



**CHAMBAL FERTILISERS
AND CHEMICALS LIMITED**

**TWENTIETH ANNUAL REPORT
2004-2005**

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DIRECTORS

Dr. K.K. Birla
Chairman

S.K. Poddar
Co-Chairman

H.S. Bawa
Vice Chairman

Sunil Sethy
Managing Director

R.N. Bansal

Dipankar Basu

Shyam S. Bhartia

M.D. Locke
(Alternate: C.S. Nopany)

A.J.A. Tauro

Marco Wadia

**GENERAL MANAGER -
LEGAL & SECRETARY**

M.S. Rathore

SENIOR EXECUTIVES

D.L. Birla
Executive President – BTM

Ashok Kak
Executive President – India Steamship

Deepak Kapur
Vice President – Food Processing

V. Krishnan
Vice President – Corporate Finance

Vinod Mehra
Vice President – Operations

S. Mohan
Vice President – Corporate HR

S.K. Patra
Vice President – Marketing

M. George Peter
Vice President – Central Purchasing

Krishna Srinivasan
Chief Executive Officer – IT Business

LEGAL ADVISORS

Crawford Bayley & Co.
Mumbai

AUDITORS

S.R. Batliboi & Co.
Chartered Accountants

DEBENTURE TRUSTEE

UTI Bank Ltd.

BANKERS

Bank of Baroda

Allahabad Bank

Citibank

HDFC Bank

ICICI Bank

ING Vysya Bank

Punjab National Bank

State Bank of Hyderabad

State Bank of India

State Bank of Mysore

State Bank of Patiala

UTI Bank

Registered Office: Gadepan, Distt. Kota, Rajasthan, PIN - 325 208
Corporate office: International Trade Tower, E Block, 14th Floor, Nehru Place, New Delhi - 110 019

NOTICE

NOTICE is hereby given that the Twentieth Annual General Meeting of the members of the Company will be held at 1030 hours on Thursday, October 20, 2005 at the Registered Office of the Company at Gadepan, Distt. Kota, Rajasthan, to transact the following businesses:

ORDINARY BUSINESS:

1. To receive, consider and adopt the audited Balance Sheet as at March 31, 2005, Profit & Loss Account for the year ended on that date and reports of Directors and Auditors thereon;
2. To consider declaration of dividend on Cumulative Preference Shares and Equity Shares;
3. To appoint a director in place of Dr. K.K. Birla, who retires by rotation and is eligible for re-appointment;
4. To appoint a director in place of Mr. H.S. Bawa, who retires by rotation and is eligible for re-appointment;
5. To appoint a director in place of Mr. R.N. Bansal, who retires by rotation and is eligible for re-appointment;
6. To appoint M/s. S. R. Batliboi & Co., Chartered Accountants, as Statutory Auditors of the Company and fix their remuneration.
7. To appoint M/s. Singhi & Co., Chartered Accountants, as Branch Auditors for Shipping Business of the Company and fix their remuneration.

SPECIAL BUSINESS:

8. 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 all other applicable provisions of the Companies Act, 1956, the Company hereby approves the following remuneration of Mr. Sunil Sethy, Managing Director of the Company:
a) basic salary of Rs. 2,25,000 per month for the financial year 2005-06, in the revised basic salary range of Rs. 2,00,000 to Rs. 6,00,000 per month together with the allowances and perquisites as per the revised agreement entered into between the Company and Mr. Sunil Sethy; and
b) performance bonus of Rs. 6,00,000 for the financial year 2004-05."

FURTHER RESOLVED THAT the Board of Directors be and is hereby specifically authorised to determine such increments (within the aforesaid salary range) and performance bonus upto a maximum of four months' basic salary, payable to Mr. Sunil Sethy as it may deem fit and proper."

By order of the Board

New Delhi
August 20, 2005

M. S. Rathore
General Manager- Legal & Secretary

Notes

1. **Proxy**
A member entitled to attend and vote is entitled to appoint a proxy to attend and vote in his / her stead and a proxy need not be a member of the Company. Proxies, in order to be effective, must be received by the company not less than 48 hours before the scheduled time of the meeting. A blank proxy form is annexed to the annual report.
2. **Book Closure**
The Register of Members and Share Transfer Books of the Company shall remain closed from Tuesday, October 4, 2005 to Monday, October 10, 2005 (both days inclusive).
3. **Explanatory Statement**
The Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956, in respect of Item No. 8 of the Notice is given below and forms part hereof.
4. **Payment of Dividend**
The Dividend on Preference and Equity Shares (including on the shares to be allotted to the shareholders of erstwhile

India Steamship Company Limited pursuant to the Scheme of Arrangement and Amalgamation) for the year ended March 31, 2005, will be paid after declaration by the members:

- (i) In respect of shares held in physical form, to those members whose names appear on the Register of Members of the Company on October 10, 2005, after giving effect to all valid share transfers lodged with the Company on or before Monday, October 3, 2005.
- (ii) In respect of shares held in electronic form, to those beneficial owners whose names appear in the statements of beneficial ownership furnished by National Securities Depository Limited and Central Depository Services (India) Limited as at the end of business on Monday, October 3, 2005.

The Members are hereby informed that the Company would transfer the dividends, which remain unclaimed over a period of 7 years, to the Investor Education and Protection Fund (IEP Fund) constituted by the Central Government under section 205C of the Companies Act, 1956.



The following are the details of dividends paid by the Company and respective due dates for transfer of unclaimed dividend to IEP Fund:

Dividend Year	Date of Declaration of Dividend	Due date for Transfer to IEP Fund
1997-98	24.08.98	03.10.05
1998-99	25.08.99	04.10.06
1999-00	11.08.00	20.09.07
2000-01	14.09.01	12.10.08
2001-02	12.09.02	10.10.09
2002-03	12.09.03	10.10.10
2003-04	20.08.04	19.09.11

Further, the Company shall not be in a position to entertain the claims of the shareholders for the unclaimed dividends which have been transferred to the credit of IEP Fund.

In view of the above, the shareholders are advised to send all the un-encashed dividend warrants pertaining to the years 1997-98 through 2003-04 to our Share Transfer Agent at New Delhi for revalidation and encash them before the due dates for transfer to the IEP Fund.

5. Investors holding physical shares are advised to forward the particulars of their bank account, name, branch and address of the bank immediately, if not sent already, so as to enable us to incorporate the same on dividend warrants.
6. Investors holding shares in physical form are advised to opt for Electronic Clearing System (ECS) to avail fast and safe remittance of dividend and return the Mandate Form at the earliest accurately filled and signed. A photocopy of a leaf of your cheque book bearing your bank account number may also be sent along with the Mandate Form to the Share Transfer Agent. A blank ECS Mandate Form is attached herewith.
7. **Company on the Net**
The website of your Company is www.zuari-chambal.com where you can visit and find more information about the Company, its Subsidiaries and Joint Ventures. The details of various services being provided to the investors, guidance and procedure to be followed by the investors in respect of transfer, transmission and transposition of shares, dematerialisation and rematerialisation of shares, quarterly, half yearly and annual results, etc. are available at the page <http://www.zuari-chambal.com/web-info-isc-final.htm>
8. **Share Transfer Agent**
M/s. Zuari Investments Limited is Share Transfer Agent of the Company. All investor related communication may be addressed to:

M/s. Zuari Investments Limited,
Share Transfer Agents
F Block, 2nd Floor,
International Trade Tower,
Nehru Place, New Delhi – 110 019.
Tel : 011 – 26480427, 26413361, 26480392
Fax : 011 – 26442082
E-mail : isc@cfert.com

9. Members are requested to:
 - (a) send their queries, if any, to reach the Company's Corporate Office at New Delhi at least 10 days before the date of the meeting so that information can be made available at the meeting;
 - (b) bring their copy of the Annual Report at the meeting, and
 - (c) send their e-mail address to us for prompt communication.

10. Pick-up Coach Facility

For the convenience of members intending to attend the Company's Annual General Meeting scheduled to be held at 1030 hours on October 20, 2005, the Company will provide transport from Kota to Gadepan and back. The pick-up coach will leave from "Sahyog Bhavan" No. 1, Aerodrome Circle, Kota, Rajasthan at 0900 hours on the date of AGM to reach Gadepan (venue of the AGM) in time for the meeting and leave for Kota after the meeting.

Members wishing to avail of this facility may kindly be present in time at the pick-up point at Kota.

Explanatory Statement pursuant to section 173(2) of the Companies Act, 1956

Item No. 8

The Board of Directors at its meetings held on January 13, 2003 had approved appointment of Mr. Sunil Sethy as Joint Managing Director for a period of 5 years w.e.f. April 1, 2003 at a monthly salary of Rs.1,25,000 per month in the salary range of Rs. 1,25,000 to Rs. 2,50,000 per month alongwith other allowances and perquisites. The appointment was subsequently approved by the shareholders. Further, Mr. Sunil Sethy was elevated as Managing Director of the Company w.e.f. April 1, 2004 at a salary of Rs. 2,00,000 per month in addition to other allowances and perquisites.

The Board of Directors at its meeting held on August 20, 2005 has approved Mr. Sunil Sethy's basic salary of Rs. 2,25,000 per month for the year 2005-06 in the revised basic salary range of Rs. 2,00,000 to Rs. 6,00,000 per month alongwith the Performance Bonus of Rs. 6,00,000 for the financial year 2004-05. Other allowances and perquisites payable to Mr. Sunil Sethy will be as per the revised agreement entered into between the Company and Mr. Sunil Sethy.

The agreement containing the revised terms of salary shall be available for inspection by the members at the Registered Office of the Company between 1000 hours to 1200 hours on any working day prior to the date of the meeting.

The aforesaid information with respect to remuneration of Mr. Sunil Sethy should also be treated as an abstract of the variation of the terms of the contract with Mr. Sunil Sethy under section 302 of the Companies Act, 1956.

None of the directors except Mr. Sunil Sethy is concerned or interested in the aforesaid resolution.

The Board commends the resolution for your approval.

By order of the Board

New Delhi
August 20, 2005

M. S. Rathore
General Manager- Legal & Secretary

Directors' Report

Dear Members,

Your Directors have pleasure in presenting the 20th Annual Report together with audited accounts for the financial year ended March 31, 2005.

