

**CORPORATE GOVERNANCE FOR THE YEAR 2002-03**

(As required under clause 49 of the Listing Agreement entered into with the Stock Exchanges)

**1. Company's Philosophy on Code of Governance**

The Company firmly believes in and has consistently endeavoured to practice good Corporate Governance.

The spirit of Corporate Governance has prevailed in the Company and has influenced its decisions and policies. The Company firmly believes in the values of transparency, professionalism and accountability in its dealings with its customers, suppliers, lenders, employees, and shareholders and with every individual who comes in contact with the Company.

**2. Board of Directors**

As on 31<sup>st</sup> March 2003, the 16 member Board comprised of 10 Non – Executive Directors and Institutional Nominees and the day to day affairs of the Company are managed by the Managing Director and 5 Whole time Directors.

None of the Directors on the Board is a Member on more than 10 Committees and Chairman of more than 5 Committees (as specified in Clause 49) across all the Companies in which he is a Director. The necessary disclosures regarding Committee positions have been made by the Directors.

During the year four Board Meetings were held on 24th April 2002, 26th July 2002, 30<sup>th</sup> October 2002 and 24th January 2003.

The composition and category of Directors and the attendance at the Board Meetings during the year and the last Annual General Meeting, as also the number of Directorships and Committee Memberships held by them in other companies are given below:

Sl. No	Name of Director	Category of Directorship	No of Board meetings attended	Attendance at last AGM	No of Director-ship in other Companies**	No of committees positions held as Chairman in other public Companies	No of committees positions held as member in other public Companies
1	Mr. Sanjay Dalmia	Promoter	4	Yes	7	—	—
2	Mr. Anurag Dalmia	Promoter	4	No	8	—	—
3*	Mr. L Mansingh (Upto 30 <sup>th</sup> October 2002)	Promoter	2	No	N/A	N/A	N/A
4*	Mr. Hasmukh Adhia	Nominee - GIIC	3	No	2	—	—
5*	Mr. D Rajgopalan (w.e.f. 30.10.2002)	Promoter	2	No	10	—	—
6*	Mr. G P Joshi (Upto 26.7.2002)	Nominee - GIIC	1	No	N/A	N/A	N/A
7*	Mr. C L Meena (w.e.f. 26.7.2002)	Promoter	3	Yes	13	—	—
8*	Mr. B N Makhija	Nominee - GIIC	4	No	2	—	—
9*	Mr. H H Faruqi	Independent Nominee- IDBI Nominee - LIC	3	Yes	—	—	—
10*	Dr. B C Jain	Independent	4	Yes	1	—	1
11	Mr. S H Ruparell	Promoter - Nominee	—	No	—	—	—
12	Mr. Mahesh Kheria	Alt to S H Ruparell	4	No	—	—	—
13	Mr. Naresh Chandra	Promoter - Nominee	4	No	1	—	—
14	Mr. S K Mukherjee	Managing Director	4	Yes	2	—	—
15	Mr. P Sampath	Executive Director	4	Yes	1	—	—
16	Mr. Tej Malhotra	Executive Director	4	Yes	—	—	—
17	Mr. N S Ramachandran	Executive Director	4	Yes	—	—	—
18	Mr. K K Ahuja	Executive Director	4	No	5	—	—
19	Mr. R S Jalan	Executive Director	4	No	1	—	2
20	Mr. Shyam Viswanathan (Upto 31.1.03)	Director	4	No	—	—	—



\* Denotes Independent Directors.

\*\* Excludes Directorships in Indian Private Limited Companies, Government Corporations and Foreign companies.

**3 Audit Committee**

The Audit Committee of the Board met four times during the financial year ended 31<sup>st</sup> March 2003, on the following dates:

24<sup>th</sup> April 2002, 19<sup>th</sup> July 2002, 29<sup>th</sup> October 2002 and 24<sup>th</sup> January 2003. The necessary quorum was present at the meeting.

## Composition

The Audit Committee of the Board comprises of Non - Executive Directors and the attendance of the members at the meetings were as follows:-

Sl No.	Name	Status	No of Meetings attended
1.	Dr. B C Jain	Chairman	4
2.	Mr. H H Faruqi	Member	4
3.	Mr. C L Meena (w.e.f. 26.7.2002)	Member	2
4.	Mr. L Mansingh (upto 30.10.2002)	Member	2

The Statutory Auditors, the Executive Director – Finance, Company Secretary and Head of Internal Audit were invitees to the Audit Committee Meetings.

