand sanitizers, food kits, etc. as a part of CSR activities. In addition to this, the Company also contributed Rs.10.00 Crores to the "Chief Minister's Relief Fund", Gujarat, to fight against outbreak of Covid-19 Pandemic in Gujarat. The Employees have also contributed their one-day Salary for this noble cause.

COMPANY'S PERFORMANCE OVERVIEW

1.0 Operational Performance:

Your Company has achieved excellent operational performance during the year under review and in the process achieved ever highest yearly production in major Plants viz. Ammonia (6,88,567 MTs i.e. 154.56%), Formic Acid (22,547 MTs i.e. 225.47%), Acetic Acid (1,66,665 MTs i.e. 166.67%), Urea including Technical Grade (8,29,656 MTs i.e. 130.27%), Weak Nitric Acid I&II (4,41,125 MTs i.e. 126.94%), TDI-I (19,519 MTs i.e. 139.42%). Most Plants performed at over 100% capacity utilization level and special focus was given on energy conservation and cost saving measures across all operational aspects.

During the FY 2019-20, TDI-II Plant at Dahej also achieved production of 40,712 MTs with capacity utilization of 81%. Lower capacity utilization is mainly attributable to poor market sentiments during the Q3 of FY 2019-20 resulting in to Plant stoppage due to high inventory followed by Annual Planned shutdown of about one and half months and the adverse impact of Covid-19 pandemic. The operational reliability of TDI-II Plant has improved on account of implementation of various ongoing reliability measures / schemes by your Company.

2.0 Financial Performance:

Your Directors are happy to share with you the highlights of Annual Financial Results (AFRs) achieved by your Company for the FY 2019-2020 on Standalone basis. While the performance of Chemical Segment remained satisfactory with segment profit of Rs. 166 Crore, the Fertilizer Segment also performed better with segment profit of Rs. 216 Crore during FY 2019-20. The continued emphasis on higher productivity, efficiency improvement, energy saving, cost control / saving measures and concerted efforts at all levels have resulted into achieving satisfactory Financial Results for FY 2019-20. However, Financials have been adversely impacted mainly due to (i) increase in the prices of Key Raw Materials viz Oil, Benzene, Toluene, Natural Gas etc. (ii) reduction in sale prices of major industrial products namely TDI, Aniline, Acetic Acid, Formic Acid, Ethyl Acetate resulting into substantial reduction in both Revenue and Operating Profit.

During the year 2019-20, the Company achieved total turnover of Rs. 5162 Crore compared to Rs. 5896 Crore during FY 2018-19. Profit Before Tax (PBT) and Profit After Tax (PAT) stood at Rs. 425 Crore and Rs. 499 Crore against Rs. 819 Crore and Rs. 741 Crore in the FY 2018-19 respectively. The Company has achieved export turnover of Rs.302 Crore during the FY 2019-20.

Net Profit on Consolidated basis was Rs. 508 Crore for the FY 2019-20 compared to Rs. 750 Crore in FY 2018-19.

SALES

1.0 Industrial Products:

The year 2019-20 was challenging year for Chemical business in the Country due to substantial increase in cost of key inputs coupled with increased competition due to cheaper imports from International Markets. Moreover, COVID-19 pandemic will have cascading adverse effects on all the business worldwide with no exception to the Chemical Industry, wherein prices of Chemicals were already seeing a downward pressure since 2018-19. Under this competitive scenario, Chemical business has positively contributed to the profitability of the Company despite majority of chemicals witnessing a downward pricing trend in International as well as domestic market.

The performance of Chemicals business was satisfactory and substantially contributed in the profitability of your Company. During FY 2019-20, the Company sold in aggregate 7,76,176 MTs of Industrial Products against 7,47,718 MTs during FY 2018-19 and achieved total sales turnover of Rs. 2,836 Crore as compared to Rs. 3,781 Crore during FY 2018-19. The satisfactory performance of Chemical Segment was mainly attributed to planned marketing strategy and dynamic pricing of the Company's products. Ever highest sales was recorded in AN Melt.

The Company is one of the largest producers of Industrial Chemicals in India, with TDI, Acetic Acid, and Formic Acid, being its core products. The Company is the only manufacturer of Toluene Di Isocyanate (TDI) in South-East Asia. The Company has so far exported its products to more than 80 countries worldwide. The satisfactory performance of Chemical Segment was mainly attributed to planned marketing strategy and dynamic pricing of Company's products.