1. Financial Results and Appropriations

	(Rs. in crore)	
Particulars	2004-05	2003-04
Turnover*	2679.47	2217.25
Gross Profit after interest but before Exceptional Items,		
Depreciation and Tax	367.53	324.23
Depreciation	151.32	143.79
Profit before Exceptional Items and Tax	216.21	180.44
Exceptional items	64.80	-
Profit before Tax	281.01	180.44
Provision for current taxation	89.30	36.20
Provision for Deferred Tax	(28.91)	19.25
Profit after tax	220.62	124.99
Balance of Profit brought forward	203.80	99.14
Transferred from Debenture and Debt Redemption Reserve	15.00	105.20
Profit available for appropriation	439.42	329.33
Appropriations:		
• Debenture Redemption Reserve	26.00	22.25
• Tonnage Tax Reserve	2.00	-
• General Reserve	25.00	30.00
• Proposed Dividend on Preference Shares (including cumulative Dividend for previous years)	0.30	-
• Proposed Dividend on Equity Shares	74.92	64.96
• Tax on dividend	10.72	8.32
Balance carried forward to Balance Sheet	300.48	203.80

* Excluding excise duty

2. De-merger and Amalgamation

During the year under review, the following schemes were undertaken by your Company:

- The Scheme of Arrangement and Amalgamation among your Company and India Steamship Company Limited (India Steamship) and their respective Shareholders and Creditors (Scheme of Amalgamation); and
- The Scheme of Arrangement and Demerger among your Company and Zuari Investments Limited and their respective Shareholders and Creditors (Scheme of Demerger).

The Scheme of Amalgamation envisaged the amalgamation of India Steamship with your Company and the Scheme of Demerger envisaged demerger of Shipping Investment Undertaking of Zuari Investments Limited and its vesting into your Company.

The aforesaid schemes were approved by the concerned Hon'ble High Courts and became applicable with effect from September 1, 2004.

Accordingly, the financial results for the year 2004-05 incorporates the results of the shipping business amalgamated with the Company pursuant to the Scheme of Amalgamation and Shipping Investment Undertaking vested in the Company pursuant to the Scheme of Demerger and are thus not comparable with the results for the year 2003-04.

3. Dividend

The Board recommends 5% dividend (including cumulative dividend for previous years) on Cumulative Redeemable Preference Shares of Rs. 10 each to be issued and allotted to the preference shareholders of erstwhile India Steamship pursuant to the aforesaid Scheme of Amalgamation. The Board also recommends dividend @ 18% on equity shares of Rs. 10 each (Previous year 16%) including on the equity shares to be issued and allotted to the equity shareholders of erstwhile India Steamship pursuant to the Scheme of Amalgamation. The total outgo on this account will be Rs. 85.77 crore including dividend tax.

4. New Fertiliser Pricing Policy

The Government of India introduced New Pricing Scheme (NPS) for Urea w.e.f. April 1, 2003, replacing the three decade old unit wise Retention Price Scheme. NPS was to be implemented in three stages w.e.f. April 1, 2003. The Stage I of the NPS was completed on March 31, 2004 and Stage-II commenced on April 1, 2004 and will end on March 31, 2006. The Government of India has constituted a Working Group under the Chairmanship of Dr. Y.K. Alagh to review the implementation of Stage I and Stage II of NPS for urea units and formulate a policy for Stage III commencing from April 1, 2006. The Report of the Working Group is awaited.

Further, as per the NPS, the distribution of urea was to be fully decontrolled from April 1, 2004. However, the Government of India has decided to continue with 50% decontrol including during Khariff 2005.

The Company has prepared the accounts on the basis of notified concession prices for urea under the New Pricing Scheme further adjusted for input price escalation/de-escalation. The concession in respect of Urea produced in excess of 100% from Gadepan I Plant has been accounted for either on the basis of policy or on an estimated basis in line with known policy parameters.

5. Information on Business Segments

The detailed information on the business segments of the Company and the respective industries are given in the Management Discussion and Analysis Report attached as Annexure 'F' to this report.

6. Joint Ventures and Associates

- Indo Maroc Phosphore S.A., Morocco (IMACID)**
IMACID was a 50:50 joint venture between Office Cherifien Des Phosphates (OCP), Morocco and your Company. Both OCP and your Company have sold

one-third of their equity stake in IMACID in May, 2005 to Tata Chemicals Limited, India to induct it as third equal joint venture partner in IMACID.

During the year 2004, IMACID produced 373,895 MT of Phosphoric Acid (P₂O₅) with a capacity utilization of 111% on stream days basis. Sales during the period were 376,441 MT of P₂O₅. The Cash Profit (after tax) during the year was Moroccan Dirham (MAD) 259.37 million (US\$ 30.26 million) against MAD 51.70 million (US\$ 4.81 million) in the previous year. The increase in cash profit was mainly due to better sales realization of P₂O₅ and receipt of balance amount of insurance claim of MAD 24.87 million.

(ii) BHW Birla Home Finance Limited (BBHFL)

BBHFL was a 50:50 Joint Venture between your Company and BHW Holdings AG, Germany. Your Company sold its entire 50% equity stake in BBHFL to BHW Holdings AG in November 2004 for a total consideration of Rs. 110 crore.

(iii) Zuari Investments Limited (ZIL)

ZIL is an associate of your Company. ZIL is a member of Over the Counter Exchange of India and Depository Participant with both National Securities Depository Limited and Central Depository Services (India) Limited. ZIL is also a category-II Registrar and Share Transfer Agent registered with Securities and Exchange Board of India.

The Shipping Investment Division of ZIL was demerged and vested into your Company w.e.f. September 1, 2004. However, Chambal Fertilisers will hold 50% equity stake in ZIL even after the demerger.

During the financial year 2004-05, ZIL witnessed an excellent growth in depository operations. The activity of retail distribution of financial products has also gained momentum.

During the financial year 2004-05, the income from various services was Rs. 362.52 lacs and the Cash Profit (after tax) was Rs. 79.32 lacs.

7. Subsidiaries

(i) Chambal Biotech Private Limited (Chambal Biotech)

Chambal Biotech, Singapore became a subsidiary of your Company w.e.f. October 1, 2004 consequent upon conversion of 12,404,709 Preference Shares held by your Company into Ordinary Shares. It is a Special Purpose Vehicle of your Company for making investment in Seed Potato Business. Chambal Biotech originally held 51% equity stake in Technico Pty. Limited, Australia. It further acquired 26.64% stake in Technico in May 2005, from the shareholders of Technico for a consideration of AUD 5.688 million, thus increasing the equity stake to 77.64%.

(ii) Technico Pty. Limited, Australia (Technico)

Technico Pty. Limited, Australia is a subsidiary of Chambal Biotech, Singapore. Technico is the

technology supplier to Chambal Agritech Limited. Chambal Agritech Limited was a 50:50 joint venture between your Company and Technico Pty. Limited. Consequent upon acquiring majority stake in Technico, your Company transferred its entire holding of 50% in Chambal Agritech Limited to Technico in May 2004 in order to consolidate the entire Seed Potato Business in Technico.

The TECHNITUBER™ (seed potato) production facilities of Technico and its subsidiaries are located in Australia, China, India and Canada with India and China operations making major contribution in the production of TECHNITUBER™.

The consolidated sales of Seed Potato Business for the year 2004-05 amounted to AUD 5.29 million.

The Indian field seed volumes grew to 9713 MT in 2004-05, a growth of 208% over the previous year, though the realization in the retail sector was lower than forecast due to market conditions. Technico is pursuing plans to grow the Technituber sales volume in the global markets using the facilities in India and China as the sourcing points.

The Middle East region also continues to be a focus area for growth to capture the high priced premium seed market, which is currently dominated by Dutch.

The Cash Loss for the aforesaid period amounted to AUD 5.79 Million.

(iii) NovaSoft Information Technology Corporation, USA (NovaSoft)

During the year 2004-05, your Company has further invested US \$ 1.80 million in the common stock of NovaSoft thereby increasing its stake to 99.86%.

NovaSoft together with its wholly owned subsidiaries in United Kingdom, Germany and Singapore provides IT consulting services principally in USA, UK and Singapore. The current offerings of NovaSoft include Professional Services, Solutions and Training & Education. Its current clients are in the manufacturing, financial, health and government sectors.

The revenue and Cash Losses of NovaSoft for 12 month period ended March 31, 2005 were US\$ 13.07 million and US\$ 1.84 million, respectively.

(iv) ISG Novasoft Technologies Limited (ISG Novasoft)

ISG Novasoft Technologies Limited was incorporated as a wholly owned subsidiary of your Company. Your Company has hived off India Software Group (the Software Division of the Company) into ISG Novasoft w.e.f. April 1, 2005 as a part of its plan to consolidate its software business into ISG Novasoft.

India is emerging as a leading destination for off-shoring of business processes in general and information technology services in particular. Appropriate business models are being developed to harness the opportunities presented by this trend. Currently, the efforts are being concentrated on scaling

up the blended service model in the arena of IT Solutions and Services.

The Company has received approval of the Government of India exempting it under Section 212(8) of the Companies Act, 1956 from attaching with its Annual Report, the copies of the Balance Sheet, Profit and Loss Account, Board of Directors Report and the Auditors Report of its subsidiary companies. However, pursuant to Accounting Standard 21 issued by the Institute of Chartered Accountants of India, Consolidated Financial Statements presented by the Company includes the financial information of ISG Novasoft Technologies Limited, Chambal Biotech Private Limited, NovoSoft Information Technology Corporation, USA and their subsidiaries, as applicable. The Company will make available the Annual Accounts of its subsidiaries alongwith relative detailed information upon request by investors of the Company and its subsidiaries.

8. Environmental Protection and Safety

Your Company remains committed to environment protection and preservation despite the increase in its scale of operation. Every employee of the Company makes a valuable contribution in achieving this objective.

a) Environmental Protection

Your Company's Gadepan complex has all the required systems and procedures to ensure compliance with MINAS and other statutory stipulations of Central Pollution Control Board and Rajasthan Pollution Control Board. Your Company had complied with all the relevant legislations during the year.