### Terms of Reference:

The broad terms of reference of the Audit Committee are to review reports of the Internal Audit Department and discuss the same with the Internal Auditors periodically, to meet Statutory Auditors to discuss their findings, suggestions and other related matters and to review weaknesses in internal controls reported by Internal and Statutory Auditors. The scope of activities of the Audit Committee include the areas prescribed by Clause 49 II(D) and has been granted powers as prescribed under Clause 49 II ( C ) of the Listing Agreement.

The Company has complied with the requirements of Clause 49 II (A) as regards composition of the Audit Committee. Dr. B C Jain, Chairman of the Audit Committee is an expert in accounting and financial matter and he was present in the Annual General Meeting held on 24<sup>th</sup> September 2002 to answer the queries of shareholders.

### 4. Remuneration Committee:

The Company has constituted a Remuneration Committee as early as 1995. The broad terms of reference of the Remuneration Committee are to recommend salaries (including annual increments), perquisites and commission to be paid to the Company's Managing / Whole time and Non Whole time Directors, within the overall ceiling fixed by the Members. During the financial year ended 31<sup>st</sup> March 2003, the Remuneration Committee has met on 19<sup>th</sup> July 2002.

The Remuneration Committee of the Board comprises of Non-Executive Directors and the details of meeting attended by Directors are as follows:

Names	Status	No of Meetings attended
Mr. Sanjay Dalmia	Chairman	1
Dr. B C Jain	Member	1
Mr. H H Faruqi	Member	1

### Remuneration Policy:

Payment of remuneration to the Managing and Whole time Director is governed by the respective Agreements executed between them and the Company. These Agreements were approved by the Board and the Shareholders. Their Remuneration structure comprises salary / commission linked

to profits, perquisites and allowances, contribution to provident fund and Superannuation. The Non - Executive Directors do not draw any remuneration from the Company other than the sitting fee and such commission as may be determined by the Board from time to time.

Details of remuneration, commission and sitting fee paid/payable to the Directors of the Company for the financial year 2002-03 are given below:

Non Wholetime Directors (in Rupees)

Name	Sitting Fees	Commission**
Mr. Sanjay Dalmia	55,000	4,50,000
Mr. Anurag Dalmia	20,000	4,50,000
Mr. L Mansingh*†	35,000	2,61,370
Mr. D Rajagopalan†	10,000	1,88,630
Mr. C L Meena†	40,000	3,06,987
Mr. Hasmukh Adhia†	15,000	4,50,000
Mr. G P Joshi*†	5,000	1,43,013
Mr. B N Makhija†	20,000	4,50,000
Mr. H H Faruqi†	65,000	4,50,000
Dr. B C Jain	75,000	4,50,000
Mr. S H Ruparell	—	—
Mr. Mahesh Kheria	20,000	4,50,000
Mr. Naresh Chandra	20,000	4,50,000
Mr. R S Jalan*	5,000	—
Mr. Shyam Viswanathan	20,000	—

\* For Part of the year

† Sitting Fees and Commission paid to GIIC Ltd.

‡ Commission paid to Institutions they represent.

\*\* Commission payable to some or any one of the Non Whole time Director shall in aggregate not exceed 1% per annum of the net profit of the Company calculated under the provisions of the Companies Act, 1956.

Wholetime Directors

Name	Salary and other perquisites#	Commission
Mr. S K Mukherjee	25,22,200	35,00,000
Mr. P Sampath	18,32,644	14,00,000
Mr. Tej Malhotra	12,26,304	8,00,000
Mr. N S Ramachandran	15,86,120	7,00,000
Mr. K K Ahuja	16,43,904	7,00,000
Mr. R S Jalan	14,38,869	5,71,507

# Includes Company's contribution to Provident Fund and Superannuation Fund.

\*Includes salary received from erstwhile The Sree Meenakshi Mills Limited prior to becoming Wholetime Director of the Company w.e.f. 7<sup>th</sup> June 2002

Notes:

- The agreement with the Managing and Whole Time Directors is for a period of five years. Either party to the agreement is entitled to terminate the agreement by giving six calendar months prior notice in writing to the other party.
- Presently the Company does not have a scheme of Stock Options either to working Directors or employees of the Company.
- Mr. S K Mukherjee has stepped down as Managing Director of the Company w.e.f. 1<sup>st</sup> May 2003 but continues to be a Director on the Board.