2.0 Fertilizer Business:

Your Company performed reasonably well in fertilizers business during FY 2019-20. The Company achieved total sale of 6.78 lacs MTs of Urea, which was ever highest as compared to 6.48 lacs MTs in FY 2018-19. The sale of Nitro phosphate was marginally lower at 1.85 lacs MTs compared to 2.01 lacs MTs in FY 2018-19. Lower sales volume of Ammonium Nitro phosphate (ANP) was due to effect of Covid-19 pandemic in the last month of FY 2019-20. The Company sold around 67,000 MTs fertilizers through Company's own 57 Narmada Khedut Sahay Kendras, out of the total 8,79,323 MTs of fertilizers sold by the Company in FY 2019-20.

During the year, Trading Activities were also continued in Muriate of Potash (MoP), Di-Ammonium Phosphate (DAP), Ammonium Sulphate (AS), Single Super Phosphate (SSP) and City Compost. Total 16,107 MTs of Fertilizers were sold as a part of trading activities.

3.0 (n)Code Solutions – IT Division:

During the year under review, (n)Code Solutions - IT Division of the Company has also realigning itself to better service the needs of its customer base and creating newer benchmarks by achieving CMMiSVC level 5, which is highest level of order in service domain. This division has registered sales turnover of Rs. 75 Crore and Profit of Rs. 20 Crore across its all business segments. (n)Code services have delivered recognition to its customers at national level and has started to leave its foot print in Smart City / System Integration domain. It has been recognized in domestic market for its excellence in Data Center set-up and maintenance and on international level for Data Security.

While (n)Code has been delivering services, it has carved a niche and is now known to be the most compliance organization due to IT services in areas of Digital Signature Certificate and e-Procurement with high level of transparency. (n)Code has been instrumental in supporting GOI's "Ease of doing Business" initiative by extending Software / Application development and support, Smart City / System Integration, Data Centre Operations, Project Management, Quality and Audit Consultancy, etc.

The challenges on Manpower iterations and increased compliances have made (n)Code agile in its execution methodology. There is good progress on on-going smart city projects. (n)Code has now set a vision to spread its wings pan India to deliver convenience to business using its suit of software products.

An analysis of Company's operational, sales and financial performance is presented under a separate section on "Management Discussion & Analysis" forming part of this report.

DIVIDEND:

Keeping in view the Company's performance for FY 2019-20, long term growth strategy and to ensure that the shareholders get sustained return on their investment, your Directors have recommended a dividend of Rs.5/- per share (@50%) on 15,54,18,783 equity shares of Rs.10/- each fully paid up, subject to approval of shareholders at the Annual General Meeting. On its approval, the dividend payout will work out to Rs.77.71 Crore. This amounts to 15.58% of the Net Profit of the Company.

APPROPRIATIONS:

Your Company has registered a Net Profit of Rs.498.85 Crore for FY 2019-20. After deducting therefrom Rs.14.42 Crore being the re-measurement losses on defined employee benefit plans and adding thereto Rs.1566.66 Crore being the balance of Statement of Profit & Loss brought forward from previous year, an amount of Rs.2051.09 Crore is available for appropriation. Out of this, Rs.131.15 Crore (inclusive of Tax on Dividend) is appropriated towards payment of dividend for FY 2018-19. The balance amount of Rs.1919.94 Crore is proposed to be carried to Balance Sheet.

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FERTILIZER INDUSTRY – GOVERNMENT POLICY:

The Government of India announced Nutrient Based Subsidy (NBS) rates for FY 2020-21, at the rate of Rs.6,735/- per MT for ANP. There is a marginal reduction in the rates of subsidy per MT compared to previous year. The Fertilizer Industry remains vital to agriculture productivity but continues to operate under a rigid control regime.

The Direct Benefit Transfer (DBT) Scheme for fertilizers was implemented through-out the Country from March 2018. Though the Scheme is called DBT, subsidy continues to be routed through the Industry. This Scheme has changed the business model for Fertilizers Companies. Under this Scheme, the Subsidy becomes due only on sale of fertilizers by the Retailers to the farmers through POS (Point of Sales) machines. Earlier 95% and 90% of the subsidy amount of Urea and Nitro Phosphate respectively were paid on receipt of fertilizers at the field warehouses/retailers.