Extensive green belt developed on approx. 38% of the total land around the plant demonstrates your Company's commitment towards environment protection. It also helps in controlling any fugitive emission from plant and continuously sequestering the carbon di-oxide generated by factory in its process. Your Company has planted 2.65 lac trees, bushes and shrubs in and around the Gadepan complex. With uniquely developed and well managed irrigation network system, more than 85% survival rate of plantation was achieved during the year.

State of the art, modern and automatic effluent treatment plants take care of process waste water and other effluents generated in the plant. The treated waste water meets the standards of irrigation water and is supplied to the irrigation network around our factory and township for the green belt network. During the monsoons, the treated waste water is occasionally discharged in to the river with diffusers at the confluence point.

Hazardous wastes generated during the year were disposed off through authorized parties recognized by Ministry of Environment and Forests.

Your Company is implementing a long term plan to recharge the ground water table through rain-water

harvesting by constructing recharge wells.

The Company arranges and conducts external and in-house training programmes relative to environment protection for propagating the awareness about the environment protection amongst its employees, contractors and the community.

Your Company had implemented various environmental improvement schemes in line with its ISO-14001 certification. In recognition of this, ISO-14001:1996 certification was extended by three years by M/s. Det Norske Veritas.

As recognition of outstanding achievements in environment protection, your Company has been awarded the following prestigious awards in Environment Management:

- **"Best Environment Protection Award-2004"** by Fertiliser Association of India.
- **"Golden Peacock Environment Management Award-2005"** in the Fertiliser Sector by World Environment Foundation.

b) Safety and Health

Your Company continues to give a high priority to health and safety of personnel through a comprehensive procedures and policies in this regard.

In order to demonstrate its commitment towards health and safety, your Company's Gadepan site implemented Occupational Health & Safety Management System and was awarded OHSAS-18001:1999 certification by M/s Det Norske Veritas.

In order to benchmark its efforts in safety management systems globally, your Company became a member of International Fertiliser Authority (IFA) and took part in international Safety Benchmarking Survey conducted by IFA.

A well defined onsite Disaster Management Plan at the Gadepan complex clearly lays down the duties of all the employees in case of an emergency. Periodic mock drills are conducted to check the effectiveness of Disaster Management Plan.

Your Company's sincere and committed efforts were rewarded by "Greentech Silver Award" for excellence in Safety Management in Fertiliser sector.

9. Conservation of Energy

Your Company strives to make the plants energy efficient to the extent possible and continually reviews various schemes to conserve energy.

The requisite information with regard to conservation of energy, technology absorption and foreign exchange earnings and outgo in terms of the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 is set out in separate statements attached hereto (Annexure A & B) and forms part hereof.

As regards conservation of energy in Shipping Division, there is little scope if any, for conservation measures in respect of the conventional types of ships owned by your

Company. Information required to be furnished in Form A is not applicable to shipping industry. It has no information to furnish in Form B regarding technology absorption. Total foreign exchange earning and outgo with respect to the shipping division has been provided alongwith the other divisions of the Company in Form B.

10. Investor Service Centre

The In-house Investor Service Centre (ISC) of your Company located at New Delhi, continues to provide prompt investor service through quick resolution of investor grievances. ISC has been maintaining its track record of resolving most of the queries and complaints in less than seven days.

The securities of your Company are listed at National Stock Exchange, Bombay Stock Exchange Ltd. and Calcutta Stock Exchange. During the year, Jaipur Stock Exchange granted permission for voluntary de-listing of equity shares of the Company. The application for voluntary de-listing has been pending with the Calcutta Stock Exchange since December 2003. The Company has paid annual listing fees to National Stock Exchange and Bombay Stock Exchange Ltd., for the year 2005-06.

The members are requested to refer to general shareholders information given in Annexure – “E” relative to Corporate Governance.

11. Fixed Deposits

As on March 31, 2005 your Company had 5,849 depositors with fixed deposits of Rs. 1530.40 lacs. 116 depositors have not claimed their Fixed Deposit amount of Rs. 30.32 lacs as on that date. However, 67 depositors have since claimed/ renewed their deposits of Rs. 20.08 lacs. The remaining depositors are being advised at regular intervals to claim their deposits.

12. Personnel

Information in accordance with section 217(2A) of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975, forms part of this Report and is attached hereto as Annexure “C”.

13. Corporate Social Responsibility

Your company is committed to serve the community around its area of operations. Your company believes that no organization can survive in isolation and it has a social responsibility towards the public at large. It is this realization that propels your company to reach out to the neighbouring villages, care for the environment and nurture young people.

Your Company is providing medical care to the residents of surrounding villages at its Health Center. The Company's Ambulance services are also made available to surrounding villages in case of accidents and during emergencies. In case of fire in nearby villages, the fire tender assistance is placed at the disposal of District Administration and help is given to nearby villages. Arogya Seva Kendra activities continue to treat patients in the neighbourhood.

An Eye Camp was organized by Uttam Mahila Samiti with the help of Blindness Prevention Society of Kota. The patients

were operated for cataract and spectacles were distributed to the villagers in this camp. Camp for Handicaps was also organized with the help of Mahaveer Viklang Samiti, Kota where patients of nearby villages were provided calipers.

Regarding community development, your Company is regularly interacting with the villagers, sarpanchs of the surrounding villages and maintaining good relations with them. Welfare programmes are undertaken by the Company periodically as a responsible member of the community in which it operates. The welfare programmes, which your Company is undertaking are in the area of installation and maintenance of hand pumps, making Kharanja roads, assistance for cultural & sports activities, etc.

The Company extended full support to the administration in fighting the water crisis in Kota District. Several water pumps and water tanks were provided to the villages facing acute water shortage.

As part of the initiative to improve access to quality education in the surrounding villages, an NGO from Delhi i.e. Ritanjali was appointed to improve the school curriculum, train teachers and upgrade the educational standard. The actual work on training the teachers, introduction of new curriculum, counseling on health & personal hygiene, etc. will commence from the current session starting July 2005.

As a rural action program under the Uttam Bandhan, your Company had commenced “Uttam 30 Milestone Project” in the year 2002. The core objective of the program is to improve farmers' income through farm and non-farm activities.

Under this program, 37 villages shortlisted in the proximity of the factory site at Gadepan were targeted for overall development. In order to win the confidence of the local populace, activities such as farm forestry and social forestry were undertaken in these villages.

The Company organizes a series of programs for farmers such as farmer meets, training programs, crop seminars, visits to research centres and provides soil health services through Company's soil testing laboratories. The Company also sponsors select villagers for undergoing vocational training at reputed training institutes to enable them to pursue these vocations after training. The Company provides necessary help and encouragement in formation of Self Help Groups in the area to start cottage industries for producing goods for local and urban consumption.

In addition to health care of general public in the area, routine Animal Health Care camps are organized to improve productivity of milch animals and their breed.

The Company plans to take up additional training programs for farmers to educate them on water conservation, inputs for better sales realization of agri-products.

14. Directors

Out of 9 non executive directors, 3 directors namely Dr. K.K. Birla, Mr. H.S. Bawa and Mr. R.N. Bansal are due

for retirement by rotation at the forthcoming Annual General Meeting and are eligible for re-appointment.

Other information on the directors including those retiring by rotation is provided in the Report on Corporate Governance annexed to Directors' Report as Annexure E.

15. Auditors

The Notes on Accounts read with the Auditors' Reports are self explanatory and therefore, do not call for any further comments or explanations.

The Auditors M/s. S. R. Battliboi & Co., Chartered Accountants, retire at the conclusion of the ensuing Annual General Meeting and being eligible, offer themselves for re-appointment. Further, the Board of Directors recommends the appointment of M/s. Singhi & Co., Chartered Accountants, as Branch Auditors of Shipping Business of the Company pursuant to Section 228 of the Companies Act, 1956. The above re-appointment and appointment if made, will be in accordance with the provisions of section 224 (1B) of the Companies Act, 1956.

16. Corporate Governance

Auditor's Certificate on compliance with the conditions of corporate governance and separate reports on Corporate Governance and Management Discussion and Analysis are enclosed as Annexure "D", "E" & "F" respectively.

17. Code of Conduct and Ethics

The Board of Directors of the Company adopted Code of Conduct and Ethics for the Directors and Senior Executives of the Company at its meeting held on March 23, 2005. The object of the Code is to conduct the Company's business ethically and with responsibility, integrity, fairness, transparency and honesty.

The Code of Conduct also serves as a tool in carrying out the Company's social responsibility in a more effective manner. This Code sets out a broad policy for one's conduct in dealing with the Company, fellow directors and employees and with the external environment in which the Company operates.

The Code is available on the Company's corporate website (www.zuari-chambal.com).

18. Directors Responsibility Statement

Your Directors hereby report:

- a) that in the preparation of annual accounts, the applicable accounting standards have been followed alongwith proper explanation relative to material departures.

- b) that the Directors have selected such accounting policies and applied them consistently and made judgements 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 March 31, 2005 and of profit and loss account for the period ended March 31, 2005.
- c) that the Directors have taken proper and sufficient care 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.
- d) that the Directors have prepared the annual accounts on a going concern basis.

19. Consolidated Financial Statements

In accordance with Accounting Standard 21 – Consolidated Financial Statements, the group accounts form part of this Report & Accounts. These group accounts also incorporate the Accounting Standard 23 – Accounting for investments in Associates in Consolidated Financial Statements and also Accounting Standard 27 – Financial Reporting of interest in Joint Ventures issued by the Institute of Chartered Accountants of India. These group accounts have been prepared on the basis of audited financial statements received from subsidiaries, Associate and joint venture companies, as approved by their respective Boards.

20. Acknowledgements

Your Directors wish to place on record their appreciation of the assistance and co-operation that your Company received from the Department of Fertilisers, Government of India, Government of Rajasthan, Financial Institutions, Commercial Banks, Stakeholders and all others whose continued support has been a source of strength to the Company. Your Directors also wish to place on record their sincere appreciation of the devotion and commitment of every employee of the Company.