## 5. Shareholders / Investors Grievance Committee

### Grievance Committee

The Board has constituted Shareholders / Investors Grievance Committee in April, 2001, in order to expedite the process of redressal of complaints like transfer of shares, non – receipts of Balance Sheet, non - receipts of declared dividends, etc. The Committee meets at least once in a fortnight to expedite all matters relating to Shareholders / Investors Grievances. The composition of Committee is as under:

S. No	Name	Status
1	Mr. Anurag Dalmia	Chairman
2	Mr. Mahesh Kheria	Member
3	Mr. P Sampath	Member
4	Mr. N S Ramachandran	Member
5	Mr. K K Ahuja	Member

### Committee for Share transfer and Operations

In order to expedite the process of transfer of shares, Dematerialization, Consolidation, sub division and operations and providing authority for various functional requirements, a Committee for Share Transfer / Operations was formed in its existence since 13<sup>th</sup> February 1988. This Committee meets at least once in a fortnight to expedite all matters relating to Share Transfer and Operations and granting authority for various functional requirements in line with the delegated authority of Board of Directors from time to time. The composition of the Committee is as under:

S. No	Name	Status
1	Mr. Sanjay Dalmia	Member
2	Mr. Anurag Dalmia	Member
3	Dr. B C Jain	Member
4	Mr. P Sampath	Member
5	Mr. N S Ramachandran	Member
6	Mr. K K Ahuja	Member

### Name and designation of Compliance Officer:

Mr. J P Mehrotra – Sr. General Manager (Finance) & Company Secretary

Mr. Pramod Mehendale, Intime Spectrum Registry Limited (Share Transfer Registrar of the Company)

### Status of Total Complaints received during the financial year 2002-03 are given below:

S. No.	Type of Complaints	Total No. of Complaints received during 2002-03	Total No. of Complaints resolved during 2002-03	Total No. of Complaints pending as on 31-3-03
1	Non – receipt of dividend	613	613	0
2	Share transfer including D mat request.	244	244	0
3	Non receipt of Annual Report	69	69	0

## 6. General Body Meeting:

- a) The last three Annual General Meeting of the Company were held within the Statutory Time period and the

details of the same are reproduced hereinbelow

Financial Year	Date	Time	Venue
2001-2002	24.09.2002	11.00 AM	Gajjar Hall, Nariman Bhawan, Law College Road, Ahmedabad
2000-2001	21.09.2001	11.00 AM	Gajjar Hall, Nariman Bhawan, Law College Road, Ahmedabad
1999-2000	20.09.2000	11.00 AM	Gajjar Hall, Nariman Bhawan, Law College Road, Ahmedabad

The last two Extra-Ordinary General Meetings were held as under

Financial Year	Date	Time	Venue
2000-2001	08.12.2000	11.00 AM	Gajjar Hall, Nariman Bhawan, Law College Road, Ahmedabad
1999-2000	03.12.1999	11.00 AM	Gajjar Hall, Nariman Bhawan, Law College Road, Ahmedabad

## b) Special Resolutions:

Following Special Resolutions were passed at the last Annual General Meeting:

- Appointment of Auditors
  - Amendment of Articles of Association of the Company.
  - Authorisation for making application for voluntary delisting of shares of the company from Delhi & Calcutta Stock Exchanges.
- c) All Special Resolutions moved at the last AGM were unanimously passed on a show of hands by the shareholders present at the meeting and no resolution was put to vote by postal ballot.
- d) No Special resolution was put through postal ballot last year.

## 7. Disclosures:

### Disclosure on materially significant related party transactions

No transaction of material nature has been entered into by the Company with its promoters, Directors, or the management or relatives etc. that may have potential conflict with the interest of the Company. Transactions with related parties are disclosed in notes to the accounts in this Annual Report.

### Disclosure of non-compliance by the Company.

There were no instances of non-compliance of any matter related to the capital markets during the last three years except the filing of documents under the SEBI Regularization Scheme 2002.

## 8. Means of communications:

- The quarterly /six monthly results of the Company were published during the year under review in leading

# Gujarat Heavy Chemicals Limited



national newspapers namely , Business Standard (all editions) and Jansatta (Regional language) (Gujarat edition) and also displayed at (<http://www.ghclindia.com>)

- Management Discussion and Analysis Report forms part of this Annual Report

## 9. General shareholder's Information

Annual General Meeting :	26 <sup>th</sup> September 2003 at 11.00 AM at The Institution of Engineers (India), Gujarat State Centre, Bhaikaka Bhavan, Law College Road, Ahmedabad - 380 006 (Opp. Gajjar Hall)
Date, time & Venue	

As required under Clause 49 VI (A), particulars of Directors seeking appointment/reappointment are given in the Notice to the Annual General Meeting to be held on 26<sup>th</sup> September 2003.