As a pro-active measure, your Company has adopted Retailers oriented marketing strategies in such a way that the flow of Subsidy has not been affected much. Sales of Company's fertilizers to farmers through POS machines almost matched with dispatch of fertilizers by the Company.

ON-GOING PROJECTS / NEW PROJECTS/ REVAMP SCHEMES:

Your Company is continuously looking for the growth opportunities and has initiated actions for implementation of various projects / Revamp Schemes as under:

1. Formic Acid Capacity Enhancement:

Your Company is implementing Formic Acid (FA) capacity enhancement Project to increase the capacity by 20 MTPD (6,800 MT per annum). The Project will be completed by second Quarter of F.Y. 2021-22 and total capacity of FA would be 85 MTPD.

2. Concentrated Nitric Acid (CNA) – IV Plant:

With the increase in captive consumption of CNA for TDI, market share of the Company is reducing. Hence, the Company is implementing CNA-IV Project with a capacity of 150 MTPD. The Project will be completed by second Quarter of F.Y. 2021-22.

3. Solar Power Generation Project:

To fulfill Renewable Purchase Obligation, 10 MW Solar Power Project at Charanka Solar Park P.O: Charanka, Dist.: Patan is under implementation. The Project will be completed by second Quarter of F.Y. 2021-22.

4. Ammonia Plant revamp:

It is possible to increase the Ammonia production capacity from 1,900 MTPD to 2,050 MTPD by installation of Ammonia Make-up Gas Converter Loop, in existing Ammonia Synthesis Loop. This will increase Ammonia production by 50,000 MT per annum. Actions have been initiated for implementation of this revamp and it is expected to be completed by third Quarter of F.Y. 2023-24.

5. The Neem Project:

A large scale Neem Seed expelling / extraction unit is under implementation to produce about 2,900 MT Neem oil and about 22,000 MT per annum Neem cake and it is expected to be completed by second Quarter of F.Y. 2021-22.

6. Coal based Captive Co-generation Power Plant (CCPP) at Dahej:

The Company has set up 100 MT/Hr capacity Gas Based Boiler at TDI-II Complex, Dahej, to meet captive steam requirement while power is being sourced from DGVCL Grid. There is large variation in gas prices. In order to reduce cost of steam and power and to improve their reliability, a coal based Captive Co-generation Power Plant with a capacity to produce 18 MW power and 150 MT/hr steam is actively being considered.

The above mentioned new Projects / Revamp Schemes would be implemented with estimated investment between Rs.1000 ~ Rs. 1200 Crore.

AWARDS & RECOGNITIONS:

Your Directors are delighted to inform that the Company's overall performance has been recognized and honored through several prestigious Awards for its best practices, business excellence etc. as follows:

- 1) 4th Rank in Environmental Green rating of Indian Fertilizer Industry under its Green Rating Project (GRP).
- 2) Participated in 16th National Awards for Excellence in Cost Management 2018, arranged by the Institute of Cost Accountants of India and the Company got Third Position in the Category of Manufacturing - Public Sector - Mega Unit.

DIRECTORS' RESPONSIBILITY STATEMENT:

Pursuant to the provisions of Sections 134(3)(c) read with 134(5) of the Companies Act, 2013, your Directors confirm that-

- (i) in the preparation of Annual Accounts for the financial year ended 31st March, 2020, the applicable Accounting Standards had been followed along with proper explanation relating to material departures, if any;
- (ii) they had selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company as at end of the financial year on 31st March, 2020 and of the profit of the Company for that period;
- (iii) they had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 2013 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities, if any;
- (iv) they had prepared Annual Accounts on a going concern basis;
- (v) they had laid down internal financial controls to be followed by the Company and that such internal financial controls are adequate and were operating effectively; and
- (vi) they had devised proper systems to ensure compliance with the provisions of all applicable laws and that such systems were adequate and operating effectively.