By order of the Board

New Delhi
August 20, 2005

K.K. Birla
Chairman



Annexure "A" to Directors' Report

FORM A

Disclosure of Particulars with respect to Conservation of Energy

Particulars	Unit	Current year	Previous year
A. POWER & FUEL CONSUMPTION			
1. ELECTRICITY			
a) Purchased			
Quantity	MWH	58774.25	54025.92
Total Amount	Rs. Lacs	1758.63	1453.28
Rate/Unit	Rs./KWH	2.99	2.69
b) Own Generation			
i) Through diesel generator			
Quantity	MWH	7271.18	6388.41
Unit per KL of Furnace oil	KWH	4.18	4.22
Unit per KL of HSD	KWH	3.11	3.36
Cost/Unit	Rs./KWH	3.02	3.23
ii) Through steam turbine/generator			
Quantity	MWH	150848.56	150311.36
Unit per SM ³ of Gas	KWH/SM ³	2.37	2.33
Cost/Unit	Rs./KWH	4.91	3.15
2. Furnace Oil			
Quantity	KL	1602.22	1211.37
Total Cost	Rs. Lacs	187.55	134.75
Average Rate/Unit.	Rs./KL	11705.62	11123.77
3. OTHERS/INTERNAL GENERATION			
a) Natural Gas (Ammonia-Fuel, Power & Steam)			
Quantity	1000SM ³	126357.32	122175.80
Total Cost	Rs.Lacs	5922.32	4752.35
Average Rate/Unit.	Rs./1000 SM ³	4686.97	3889.77
b) Naphtha (Ammonia-Fuel, Power & Steam)			
Quantity	MT	339224.94	319704.55
Total Cost	Rs. Lacs	67679.42	48893.50
Average Rate/Unit.	Rs./MT	19951.19	15293.34
c) HSD			
Quantity	KL	136.13	441.42
Total Cost	Rs. Lacs	31.96	85.12
Average Rate/Unit.	Rs./KL	23480.89	19283.09
B. CONSUMPTION PER MT OF UREA PRODUCTION			
1. Electricity [Incl. Internal consumption]	KWH/MT	112.955	88.86
2. Natural Gas [Ammonia - Fuel, Power & Steam]	SM ³ /MT	68.088	69.33
3. Naphtha [Ammonia - Fuel, Power & Steam]	KG/MT	182.791	181.41
C. CONSUMPTION PER MT OF YARN PRODUCTION			
1. Electricity [Incl. internal consumption]	KWH/MT	4765.63	4596.62
2. Furnace Oil	KL/MT	0.13	0.11
3. HSD	KL/MT	0.00	0.02
D. CONSUMPTION PER MT OF FROZEN VEGETABLES			
1. Electricity [Incl. internal consumption]	KWH/MT	495.37	566.55
2. HSD KL/MT		0.03	0.08

Annexure "B" to Directors' Report
FORM "B"
Disclosure of Particulars with respect to Technology Absorption

Research and Development (R & D) :

The Company is a manufacturing organisation and is not engaged in any major Research and Development activity. However, continuous efforts are made to improve the quality & efficiency and to develop new product / product mix.

Technology Absorption, Adaptation and Innovation :

- i) Efforts in brief, made towards technology absorption, adaptation and Innovation.
- Suction air-cooling for Gas Turbine.
 - Heating of NG/ RLNG fuel used for Auxiliary Boilers.
- ii) Benefits derived as a result of the above efforts,
- Augmentation of power generation capacity of gas turbine and fuel efficiency improvements.
 - Energy efficiency improvements.

Based on our continuous efforts made towards technology absorption and innovation, the Company could achieve smooth plant operation and high stream efficiency during the financial year 2004-05.

- iii) In case of imported technology (Imported during the last 5 years reckoned from the beginning of the financial year), following information may be furnished:

Technology Imported : NIL

Foreign Exchange Earnings and Outgo

Foreign Exchange used : Rs. 75.68 crores
 Foreign Exchange earned : Rs. 126.59 crores

Annexure 'C' To Directors' Report

Information pursuant to Section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975.

Sl. No.	Name	Designation	Qualifications	Age (Years)	Experience (Years)	Date of Commencement of employment	Remuneration received (Rs.)	Last Employment	
								Employer's Name	Post held
A. Employees who were employed throughout the year and were in receipt of remuneration in aggregate of not less than Rs. 24,00,000/- for 12 months :									
1.	Kapoor, Anil	President - Strategic Planning	M.S. (Chem.)	52	26	11.12.2000	27,03,479	Cabot India Ltd.	Vice President (Technical)
2.	Krishnan, V.	Vice President - Corporate Finance	B.Com., A.C.A.	52	28	15.01.2003	27,55,669	ICI India Ltd.	Vice President - Finance
3.	Patra, S.K.	Vice President - Marketing	P.G. in Agriculture	56	31	16.07.2001	24,91,787	National Fertilisers Ltd.	Director - Marketing
4.	Sethy, Sunil	Managing Director	B.Com., A.C.A.	54	31	15.01.1996	48,37,306	Eternit Everest Ltd.	Director - Finance



Annexure 'C' To Directors' Report

Information pursuant to Section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975.

Sl. No.	Name	Designation	Qualifications	Age (Years)	Experience (Years)	Date of Commencement of employment	Remuneration received (Rs.)	Last Employment	
								Employer's Name	Post held
B. Employees who were employed for a part of the year and were in receipt of remuneration in aggregate of not less than Rs. 2,00,000 per month :									
1.	Madan, S.	Chief Operating Officer - (Seed Potato)	B.Com., A.C.A., A.C.S.	46	23	01.09.2004	31,51,073	Agro Tech Foods Ltd.	Vice President
2.	Mall, R.D.	Vice President	B. Tech. (Chem.)	62	37	06.10.1992	22,06,223	National Fertilisers Ltd.	Dy. General Manager
3.	Stalin, S.	Vice President	B.E. (Chem.), Diploma in Management	56	31	21.08.2002	6,91,952	Southern Petrochemicals Industries Corporation Ltd.	Director
4.	Jain, N.	President & C.E.O. - ISG	B.Tech, M.Tech., Ph.D.	60	31	17.03.2003	53,25,191	Silverline Technologies	Vice Chairman & CEO
5.	Srinivasan, K	C.E.O. - IT Business	M.Sc.	35	14	10.01.2005	12,50,880	Long Bridge Capital	Partner/ C.E.O.
6.	Ramakrishna I. V. S.	Master	Master - Foreign Going	48	25	21.09.2004	15,79,535	Urasia Shipping	Master
7.	Kumar, C.	Master	Master - Foreign Going	37	12	13.06.2004	9,22,758	Essar Shipping Ltd.	Additional Master
8.	Kumar, P.	Master	Master - Foreign Going	35	8	19.09.2004	11,01,558	1st Employment	Not Applicable
9.	Mahato, S.	Master	Master - Foreign Going	35	11	04.08.2004	17,52,486	1st Employment	Not Applicable
10.	Singh, P.P.	Master	Master - Foreign Going	47	23	19.09.2004	14,03,457	1st Employment	Not Applicable
11.	Bagchi, S. C.	Chief Engineer	MEO - Class I (M)	58	25	12.06.2004	12,51,802	Vships Management	Chief Engineer
12.	Patra, R. K.	Chief Engineer	MEO - Class I (M)	44	18	03.11.2004	11,77,490	Barbar Ship Management	Chief Engineer
13.	Chakravarty, D.	Chief Engineer	MEO - Class I (M)	55	29	04.08.2004	15,72,344	Anglo Eastern Ship Management	Chief Engineer
14.	Rajappan, A. K.	Chief Engineer	MEO - Class I (M)	59	37	22.01.2005	5,76,634	1st Employment	Not Applicable

NOTES:

1. In accordance with the clarification given by Department of Company Affairs, remuneration has been computed on the basis of the actual expenditure incurred by the Company.
2. None of the above employees is a relative of any Director of the Company.
3. None of the above employees himself or alongwith his spouse and dependent children holds 2% or more Equity Shares of the Company.
4. Employees listed at Serial No. B 6 to 14 are/ were engaged in the shipping division and their remuneration given above is for the period September 1, 2004 to March 31, 2005.
5. All the appointments are/ were on contractual basis.

Annexure "D" to Directors' Report
AUDITORS' CERTIFICATE

To
The Members of Chambal Fertilisers and Chemicals Limited

We have examined the compliance of conditions of corporate governance by Chambal Fertilisers and Chemicals Limited for the year ended on 31st March 2005, 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 ensuring the compliance of the conditions of the Corporate Governance. It is neither an audit nor a 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.

We state that no investor grievance is pending for a period exceeding one month against the Company as per the records maintained by the Investor Grievance Committee.

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

For S.R. BATLIBOI & COMPANY
Chartered Accountants

per **RAJ AGRAWAL**
Partner
Membership No. 82028

New Delhi
August 20, 2005

Annexure "E" to Directors' Report
REPORT ON CORPORATE GOVERNANCE

a) Company's Philosophy

Your Company believes that for its sustained success, it must maintain global standards of corporate conduct towards its shareholders, customers, employees, all other stakeholders and society in general. The Company has always focused on good corporate governance, which is a key driver of sustainable corporate growth and long-term value creation for its shareholders.

The Company believes that corporate governance is not just limited to creating checks and balances. It is more about creating organization excellence leading to increasing employee and customer satisfaction and shareholder value. The primary objective of corporate governance is to create and adhere to a corporate culture of conscience & consciousness, transparency & openness, to develop capabilities and identify opportunities that best serve the goal of value creation. The Company believes, it must leverage its human and capital resources to translate opportunities into reality, create awareness of corporate vision and spark dynamism and entrepreneurship at all levels.

Above all, corporate governance must balance individual interest with corporate goals and operate within accepted norms of propriety, equity, fair play and a sense of justice. Accountability and transparency are key drivers to improve decision-making and the rationale behind such decisions, which in turn creates stakeholder confidence.

b) Board of Directors

The Board of Directors consists of ten directors including one Managing Director and nine non-executive directors. Besides these directors, there is one alternate director to the expatriate director.

Industrial Development Bank of India had withdrawn its nominee i.e. Mr. R.J. Bedekar w.e.f. April 26, 2005.