Financial Calender (Tentative)	
- Financial reporting for the Quarter ending June 30, 2003	End of July, 2003
- Financial reporting for the Quarter ending Sept. 30, 2003	End of October, 2003
- Financial reporting for the Quarter ending Dec. 30, 2003	End of January, 2004
- Financial reporting for the Quarter ending March 31, 2004	End of April, 2004
- Annual General Meeting for the year ending March 31, 2004	August/Sept., 2004

Book closure dates	15 <sup>th</sup> September 2003 to 26 <sup>th</sup> September 2003 (both days inclusive)
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Dividend Payment	Final dividend @ 23% will be paid on or after 30 <sup>th</sup> September 2003, if approved by the members in the ensuing Annual General Meeting
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Listing on Stock Exchanges	Equity Shares of the Company are listed at following Stock Exchanges:
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The Stock Exchange  
Mumbai,  
Phiroze Jeejeebhoy, Dalal Street, Mumbai – 400 001

The Stock Exchange  
Ahmedabad, Kamdhenu Complex, Opp. Sahajanand College, Ahmedabad – 380 015

The Delhi Stock Exchange, Association Limited  
DSE House, 8/1 Asaf Ali Road, New Delhi – 110 002

The Calcutta Stock Exchange, Association Limited  
7, Lyons Range, Calcutta – 700 001

## Listing Fees

Listing fees for all the aforesaid Stock Exchanges for the financial year 2003-04 have been paid

## Stock Code:

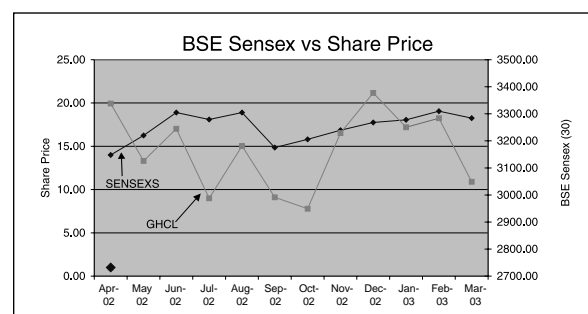
### Bombay Stock Exchange

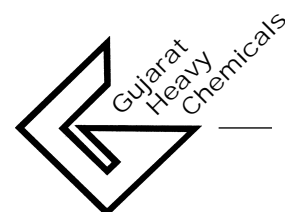
-Physical	171
-Dematerialised	INE 539A01019

## MONTHWISE STOCK MARKET DATA (BSE & NSE) RELATING TO EQUITY SHARES OF THE COMPANY FOR THE PERIOD 1-4-2002 TO 31-3-2003

Period April 2002 to March 2003	Share Traded (Nos.)			Price Per Share (Rs.)		Price Per Share (Rs.)	
	BSE	NSE	Total	High	Low	High	Low
April	7,62,633	12,75,627	20,38,260	15.25	12.00	15.00	12.10
May	13,09,063	19,15,319	32,24,382	18.00	12.95	17.95	13.00
June	51,79,661	49,29,424	101,09,085	20.40	15.50	20.50	15.65
July	26,10,007	42,17,756	68,27,763	21.90	17.05	21.55	17.05
August	5,22,536	11,83,519	17,06,055	19.75	18.15	19.75	18.10
September	4,50,115	9,22,792	13,72,907	19.85	13.25	19.85	14.50
October	2,75,759	5,90,177	8,65,936	17.80	14.90	18.20	14.90
November	1,95,631	4,67,362	6,62,993	17.20	15.80	17.25	15.25
December	2,89,645	7,92,499	10,82,144	19.80	16.80	18.70	16.80
January	6,24,587	13,95,964	20,20,551	18.85	17.25	18.90	17.00
February	3,89,155	13,04,626	16,93,781	19.90	17.70	19.85	17.75
March	3,26,548	8,02,582	11,29,130	19.25	18.10	19.80	17.50

Performance in comparison to broad based indices such as BSE.





## Address for investor correspondence

For any assistance regarding dematerialization of shares, share transfers, transmissions, change of address, non receipt of dividend or any other quarry relating to shares, please write to :

Intime Spectrum Registry Ltd.  
C-13, Pannalal Silk Mills Compound, LBS Marg, Bhandup (West)  
Mumbai - 400 078  
Phone 022 25923837/  
31070256/7  
Fax: 022 25689678/  
5672693  
E Mail isrl@vsnl.com

For general correspondence:  
Gujarat Heavy Chemicals Limited  
B-38 Institutional Area,  
Sector – 1 Noida 201 301  
Phone: 0120 2535335  
Fax # 0120 2534153/5209  
E-mail: ghcl@vsnl.com

**Share Transfer System**

The Share Transfer Committee meets every fortnight. Share transfers in physical form are re-registered or returned within a period of 15 to 20 days from the date of receipt in case documents are completed in all respects.