MATERIAL CHANGES AND COMMITMENTS AFFECTING THE FINANCIAL POSITION OF THE COMPANY:

In terms of the approval accorded by the Board of Directors in its Meeting held on 11-02-2020, the Securities held by GNFC Employees' Fund Trust, were transferred at fair value to the Company, amounting to Rs.730.71 Crores due to surrendering of exemption of GNFC Employees' Provident Fund Trust to the Employees' Provident Fund Organization (EPFO), Government of India w.e.f. 31st March, 2020.

DETAILS OF SUBSIDIARY / JOINT VENTURES / ASSOCIATE COMPANIES:

The Company has Associate Company namely Gujarat Green Revolution Co. Ltd. (GGRCL). The Statements containing salient features of Financial Statements are given in Form AOC-1 as Annexures to the Consolidated Financial Statements and the same have not been repeated here for the sake of brevity.

The Company had incorporated Wholly Owned Subsidiary Company namely Gujarat Ncode Solutions Limited (GNSL) in the year 2017. As the Company has not commenced its business operations, the Company filed an application to the Registrar of Companies for removal of its name from the Register of Companies in terms of Section 248(1) of the Act and the same is under process.

Ecophos GNFC India Pvt. Ltd. (EGIL) a Joint Venture Company was promoted with EcoPhos S.A., Belgium (EcoPhos). EGIL has not been able to commence its business so far due to financial and administrative limitations. Hence, the Operational and Financial performance are not furnished in this Report. As informed by the Trustee / Curator, appointed by the Belgian Court, EcoPhos is declared Bankrupt under the Laws of Belgium. The Trustee has begun Liquidation proceedings for EcoPhos under the Bankruptcy Laws of Belgium.

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CONSOLIDATED FINANCIAL STATEMENTS:

Pursuant to Section 129(3) of the Act, read with Regulation 33 of the SEBI (Listing Obligations & Disclosure Requirements) Regulations, 2015 [SEBI (LODR) Regulations, 2015], as amended, the Company has prepared Consolidated Financial Statements in respect of Associate Company viz. Gujarat Green Revolution Co. Ltd. for the FY 2019-20 and forms part of this Annual Report.

As per the Indian Accounting Standards (Ind AS), the Accounts of the Joint Venture Company viz. EcoPhos GNFC Pvt. Ltd. (EGIL) are not required to be consolidated. Therefore, the same are not included in the Consolidated Financial Statements.

PARTICULARS OF LOANS, GUARANTEES AND INVESTMENTS:

The Company has not made any investment in other bodies corporate or given any Loan or Guarantee or provided any Security in connection with loan to any other body corporate or person during the F.Y. 2019-2020.

PARTICULARS OF CONTRACT OR ARRANGEMENT MADE WITH RELATED PARTY:

The Policy for Related Party Transactions (RPTs) deals with review and approval of RPTs and the same is available on the Company's website at web link <http://www.gnfc.in/aboutus/corporate-policies.html>. The Audit Committee has granted Omnibus approval for RPTs, which are routine and repetitive in nature, based on the criteria approved by the Board of Directors within the overall framework of the said Policy. All RPTs under the Omnibus approval are placed before the Audit Committee periodically for its review and approval.

The Company has not entered into any contract or arrangement with related parties, as referred to in Section 188(1) of the Act during the FY 2019-20. Hence, the disclosure of RPTs in Form AOC-2 as required under Section 134(3)(h) of the Act is not applicable to your Company. Details of Related Party as per Ind AS-24 are given in Note No. 37 to the Standalone Financial Statements.

Requisite details on RPTs have also been furnished in the 'Report on Corporate Governance' forming part of this Report.

MEETINGS OF THE BOARD AND COMMITTEES THEREOF:

(i) Board Meeting:

Four (4) Meetings of the Board of Directors were held during the year.

(ii) Committees of the Board:

Presently, there are seven Committees of the Board as follows:

1. Audit Committee;
2. Stakeholders' Relationship Committee;
3. Nomination and Remuneration Committee;
4. Corporate Social Responsibility Committee
5. Risk Management Committee;
6. Project Committee; and;
7. Human Resource Development Committee.

Details of composition of the Board and its Committees, which are mandatorily required to be constituted, Major Terms of Reference of these Committees, Meetings held during the year and Attendance of Directors at such Meetings are furnished in the 'Report on Corporate Governance', forming part of this Report.

All the recommendations made by the Audit Committee were accepted by the Board.