The brief particulars of M/s. K.K. Birla, H.S. Bawa and R.N. Bansal, Directors who are retiring by rotation at the forthcoming Annual General Meeting are given below:

- (i) Dr. K. K. Birla, Chairman, aged 87 years, is a D. Litt. (Honoris Causa). He is a renowned industrialist and possesses a rich experience of about 59 years. He is the founder Director of the Company. He is on the Board of many prominent bodies corporate. He is a member of National Integration Council. He was member of Parliament between 1984 and 2002 and has also held various important positions in other forums including that of President of Federation of Indian Chambers of Commerce and Industry, Indian Sugar Mills Association, Member of Standing Committee on Finance, etc.

Dr. Birla has established K.K. Birla Foundation, which has instituted annual award for excellence in Indian Literature, Scientific Research, Indian Philosophy, art and culture and sports. He is also trustee of various Trusts including Birla Education Trust, which runs a number of schools and educational institutions.

Names of other Indian public limited companies in which Dr. K. K. Birla is Director:

S.No.	Name of the Company	S. No.	Name of the Company
1.	HT Media Limited	6.	Texmaco Limited
2.	Uttam Commercial Limited	7.	The Hindustan Times Limited
3.	Pilani Investment & Industries Corporation Limited	8.	Yashovardhan Investment and Trading Company Limited
4.	Ronson Traders Limited	9.	Zuari Cement Limited
5.	Sutlej Industries Limited	10.	Zuari Industries Limited

- (ii) Mr. H. S. Bawa, Vice Chairman, aged 74 years, after getting his Masters Degree in Petroleum Engineering from University of Tulsa, USA, had a long stint of 22 years with ESSO India where he held some key assignments both in India and ESSO affiliates abroad. Before joining Zuari Industries Limited in 1979, Mr. Bawa was General Manager of the two Hindustan Petroleum Corpn. Ltd. (formerly ESSO) Refineries.

Names of other Indian public limited companies in which Mr. H. S. Bawa is Director or the member of Committee(s):

S.No.	Name of the Company	S.No.	Name of the Company
1.	BHW Birla Home Finance Limited *	8.	Style Spa Furniture Limited
2.	Indian Potash Limited	9.	Zuari Cement Limited *
3.	ISG Novasoft Technologies Limited	10.	Zuari Indian Oil Tanking Limited
4.	Paradeep Phosphates Limited	11.	Zuari Industries Limited
5.	Lionel India Limited	12.	Zuari Investments Limited
6.	Shri Vishnu Cement Limited*	13.	Zuari Maroc Phosphates Limited
7.	Simon India Limited	14.	Zuari Seeds Limited

* Member of Audit Committee also

- (iii) Mr. R. N. Bansal, aged 75 years, is M.A. (Economics) and a member of the Institute of Chartered Accountant of India and the Institute of Company Secretaries of India. He is an eminent professional and is on the Boards of many renowned companies. He has also served the Department of Company Affairs in various capacities viz., Registrar of Companies, Regional Director and was a member of Company Law Board. He has also been a nominee of the Central Government on the Central Council of Institute of Chartered Accountants of India, Institute of Company Secretaries of India and the Governing Board of various Stock Exchanges, etc. He had joined the Board of your Company in 1996.

Names of other Indian public limited companies in which Mr. R. N. Bansal is Director or the member of Committee(s):

S. No	Name of the Company	S. No.	Name of the Company
1.	Essar Shipping Limited *	5.	Pushpsons Industries Limited *
2.	Gobind Sugar Mills Limited *	6.	Spice Net Limited *
3.	Jonas Woodhead & Sons (India) Limited	7.	The Hindustan Spg. & Wvg. Mills Limited
4.	Orient Ceramics and Industries Limited *		

* Member of Audit Committee also

During the year under review, 8 Board Meetings were held on May 15, 2004, July 29, 2004, August 26, 2004, September 16, 2004, October 26, 2004, December 8, 2004, January 27, 2005 and March 23, 2005. The composition of the Board of Directors, attendance of the directors at the Board Meetings and Annual General Meeting as also number of other directorships in Indian public limited companies and membership of the Committees of the Boards of such companies are as follows:

Name of Director	Whether Attended last AGM	No. of Board meetings attended	Category of Director	Other Directorships	Membership of Committee of Other Board's	
					Chairman	Member
Dr. K. K. Birla	NO	6	NED/PG	10	2	NIL
Mr. H. S. Bawa	NO	8	ID/NED	14	4	4
Mr. Sunil Sethy	YES	8	MD	3	1	5
Mr. R. N. Bansal	NO	8	ID/NED	7	4	2
Mr. D. Basu	NO	7	ID/NED	7	5	3
Mr. S. S. Bhartia	NO	5	NED/R	12	NIL	NIL
Mr. M. D. Locke	NO	1	ID/NED	1	NIL	NIL
Mr. C. S. Nopany (alternate director to Mr. M. D. Locke)	NO	4	NED/R	13	2	3
Mr. R.J. Bedekar* (IDBI Nominee)	NO	6	ID/NED	NIL	NIL	NIL
Mr. S. K. Poddar	NO	7	NED/R	11	2	4
Mr. Marco Wadia	NO	7	ID/NED	5	NIL	4
Mr. A. J. A. Tauro	NO	7	ID/NED	2	1	1

MD - Managing Director

NED - Non Executive Director

PG - Promoter Group

ID - Independent Director

R - Related to Dr. K.K. Birla

* Ceased to be a director w.e.f. April 26, 2005.

c) Committees of the Board

There are 6 Committees of the Board of Directors, which have been delegated adequate powers to discharge urgent business of the Company. These Committees are – (a) Project Monitoring Committee; (b) Banking and Finance Committee; (c) Audit Committee (d) Investors Grievance Committee; (e) Quarterly Results Review Committee and (f) Remuneration Committee. The Committees meet as often as required. The details of Audit Committee, Investors Grievance Committee and Remuneration Committee are as follows:

(i) Audit Committee

• Terms of reference

Apart from all the matters provided in clause 49 of the Listing Agreement and section 292A of the Companies Act, 1956, the terms of reference of the Committee include:

- reviews reports of the Internal Auditors,
- approves internal audit programme,
- reviews with statutory auditors their findings, observations, suggestions, internal control systems, scope of audit, other related matters and major accounting policies followed by the Company.

The terms of reference of Audit Committee were amended by the Board of Directors at its meeting held on January 27, 2005 to include the following:

- review of the matters related to Directors' Responsibility Statement pursuant to Section 217(2AA) of the Companies Act, 1956;
- review the quarterly financial statements,
- review the performance of statutory and internal auditors,
- review the functioning of the Whistle Blower mechanism in case the same is existing,
- review Management Discussion and Analysis of financial conditions and operations,
- review statement of significant 'related party transactions',
- review Management Letter(s) of internal control weaknesses issued by statutory/ internal auditors,
- review Internal Audit Reports related to internal control weaknesses,
- review of appointment, removal and terms of remuneration of chief internal auditor; and
- review of financial statements, in particular, the investments made by the unlisted subsidiary companies.

The minutes of the Audit Committee meetings are circulated to the Board of Directors.

● **Composition**

The Committee comprises of 4 independent Non-Executive Directors. The permanent invitees include Managing Director also as Director-in-charge of Finance, statutory auditors, cost auditors and internal auditors. The Secretary of the Company is the Secretary of the Committee. The Committee met 5 times during the year and the attendance of members at the meetings was as follows:

Name of the Member	Status	No. of meetings attended
Mr. A. J. A. Tauro	Chairman	3
Mr. H.S. Bawa*	Member	NIL
Mr. R. N. Bansal	Member	5
Mr. Marco Wadia	Member	5
Mr. R.J. Bedekar**	Member	2

*Appointed w.e.f. July 27, 2005 ** Ceased to be a director w.e.f. April 26, 2005

(ii) **Investors Grievance Committee**

● **Terms of reference**

The Committee was formed to approve the matters relating to allotment of securities, issue of duplicate certificates, review and redressal of investor grievances, decide the dates of book closure/ record dates in respect of the securities presently issued by the Company, etc. In order to provide quick service to investors, the Board has delegated certain powers to few executives to deal with various matters including transfer of shares across the counter, transmission of securities, etc.

● **Composition**

The Committee comprises of 2 Independent Non-Executive Directors and Managing Director. Mr. M. S. Rathore, General Manager- Legal & Secretary is the Compliance Officer of the Company. The Committee met 5 times during the year and the attendance of members at the meetings was as follows:

Name of the Member	Status	No. of meetings attended
Mr. H.S. Bawa	Member	5
Mr. R. N. Bansal	Member	5
Mr. Sunil Sethy	Member	5

● **Resolution of Investors' Grievances received and resolved during the year:**

The Company has about 2,23,000 investors. During the year under review, the status of request letters and complaints was as follows:

	Received	Resolved	Balance
Request Letters	24,076	23,814	262*
Complaints	2,563	2,563	—

*All the requests were addressed in April 2005.

Further, as on April 1, 2005 72 transfer deeds covering 16,300 shares were pending which were processed by April 8, 2005.

(iii) **Remuneration Committee**

● **Terms of reference**

The Committee was formed to review and approve, inter-alia, the recommendation for appointment of

Managing Director(s)/ Whole Time Director(s) and Senior Executives of the Company and their compensation package, annual increments, incentives, additional perquisites, etc.

- **Composition**

The Committee comprises of 3 Non-Executive Directors. The Committee met once during the year and the meeting was attended by Mr. H.S. Bawa, the Chairman of the Committee and Mr. R.N. Bansal. Mr. M.D. Locke did not attend the meeting.

d) **Details of remuneration paid to directors for the year 2004-05**

(i) **Executive Directors**

Amount (Rs. in lacs)

Managing Director	Salary	Perquisites	Retirement Benefits
Mr. Sunil Sethy	24.00	17.42	6.48

- No compensation for the loss of office is payable.
- The term of appointment of Mr. Sunil Sethy is upto March 31, 2008, which can be terminated by either Party by giving three months' written notice.
- The Company has not issued any stock options.