**Dematerialisation of Shares and Liquidity**

72.42% of the outstanding shares have been dematerialised as on 31<sup>st</sup> March 2003. Trading in company's shares is permitted only in dematerialised form with effect from 28<sup>th</sup> August 2000 as per notification issued by the Securities and Exchange Board of India.

The Company provides facility for simultaneous transfer and dematerialisation of equity shares as per the procedure prescribed by NSDL and CDSL.

**Outstanding GDRs/ADRs/ Warrants or any convertible Instruments – Nil**

## DISTRIBUTION OF SHAREHOLDING AS ON MARCH 31, 2003

No. of Shares held of Rs.10 each between	No. of Share-holders	% of Total Share-holders	No. of Shares	% of Total Shares
1 5000	62,746	88.33	115,02,029	12.09
5001 10000	5,111	7.19	44,81,649	4.71
10001 20000	1,777	2.50	28,48,810	3.00
20001 30000	506	0.71	13,17,011	1.40
30001 40000	209	0.29	7,63,417	0.80
40001 50000	222	0.31	10,69,073	1.12
50001 100000	261	0.38	19,42,037	2.04
100001 above	208	0.29	7,11,64,385	74.84
<b>Total</b>	<b>71,040</b>	<b>100.00</b>	<b>9,50,88,411</b>	<b>100.00</b>

## CATEGORIES OF SHAREHOLDERS AS ON MARCH 31, 2003

Sl. No.	Category	No. of Folios	Total Shares held	% to the Share Capital
1.	Public	67,430	2,39,39,829	25.18
2.	Mutual Funds	10	18,963	0.02
3.	Insurance Company	4	9,10,135	0.96
4.	Nationalised/ Other Banks	18	46,703	0.05
5.	Indian Financial Institutions	7	1,91,55,669	20.15
6.	Foreign Institutional Investor	1	500	0.00
7.	Non Resident Indian	2,568	23,43,513	2.46
8.	Directors & Relatives	3	4,950	0.01
9.	Corporate Bodies	999	4,86,68,149	51.18
<b>Total</b>		<b>71,040</b>	<b>9,50,88,411</b>	<b>100.00</b>

## Plant Locations:

### Soda Ash Plant

Village: Sutrapada  
Near Veraval,  
Distt. Junagarh – 362 265  
Gujarat

### Salt Works & Refinery

a) Ayyakaramulam  
Kadinalvayal - 614 707  
Distt. Nagapattinam  
Tamilnadu

b) Nemeli Road,  
Thiruporur - 603 110  
Tamil Nadu

### Textile Division

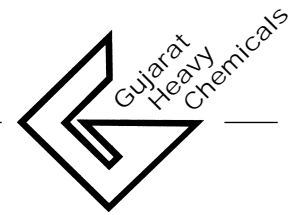
(a) Samayanallur P.O,  
Madurai – 625 402.

(b) Thaikesar Alai P.O,  
Manaparai – 621 312

### ITES Division

C - 38 Sector - 58  
Noida





**AUDITORS' CERTIFICATE**

To the Members of  
GUJARAT HEAVY CHEMICALS LIMITED

We have examined the compliance of conditions of corporate governance by Gujarat Heavy Chemicals Limited ( the company ), for the year ended on 31<sup>st</sup> March 2003, as stipulated in clause 49 of the Listing Agreement of the said company with stock exchanges.

The compliance of conditions of corporate governance is the responsibility of the management. Our examination was limited to procedures and implementation thereof, adopted by the company for ensuing the compliance of the conditions of the Corporate Governance. 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, we certify that the company has complied with the conditions of Corporate Governance as stipulated in the above mentioned Listing Agreement.

As required by the Guidance Note by the Institute of Chartered Accountant of India we have to state that based on the report given by the Registrars and Share Transfer Agents of the Company to the Investors' Grievance Committee, as on 31<sup>st</sup> March 2003 there were no investor grievance matters against the Company remaining unattended / pending for more than 30 days.

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 and on behalf of  
JAYANTILAL THAKKAR & CO.  
Chartered Accountants

(C. V. THAKKER)  
Partner

For and on behalf of  
RAHUL GAUTAM DIVAN & ASSOCIATES  
Chartered Accountants

(RAHUL DIVAN)  
Partner

Place : Mumbai  
Dated : 1<sup>st</sup> August, 2003.