REMUNERATION POLICY FOR DIRECTORS / KEY MANAGERIAL PERSONNEL / SENIOR MANAGEMENT AND OTHER EMPLOYEES:

The Company has formulated a Nomination, Remuneration & Evaluation Policy as required under Section 178 of the Act and SEBI (LODR) Regulations, 2015. The details of remuneration paid to Directors / Key Managerial Personnel / Senior Management and other employees are furnished in the Report on Corporate Governance, forming part of this Report.

PERFORMANCE EVALUATION OF THE BOARD, ITS COMMITTEES AND INDIVIDUAL DIRECTORS:

The Company has carried out annual performance evaluation of the Board, its Committees and Individual Directors in line with the provisions of the Act and SEBI (LODR) Regulations, 2015, as amended from time to time.

BOARD OF DIRECTORS AND KEY MANAGERIAL PERSONNEL

Chairman of the Company:

Dr. J. N. Singh, IAS (Retd.) has tendered his resignation as Director and Chairman on the Board, effective from 06th December, 2019. Shri Anil Mukim, IAS, Chief Secretary to Government of Gujarat (GoG) was nominated by GoG as Government Nominee Director on the Board vice Dr. J. N. Singh, IAS (Retd). Accordingly, Shri Anil Mukim, IAS, has been appointed as Nominee Director and Chairman of the Company w.e.f. 13th December, 2019.

Retirement of Director(s) by Rotation:

In terms of Section 152 of the Act, Smt. Mamta Verma, IAS will retire by rotation at this AGM and is proposed to be re-appointed thereat.

Declaration by Independent Directors:

In terms of Section 149(7) of the Act and SEBI (LODR) Regulations, 2015, the Company has received necessary declarations from all Independent Directors to the effect that they meet with the criteria of independence as laid down in Section 149(6) of the Act and Regulation 16(1)(b) of Listing Regulations, 2015, as amended.

Change in Directorate:

The information relating to change in Directorate during the year is furnished in the 'Report on Corporate Governance' forming part of this Report.

Your Directors place on record their deep sense of appreciation for the valuable services rendered by the outgoing Director(s) and take this opportunity to welcome the incoming Director(s).

Key Managerial Personnel:

During the year under review, Shri A C Shah, (ACS No. 07564) has been appointed as "Company Secretary, Compliance Officer and Key Managerial Personnel" of the Company w.e.f. 11th February, 2020 in place of Shri T. J. Lakhmapurkar, resigned.

INVESTOR EDUCATION AND PROTECTION FUND (IEPF):

Pursuant to the applicable provisions of the Act, read with the IEPF Authority (Accounting, Audit, Transfer and Refund) Rules, 2016 ('the Rules') as amended, all unpaid or unclaimed dividends which were required to be transferred by the Company to the IEPF were transferred to IEPF Authority. The Company has also transferred 2,65,553 shares held by 4,403 Shareholders in respect of which dividend amount remained unpaid / unclaimed for a consecutive period of seven years or more to IEPF Authority within stipulated time.

The details of unpaid / unclaimed dividend and the shares transferred to IEPF Authority are available on the Company's website at web links- <http://www.gnfc.in/unpaiddividend.html> and <https://www.gnfc.in/transfer-of-shares-to-iepf-authority.html> respectively.

DISCLOSURE UNDER THE SEXUAL HARASSMENT OF WOMEN AT WORKPLACE (PREVENTION, PROHIBITION AND REDRESSAL) ACT, 2013:

Requisite details have been furnished in "Report on Corporate Governance" forming part of this Report.

RISK MANAGEMENT AND INTERNAL CONTROL SYSTEM AND ITS ADEQUACY:

The Company has in place a Risk Management Policy. Under this Policy, various risks pertaining to Operations & Maintenance of Plants, financial and other organizational risks are assessed, evaluated and continuously monitored for taking effective steps for its mitigation.

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In compliance with Regulation 21 of SEBI (LODR) (Amendment) Regulations, 2018, the Board of Directors has constituted a Risk Management Committee (RMC) defining its Terms of Reference (ToR) in its Meeting held on 11th February, 2019. The details as to the constitution of RMC and its major ToR are included in the Report on Corporate Governance, forming part of this Report.