(ii) **Non - Executive Directors**

The Company doesn't pay any remuneration to its Non-Executive Directors except sitting fee for attending the meetings of the Board and Committees thereof. The Company pays sitting fee to its directors @ Rs. 10,000 and Rs. 5,000 for attending each meeting of the Board of Directors and Committees of Directors, respectively. The details of sitting fee paid during the year 2004-05 are as follows:

S. No.	Name of the Director/ Institution	Amount (Rs.)
1.	Dr. K. K. Birla	60,000
2.	Mr. H. S. Bawa	1,15,000
3.	Mr. R. N. Bansal	1,35,000
4.	Mr. D. Basu	90,000
5.	Mr. S. S. Bhartia	55,000
6.	Mr. M. D. Locke	10,000
7.	Mr. C. S. Nopany (alternate director to Mr. M. D. Locke)	40,000
8.	R.J. Bedekar*	70,000
9.	Mr. S. K. Poddar	75,000
10.	Mr. Marco Wadia	1,00,000
11.	Mr. A. J. A. Tauro	90,000

*IDBI Nominee.

e) **Remuneration Policy**

The Company's remuneration policy aims at attracting and retaining high talent by taking into account the talent market, national and international remuneration trends and the competitive requirements of each of its businesses. Remuneration of employees largely consists of base remuneration, perquisites and performance incentives. The components of the total remuneration vary for different cadres and are governed by industry pattern, qualifications and experience of the employee, responsibilities handled by him, individual performance, etc.

f) **General Body Meetings**

(i) The last three Annual General Meetings of the Company were held as under:

Financial year	Date	Time	Location
2003-2004	20.08.2004	1030 hours	Registered Office - Gadepan, Distt. Kota, Rajasthan
2002-2003	12.09.2003	1030 hours	Registered Office - Gadepan, Distt. Kota, Rajasthan
2001-2002	12.09.2002	1030 hours	Registered Office - Gadepan, Distt. Kota, Rajasthan

(ii) During the year 2004-05, the Company had taken shareholders approval by way of special resolutions through postal ballot for placement of inter-corporate deposits and providing guarantees, as per the details given below. The result of the postal ballot was declared on August 20, 2004. The voting pattern on the above items was as follows:



(No. of shares)

Date of Announcement of Results	Business for which postal ballot conducted	Total Valid Votes Cast	Votes cast in favour	Votes cast against the resolution
20.08.2004	a) Placing Inter- Corporate Deposits with other bodies corporate.	14,44,54,073	14,44,36,457 (99.99%)	17,616 (0.01%)
20.08.2004	b) Providing Guarantees	14,44,39,726	14,44,19,335 (99.99%)	20,391 (0.01%)

Mr. M.L. Patodi, advocate, Kota was appointed as scrutinizer for conducting the postal ballot for all the aforesaid matters.

g) Disclosures

- There are no materially significant transactions with the related parties viz. promoters, directors, relatives, or the management, subsidiaries, etc. that may have a potential conflict with the interest of the Company at large.
- No penalties or strictures have been imposed on the Company by the Stock Exchange or SEBI or any statutory authority on any matter related to capital markets for non-compliance by the Company.

h) Means of Communication

- The Company has been disclosing corporate financial performance on quarterly, half-yearly and annual basis well within the stipulated period to the Stock Exchange and general public after being approved by the Board. The results are normally published in the main editions of two or more national and vernacular dailies such as Economic Times, Business Standard, Financial Express, Hindustan Times, Navbharat Times, Financial Times, Rajasthan Patrika and Dainik Bhaskar. The Company has been mailing half yearly un-audited financial results to all the shareholders.
- The results are simultaneously posted on the website of the Company at <http://www.zuari-chambal.com/isc>. On this web site, the investors can also find details of various services being provided to them, guidance & procedure to be followed by the investors for transfer, transmission and transposition of the securities, dematerialisation, rematerialisation of shares, etc.
- The Company did not make any presentation to the institutional investors or the analysts.
- Management Discussion and Analysis Report forms part of this Annual Report.

i) General Shareholders' Information

(i) 20th Annual General Meeting

Venue : Registered Office at Gadepan, Distt. Kota, Rajasthan.

Time : 1030 hours

Day & Date: Thursday, October 20, 2005

(ii) Tentative Financial Calendar

Audited Annual Results (2004-05)	August 20, 2005
Mailing of Annual Report	Mid September 2005
Half Yearly Results	End October 2005
Mailing of half yearly results to shareholders	Mid November 2005
Third Quarter Results	End January 2006
Audited Annual Results (2005-06)	Mid May 2006

(iii) Book Closure

The register of members and share transfer books of the Company shall remain closed from Tuesday, October 4, 2005 to Monday, October 10, 2005 (both days inclusive).

(iv) Dividend Payment Date: October 25, 2005

(v) Listing on Stock Exchanges and Stock codes

The names and addresses of the stock exchanges at which the equity shares of the Company are listed and the respective stock codes are as under:

S.No.	Name of the Stock Exchange	Stock Code
1.	Bombay Stock Exchange Ltd. (BSE) Phiroze Jeejeebhoy Towers, 25 th Floor, Dalal Street, Mumbai - 400 001.	500085
2.	The National Stock Exchange of India Ltd. (NSC) Exchange Plaza, 5 th Floor, Plot No. C/1, G Block, Bandra Kurla Complex Bandra (E), Mumbai - 400 051.	CHAMBLFERT
3.	The Calcutta Stock Exchange Association Ltd.* 7, Lyons Range, Kolkata - 700 001.	13052

*The application for voluntary de-listing has been pending with The Calcutta Stock Exchange Association Limited since December 2003.

The Company has paid annual listing fees for the year 2005-06 to NSE and BSE.

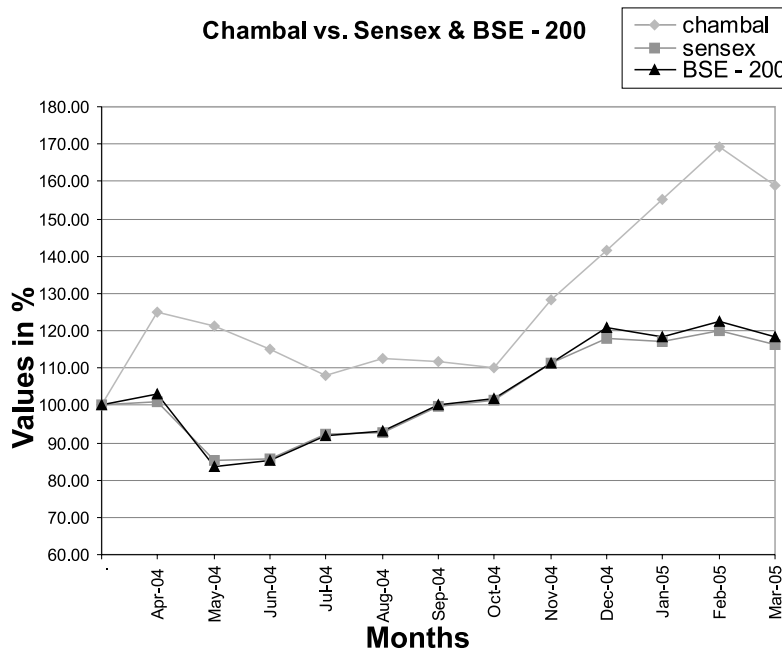
(vi) Market price data

High/ low of market price of the Company's equity shares traded on BSE and NSE during the last financial year was as follows:

(Amount in Rs.)

Month	BSE		NSE	
	High	Low	High	Low
April 2004	24.10	18.70	24.00	18.90
May 2004	25.20	18.00	25.20	17.50
June 2004	23.20	20.50	23.25	20.05
July 2004	24.45	19.25	24.45	19.10
August 2004	21.50	19.50	21.55	19.55
September 2004	23.60	20.55	23.60	20.55
October 2004	21.80	20.00	21.75	20.00
November 2004	25.35	20.50	25.40	20.05
December 2004	28.55	23.40	29.40	23.40
January 2005	29.80	25.00	29.85	25.00
February 2005	35.60	29.00	36.00	28.80
March 2005	32.25	27.55	32.20	27.10

(vii) Performance of Chambal's equity share in comparison to BSE Sensex and BSE 200 on the basis of closing values:



The base of 100 is taken to be the closing price of shares and values of indices as on March 31, 2004.

(viii) Registrar and Transfer Agent & Share Transfer System

The Company has appointed M/s. Zuari Investments Limited as its Share Transfer Agents. Share transfers in physical form and other communications regarding shares, dividends, change of address, etc., may be addressed to:

M/s. Zuari Investments Limited,
Share Transfer Agents
F Block, 2nd Floor,
International Trade Tower,
Nehru Place, New Delhi – 110 019.
Tel : 011 – 26480427, 26413361, 26480392
Fax : 011 – 26442082, 26413391
E-mail : isc@cfert.com

The Share Transfer Agents have an online computerised system for transfer of shares in physical form. The designated officials of the Company are authorised to approve transfer of shares after they are processed by the Share Transfer Agents. There is also facility of transfer of shares 'Over the Counter' upto 10,000 shares per request. Average time taken in transfer of shares across the counter is 5 minutes per share certificate and in other cases around 5 days from the date of receipt of the request.

The dematerialized shares are directly transferred to the beneficiaries by the Depositories.

(ix) Address for Correspondence:

The Investors can personally contact or send their correspondence either to Share Transfer Agents or at the Company's Investor Service Centre, at the following address:

Chambal Fertilisers and Chemicals Limited
Investor Service Centre
"International Trade Tower"
F Block, (2nd Floor)
Nehru Place
New Delhi - 110 019
Tel : 011 - 26480427, 26413361, 26480392
Fax : 011 – 26465218, 26480639
E-mail : jainrajesh@cfert.com; singhrajveer@cfert.com
rathorems@cfert.com

(x) Dematerialisation of Shares and Liquidity

The Equity Shares of the Company are compulsorily traded in dematerialised form and the Company has signed agreements with both the Depositories i.e. National Securities Depositories Limited and Central Depository Services (India) Limited. As on March 31, 2005, about 86% of the share capital of the Company was held in dematerialised form.

The equity shares of the Company are also being traded in the future segment of the National Stock Exchange of India Limited. The shares of the Company are part of BSE-200 (Group A) and S&P CNX – 500 indices.

(xi) Distribution of Shareholding

The distribution of shareholding as on March 31, 2005 was as follows:

S.No.	No. of Equity Shares held	No. of share holders	Percentage of total Shareholders	No. of shares held	Percentage of total shares
1.	1 to 500	175125	80.36	3,96,26,254	9.76
2.	501 to 1000	24289	11.15	2,20,11,049	5.42
3.	1001 to 5000	15390	7.06	3,58,31,462	8.83
4.	5001 to 10000	1693	0.78	1,31,71,588	3.24
5.	10001 to 100000	1255	0.58	3,40,34,052	8.38
6.	100001 to 500000	100	0.04	2,11,73,265	5.22
7.	500001 & above	70	0.03	24,01,52,330	59.15
	Total	2,17,922	100.00	40,60,00,000	100.00

Details of Shareholding as on March 31, 2005 was as under:

S.No	Category	No. of Shares held	Shareholding (%)
1.	Promoters/ Persons acting in concert	19,79,54,111	48.76
2.	Financial Institutions, Banks and Mutual Funds	2,40,72,109	5.93
3.	NRIs, Foreign Nationals, OCBs and FII's	1,28,47,482	3.16
4.	Indian Public	17,11,26,298	42.15
	Total	40,60,00,000	100.00

(xii) Outstanding GDRs/ ADRs/ Warrants or any Convertible Instruments, conversion date and likely impact on equity

1,02,07,852 equity shares of Rs. 10 each of the Company will be allotted to the ordinary shareholders of erstwhile India Steamship Company Limited in pursuance of the scheme of arrangement and amalgamation.

(xiii) a) Location of the Plants

Fertiliser Plants : Gadepan, Distt. Kota, Rajasthan, PIN- 325 208.
Birla Textile Mills : Baddi, Distt. Solan, Himachal Pradesh.
Food Processing unit : Village & PO Rathdhana, Jatheri – Sonapat Road, Sonapat, Haryana

b) India Steamship - Shipping Division

44, Park Street, Kolkata – 700017

j) Non-Mandatory Requirements

The Company has adopted the following non-mandatory requirements relating to:

- (a) maintenance of the office of non-executive Chairman at the Company's expense,
- (b) providing half-yearly un-audited financial results of the Company to each household of the shareholders, and
- (c) Remuneration Committee.



Annexure "F" to Directors' Report
MANAGEMENT DISCUSSION AND ANALYSIS REPORT

The management of Chambal Fertilisers and Chemicals Limited is pleased to present its analysis report covering segment-wise performance and outlook.

The Company has five business segments viz. Fertilizer, Textile, Software, Food Processing and Shipping of which the Fertilizer Division is by far the largest. The urea manufacturing facility of the Company with an annual capacity of 1.73 million MT is the largest in the private sector. The aforesaid business activities are supported by an extensive marketing network.

FERTILISER DIVISION

I. Industry Structure

The present demand of urea is approximately 20.5 million MT per annum and this is substantially met from domestic production, which stood at 20.2 million MT. In 2004-05, urea production was one million MT higher than the previous year to meet the increased demand. With the commissioning of Petronet LNG terminal and with the supply of Regasified Liquified Natural Gas (RLNG), the naphtha a high cost raw material has been largely substituted. Most of the units on the HBJ pipeline, which were earlier using naphtha partially, are now operating fully on natural gas. This has resulted in bringing down subsidy outgo from the Government of India. At present, 58% of the domestic manufacturing capacity is based on natural gas/ RLNG as feedstock, 19% on naphtha, 10% on FO/LSHS and the balance on mixed energy. With the availability of RLNG, some of the units, which are based on naphtha/ fuel oil as feedstock, have initiated action to change over to gas.

Demand of urea by the year 2009 is expected to be over 24 Million MT leaving a gap of about 4 Million MT which can be met by:

- Additional production by de-bottlenecking of existing gas based plants. These would add 2-2.5 Million MT per annum.
- Imports from OMIFCO (a JV between IFFCO and Government of Oman), which commenced production from June 2005.

Domestic capacity and import from OMIFCO during 2008-09 will be just sufficient to meet the total demand of urea.

II. Developments in Government Policies

The Government of India has implemented the New Pricing Scheme (NPS) with effect from April 1, 2003. Stage I and Stage II of the NPS are effective upto March 31, 2006. For Stage III, a working group has been constituted by Department of Fertilisers, under the Chairmanship of Dr. Y.K. Alagh to review the effectiveness of stage - I and II of New Urea Pricing Scheme and formulate a policy for urea units for stage - III commencing from April 1, 2006.

In January 2004, the Government of India has announced three major policies to give impetus to urea manufacturing units, which are:

- a) Policy for existing non-gas based urea units converting to Natural Gas/ RLNG as feedstock and fuel.
- b) Policy for treatment of debottlenecking, revamping, modernization, etc. of existing urea units. The minimum capacity enhancement has been fixed as 10% under this policy and this additional production has to be based on Natural Gas/ RLNG as raw material. For such additional production, the unit will get the prevailing price under the new pricing scheme, with a provision of escalation or de-escalation on account of variation in prices of Natural Gas/ RLNG. This policy which is meant to provide incentive to the efficiently operated units, whose feedstock is Natural Gas/ RLNG appears to be prima facie fair.
- c) The policy for setting up greenfield urea project is based on Natural Gas/ RLNG as raw material. Concessions to such new units will be given on the basis of Long Run Average Cost (LRAC). However, LRAC will be determined on the basis of average cost of US\$ 3 per million BTU for Natural Gas and US\$ 3.5 per million BTU for RLNG.

RLNG/Gas Scenario

A large LNG facility has been commissioned in Dahej, Gujarat, which has started supplying gas to the customers. The Enron LNG terminal facility at Dabhol is also likely to be commissioned. Considering huge discoveries of gas in Krishna-Godawari Basin on the East Coast, finalization of LNG supply arrangement from Iran and proposed Indo-Iran gas pipeline, it is hoped that the gas availability will substantially increase in the long term.

The Company expects that with adequate competition the gas sector will slowly attain the maturity, which will not only benefit the gas sector, but also the fertilizer sector, which is the second largest consumer of natural gas. Whilst the outlook for gas price will depend on global factors, free market in India will enable domestic users to source gas on competitive terms.

III. Opportunities

In view of the firm outlook for urea in the global market, recent policy announcements by Government and emerging Natural Gas/ RLNG market in India, there is a growth opportunity for your Company in its core business. The Company has already initiated action for the de-bottlenecking of both Gadepan I & II Plants, where it has a locational advantage of proximity to HBJ gas pipeline. Detailed Project report for Gadepan -II Plant has already been submitted to the Government and the Project Report for Gadepan I Plant is under finalisation.

Gadepan I Plant which was partially using Naphtha has completely switched over to RLNG. Gadepan - II Plant based on Naphtha is substantially on RLNG and the complete switchover to RLNG is expected by the middle of 2006-07. With these changes, it is expected that at full capacity utilization of both the Gadepan Plants, the Government will save Rs. 500 crore in subsidy outgo.

IV. Risks and Concerns

The Stage I and Stage II of the New Pricing Scheme of the Government will end on March 31, 2006. The Policy thereafter is currently under review for which a study group has been appointed as mentioned earlier.

Going forward, the energy prices in India at burner tip are not expected to be lower than US\$ 4.5 to US\$ 5 per MMBTU on Net Calorific Value basis unless Tariff Commission, which has been mandated to look into the pricing of Natural Gas/ RLNG, recommends otherwise.

It is expected that the policy being formulated by the Government for Stage III will not substantially deviate from the current policy under Stage I and II. Any inequitable shift from the basic parameters of the NPS may have an impact on your Company.

V. Operational and Financial Performance

The performance of Fertilizer Division is summarized below:

	(Rs. in Crores)	
	2004-05	2003-04
Urea Production (MT in lacs)	18.55	17.62
Sales including Agri inputs (Rs. in crore)	2450.49	2086.56
EBIDTA (Rs. in crores)	486.41	421.88

Urea Production during the year was higher by 0.93 lac MT as the Company obtained permission from the Government for production in excess of the re-assessed capacities to meet its market requirement in the farm sector.

The total quantity of urea sold by the Company in the year 2004-05 was 18.24 lac MT, marginally higher than that of the corresponding period last year. The all India sales of urea during the year were 188 lac MT against 180 lac MT in the previous year.

The Company continued its efforts to promote much needed balanced use of fertilizers by the farmers. It took steps to ensure availability of all nutrients to the farmers from a single window under its brand "Uttam". During the year 2004-05, the Company marketed other fertilisers aggregating to 3.05 lac MT as against 3.92 lac MT during the previous year. The sale of pesticides during the year increased by 34% i.e. from Rs. 35 crore to Rs. 47 crore. The Company also marketed seeds worth Rs. 6.80 crore during the year.

Your Company directed its efforts towards further strengthening its brand "Uttam" and building long-term relationship with the consumers through a strong marketing network of over 1070 dealers and 15,250 retail outlets. Efforts under customer loyalty program got a fillip with the

launch of a new logo and rechristening of our services under the name "Uttam Bandhan".

More than 40,000 farmers are now members of "Customer Relationship Program" under Uttam Bandhan Scheme. It is planned to increase this membership. New products including organic fertilizers and vermi-compost are being test marketed under this program.

VI. Material Development in Human Resources/ Industrial Relations front including number of people employed

A new Performance Management System was designed and implemented for the executives of the Company during the year 2004 - 05. The system design was based on the feedback from the employees and the organizational needs. This evolved into a system which focuses on employee development and performance based rewards. All executives have been trained on appraising skills including goal setting, conducting performance reviews, self appraisal, employee potential, career planning and development, training needs, etc. Significant progress was made in evolving Key Result Areas for all management roles.

Your Company has intensified its efforts to train employees across all functions. A number of Management Development Programmes were held during the year with a view to achieve 6 training man-days per employee per year. It is planned to hold 50 Management Development Programmes during the year 2005 - 06.

The Company also initiated off-campus partnership programme with Birla Institute of Technology, Pilani leading to BS Degree for Non-management employees as part of their development and career advancement. The Company has completed the selection process for the same with a nomination of around 15 employees from Non-management stream and promotee officers in the plant who are not qualified engineers.

As on March 31, 2005, the total manpower deployed in fertilizer division was 895. The division continues to have very cordial industrial relations.