The Risk Management Report, inter-alia, containing major anxiety areas of risks and action plan for its mitigation and noteworthy risk management activities carried out by the Company is put-up before the Meetings of the Audit Committee, RMC and the Board of Directors for its review.

The Company has adequate internal controls commensurate with the nature of business, size and complexity of its operations. Details of internal control system and its adequacy are furnished in "Management Discussion & Analysis Report", forming part of this Report.

EXTRACT OF ANNUAL RETURN:

As per the requirement of Section 92(3) of the Act read with Rule 12 (1) of the Companies (Management and Administration) Rules, 2014, the Extract of the Annual return in the Form MGT-9 is given in Annexure - A to this Report. The same is available on the Company's Website at web-link - <https://www.gnfc.in/mgt-9-extract-annual-return.html>

CORPORATE SOCIAL RESPONSIBILITY (CSR):

In accordance with the requirements of Section 135 of the Act, read with the Companies (Corporate Social Responsibility Policy) Rules, 2014, the Company has constituted a Corporate Social Responsibility Committee and formulated a CSR Policy. As a responsible corporate, the Company has been undertaking societal activities directly as well as through its CSR arm – Narmadanagar Rural Development Society (NARDES) in the major areas, which are covered in CSR Policy and Schedule-VII to the Act.

Company's CSR Policy is available on the website of the Company at web link <http://www.gnfc.in/corporate-social-responsibility.html> Annual Report on CSR activities as required under Rule 9 of the Companies (Accounts) Rules, 2014 read with Rule 8 of Companies (Corporate Social Responsibility Policy) Rules, 2014 is enclosed as Annexure - B to this Report. The said Report on CSR activities inter-alia includes the reasons for not spending the amount of 2% of average net profits of last three financial years by the Company, as required under Section 135(5) of the Act.

VIGIL MECHANISM-CUM-WHISTLE BLOWER POLICY:

The Company has formulated a "Vigil Mechanism-cum-Whistle Blower Policy" for its Directors and Employees to report their genuine concerns, details of which have been furnished in the "Report on Corporate Governance", forming part of this Report.

SIGNIFICANT AND MATERIAL ORDERS:

There are no significant or material orders passed by the Regulators or Courts or Tribunals impacting the going concern status of the Company and its operations in future.

MANAGEMENT DISCUSSION & ANALYSIS AND REPORT ON CORPORATE GOVERNANCE:

"Management Discussion & Analysis" on the business and operations of the Company and the Report on Corporate Governance together with the followings are attached herewith and form part of this Annual Report.

- Declaration by Managing Director regarding compliance of the Company's Code of Conduct by the Board Members and Senior Management Personnel.
- Certificate by Practicing Company Secretary certifying:
 - (i) compliance of the conditions of Corporate Governance by the Company; and
 - (ii) that none of the Directors of the Company have been debarred or disqualified from being appointed or continuing as Directors of Companies by the Securities and Exchange Board of India / Ministry of Corporate Affairs or any such Statutory Authority.

BUSINESS RESPONSIBILITY REPORT:

The Company has been conducting its business in such a way that it delivers both long term stakeholders' value and benefit Society under the approach of "Creating Shared Value". As required under Regulation 34 of the SEBI (LODR) Regulations, 2015 Business Responsibility Report is enclosed at Annexure-C to this Report.

INFORMATION REGARDING CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION, FOREIGN EXCHANGE EARNINGS AND OUTGO:

As required under Section 134(3)(m) of the Act read with Rule 8(3) of the Companies (Accounts) Rules, 2014, requisite information on conservation of Energy, Technology Absorption and Foreign Exchange Earnings and Outgo is furnished in the enclosed Annexure - D to this Report.

PARTICULARS OF EMPLOYEES AND REMUNERATION:

The required information under Section 197(12) of the Act read with Rule 5(1)(2)&(3) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 is furnished in the enclosed Annexures - E & F to this Report.

AUDITORS AND AUDITORS' REPORT:

Pursuant to the provisions of Section 139 and other applicable provisions of the Act and relevant Rules made there under, the Members of the Company had at their 40th AGM held on 30th September, 2016 appointed M/s SRBC & Co. LLP, Chartered Accountants, a Member Firm of E&Y India as Statutory Auditors of the Company for a term of five consecutive years, until the conclusion of 45th AGM to be held in the year 2021, on such remuneration as may be determined by the Board of Directors, based on the recommendation of Audit Committee plus applicable taxes and reasonable out of pocket expenses actually incurred by them during the course of Audit and subject to ratification of their appointment at every AGM held thereafter.

However, in view of the amendment in Section 139(1) vide the Companies Amendment Act, 2017, ratification for appointment of Statutory Auditors is not required at every AGM, when the Auditors have been appointed for a term of five years. Hence, resolution for the same is not included in the Notice of this AGM.

Notes to Financial Statements (Standalone and Consolidated) forming part of Audited Financial Statements for FY 2019-20 are self-explanatory and need no further explanation. The Auditors' Reports on Audited Financial Statements (Standalone and Consolidated) do not contain any Modified Opinions.

COST AUDITOR

The Board of Directors in its Meeting held on 10-07-2020, based on the recommendations of Audit Committee, has appointed M/s Dalwadi & Associates, Cost Accountants, Ahmedabad, as the Cost Auditor of the Company for the F.Y. 2020-21 at a remuneration of Rs.4.60 Lakhs per annum plus out of pocket expenses and statutory levies.

In accordance with Section 148 of the Act read with Rule 14 of the Companies (Audit & Auditors) Rules, 2014, the remuneration of Rs.4.60 Lakhs per annum payable to Cost Auditors for the FY 2020-21 is subject to ratification by the Shareholders at the AGM. Therefore, a suitable Resolution in this regard has been proposed in the Notice of this AGM for your approval.

The Company had e-filed the Cost Audit Report for the FY 2018-19 with the Ministry of Corporate Affairs (Cost Audit Branch) on 11th September, 2019. The due date of filing the said Report was 30th September, 2019.

SECRETARIAL AUDITOR:

In pursuance of Section 204 of the Act and the Rules made thereunder, the Board of Directors in its Meeting held on 11-02-2020 re-appointed M/s J.J.Gandhi & Co., Practicing Company Secretaries, Vadodara as Secretarial Auditor for FY 2019-20. The Secretarial Audit Report in Form MR-3 in respect of Secretarial Audit work carried out by them for FY 2019-20 is enclosed at Annexure - G to this Report. The said Report does not contain any qualification, reservation or adverse remark.

DIVIDEND DISTRIBUTION POLICY:

As per Regulation 43A of SEBI (LODR) Regulations, 2015, Dividend Distribution Policy of the Company inter-alia, set-out the various parameters and circumstances that are to be taken into account while determining the distribution of dividend to the

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Shareholders and / or retaining profits by the Company. The said Policy is enclosed at Annexure – H to this Report and the same is also available on the Company's website at web link <http://www.gnfc.in/PDFandWORD/Dividend-Distribution-Policy.pdf>

DISCLOSURE ON COMPLIANCE OF SECRETARIAL STANDARDS:

The Company has complied with the applicable Secretarial Standards issued by the Institute of Company Secretaries of India and approved by the Central Government.

DETAILS OF FRAUDS, IF ANY, REPORTED BY THE AUDITORS:

During the year, there was no fraud to be reported by Auditors under Section 143(12) of the Act.

FIXED DEPOSITS:

The Company has not accepted any Fixed Deposit during the year.

INSURANCE:

The properties, insurable assets and interest of the Company such as Buildings, Plants & Machineries and Stocks amongst others, are adequately insured. As required under Public Liability Insurance Act, 1991, the Company has also taken necessary insurance cover.

INDUSTRIAL RELATIONS:

The Industrial Relations within the Company remained cordial and harmonious throughout the year. Cordial Industrial Relations have been a forte at the Company. It has helped the Company to achieve satisfactory performance on Operational and Financial front and in achieving targets without any difficulties.

Your Directors put on record their sincere appreciation for the dedicated and committed contributions made by all employees at all levels for the sustainable growth of the Company.

ACKNOWLEDGEMENTS:

The Board of Directors wish to place on record their deep sense of gratitude for the kind support and guidance received from Government of India and Government of Gujarat. Your Directors also take this opportunity of extending their 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 and valued Investors for strengthening their bond with the Company.

For and on behalf of the Board of Directors,

**Shri Anil Mukim, IAS
Chairman**

Place : Gandhinagar

Date: 14th July, 2020