BIRLA TEXTILE MILLS - SPINNING DIVISION

I. Industry Structure

Indian Textile and apparel Industry occupies a significant position in the global textile map. India is the third largest producer of cotton and jute, second largest producer of cotton yarn and second largest producer of silk and fifth largest producer of synthetic fibre/ yarn in the world. This industry is also one of the largest and most prominent sectors of Indian Economy. In the spinning segment, India has an installed capacity of around 40 million spindles (23% of world) and 0.5 million rotors (6% of world). In the weaving segment, India is equipped with 1.80 million shuttle looms (45% of world), 0.02 million shuttle-less looms (3% of world) and 3.90 million hand looms (85% of world).

World trade in Textiles and clothing amounted to US\$ 395

billion in 2003 of which Textiles accounted for 43 percent (US \$ 169 billion) and clothing 57 percent (US \$ 226 billion). The share of textiles and garments exports in India's total exports in the year 2004-05 stood at about 20 percent, amounting to US \$ 12.5 billion.

II. Opportunities & Threats

The Agreement on Textiles and Clothing (ATC) to abolish Multi-Fibre Arrangement (MFA) quotas marked a significant turnaround in the global textile trade. The ATC mandated progressive phase out of import quotas established under MFA, and integration of textiles and clothing into the multilateral trading system from January 1, 2005.

The quota regime had frozen the market share providing export opportunities even for high cost producers. From the year 2005, this is set to decline. The space vacated by them will be filled by China and India to a considerable extent. Confederation of Indian Textiles Industry sponsored CRISIL Study titled 'Vision-2010' which postulates that by 2010 Indian Textile and apparel industry is expected to achieve a size of US \$ 85 billion from the size of US \$ 37 billion in 2003 which means CAGR of 11%. Out of US \$ 85 billion, the domestic market would comprise US \$ 45 billion against US \$ 25 billion in 2003 and remaining US \$ 40 billion would be exports against US \$ 12 billion in 2003. Thus, the growth driver for the textile industry would be exports with its share in textile revenue increasing to 47 percent from the present level of a little over 30 percent.

Domestic consumption is set to rise with income and population growth. The population in the middle class is expected to grow by 63 per cent from 265 million in 2001-02 to 432 million in 2006-07. This, coupled with an assumed GDP growth rate of 6.5 percent, will lead to the growth of domestic textile market at 9 per cent per annum. Per Capita consumption is expected to increase to 32 mtrs in 2010 from 19 mtrs in 2002. In value terms, it translates into an average per capita spending of Rs.2125 as against a current level of Rs.1150 per annum.

De-reservation of Hosiery Sector from Small Scale Industry in 2005-06 budget has paved the way for the growth in this sector. This is expected to increase the demand for all types of yarn considerably.

Cost competitiveness in Indian Textile sector has been restrained by uneconomic scale of operations, obsolete technology, highly fragmented supply chain, longer delivery lead times and lack of infrastructure.

The ability of Indian textile industry to take advantage of quota phase-out would depend upon their ability to enhance overall competitiveness through exploitation of economies of scale and converting the imbalance in the value chain by infusing funds. Given the volume of projections for exports, government will have to create a fibre neutral fiscal regime, Textile clusters and additional export infrastructure.

III. Outlook

The mood in the industry is cautiously upbeat. The Indian

Textile Industry has the inherent strength to deal with competition. With the Government support in the form of a stable policy environment, reduced transaction costs, refund of duties and improved labour laws could go a long way in increasing competitive strength of Indian Textile Industry.

Your Company is fully seized of all the developments at domestic and international level and has been taking necessary steps to be competitive in the highly dynamic scenario. These steps include modernization, expansion, quality upgradation, cost reduction, benchmarking of cost and quality, improving market responsiveness by understanding consumer trends and addressing customer requirements, etc. Your Company has decided to increase the capacity of the existing facility at Baddi by 39,744 spindles at a cost of Rs. 122 crore for manufacture of Cotton Yarn. The existing facility manufactures synthetic blended yarn. The Plant is expected to be commissioned by end March 2007.

The management is optimistic about the future prospects of this business.

IV. Operational and Financial Performances

The summarized performance of Birla Textile Mills was as under :

	2004-05	2003-04
Yarn Production (MT)	12036	11486
Sales* (Rs. in crores)	130.29	121.41
EBIDTA (Rs. in crores)	13.86	16.44

* excluding excise duty

The average spindle utilization for the year 2004 - 05 was at 96.47% almost same as in the year 2003-04. The sales of yarn during the year were 11,212 MT against 11,310 MT during the corresponding period of the previous year.

The Unit has added 2304 spindles during the year 2004-05 thus raising the total installed capacity to 39,552 spindles.

V. Material development in human resources / industrial relations front including number of people employed

Being a labour intensive industry, training and development of human resources is of paramount importance. Well structured in-house training programmes conducted by experienced and competent faculty have improved the skill levels and the employee commitment. The results of the training efforts at the shop floor level have been excellent. Presently, the manpower deployments comprises of 1050 workers, 187 staff members and 310 trainees.

Industrial relations remained cordial during the year. The issue of payment of dearness allowance as applicable to industries in Delhi to workers relocated from Delhi to Himachal Pradesh, was referred by the State Government to Labour Court / Industrial Tribunal, Shimla for adjudication and the same is still pending before the Tribunal in respect of a few workmen.

INDIA STEAMSHIP - SHIPPING DIVISION

I. Industry structure and developments

Shipping is an international industry, unrestricted by national tariff or import/export barriers and accounts for over 90 per cent of the world's foreign trade.

Safety to life and property and protection of environment, are two key issues in the shipping industry. Successive layers of supervision and control in this regard extend from officers manning ships, shipowners, national maritime administrations to international non-governmental and inter-governmental entities. All ships are built to standards prescribed by classification societies such as Lloyd's Register of Shipping (LR), Indian Register of Shipping (IRS), etc, and are constructed under their survey. Ships and personnel manning ships must also comply with rules and regulations of their flag State and of international laws. The certification of a ship, for safe operation, by the classification society and national maritime administration is a continual process extending over the life-span of the ship, entailing periodical and adhoc inspections. International Maritime Organisation (IMO), a specialised U.N. Agency, develops and lays down rules and regulations for adoption by national governments. Ports and cargo terminals also set up their own specific requirements, for compliance by ships using their facilities, and can debar substandard ships from entering.

The International Safety Management (ISM) Code provides an international standard for safe management and operation of ships and for prevention of environmental pollution. The Code applies both to shipping companies and individual ships, and national governments are responsible for the implementation of the Code. Under the Code, the approved company is awarded a Document of Compliance (DOC) and the approved ship, a Safety Management Certificate (SMC). Validity of both documents is for a period of 5 years. These documents have to be revalidated annually for the company, and over intervals of 2.5 years, from first approval, for individual ships.

II. Opportunities and Threats

The Shipping Division is committed to providing crude oil and dry/liquid product transportation to customers, traders and government agencies worldwide and, especially, to serve the interests of the Indian industry. As at March 31, 2005, the Division's fleet consisted of 3 tankers, with a total capacity of 249,678 deadweight MT.

The Division's freight incomes are derived from:

- Voyage charters, where vessels are chartered out for a specific voyage; and
- Time charters, where vessels are chartered out for an agreed period.

The Shipping Division's thrust will be on expansion of its core-competency area of transporting oil products and operating general purpose bulk carriers. Additionally, the Division will focus on the value-base represented by the sea-bearing freight being borne by Group companies.

These inherent strengths and considerations enshrined in the Indian market would dictate expansion in specific segments of the shipping business.

III. Outlook

Over the course of the next 3 to 5 years, the Shipping Division's Expansion Plan aims at participating in the following:

1. Crude Oil/Fuel Oil Tankers: Crude oil imports continue to dominate the growing economies of India and China. The major part of this movement will be in Very Large Crude Carriers (VLCC). The Aframax segment, versatile for the dual carriage of crude oil and fuel oil is, preferentially, favoured for fuel oil parcels. It is for this end-use that future investment is envisaged in Aframax Tankers. The Shipping Division will aim at purchase of new or second-hand modern tonnage in VLCC and Aframax Tankers.
2. Bulk Carriers: The present and continuing need for Rock Phosphate for captive consumption by Group companies, requires large-scale imports. The Shipping Division aims at participating in this business through owned vessels, and will, accordingly, plan to acquire Panamax Bulk Carriers.
3. Coal Carriers: India will undertake large-scale imports of coal over the 11th plan period and beyond. In terms of Handymax size capability, which is the preferred coal carrier, this would translate to substantial numbers of carriers for meeting the Indian demand. The Shipping Division plans to acquire two Handymax Bulk Carriers for Indian coal imports.

IV. Risks and concerns

The risks borne by the Shipping Division are inherent in the shipping industry, highly capital-intensive in nature and catering to international trade which tends to be cyclical.

As a consequence of IMO recommendations, the industry adopted restrictions to the carrying of heavy fuel oil in single hull vessels from April 5, 2005. Accordingly, the Shipping Division's three tankers, all single hull, when engaged in international waters, will only carry crude oil but, when engaged within Indian jurisdiction, will carry cargoes of both crude oil and heavy fuel oil. Your Company believes that though these regulations could result in limiting the flexibility of employment of the Shipping Division's tankers, they are also likely to tighten the world tanker supply and a reallocation of affected tonnage. This could result in firmer tanker market conditions and increased tanker freight rates for modern vessels and well-maintained (CAP rated) older vessels.

V. Financial and operational performance

The summarised performance of Shipping Division for the period from September 1, 2004 to March 31, 2005 was as under:

	(Rs. in Crores)
	<u>2004-05</u>
Sales (Rs. in crores)	83.22
EBIDTA (Rs. in crores)	21.10

The previous year's figures of the division are not applicable.

VI. Human resources development and industrial relations

The employees of the Shipping Division fall into two categories with different service conditions, viz., shore employees and shipboard personnel.

Current shore employment consists of 13 Officers, 23 Staff, and 22 Sub-staff.

The Shipping Division currently has 30 shipboard officers on roll and 267 ratings on roster. Due to shortage in senior categories, it is sometimes necessary to employ officers on short-term contracts. In respect of ratings, plans to effect reduction in the number of ratings are in progress.

Specialized training is statutorily required for officers and ratings manning the ships. Employment without valid competency certificates issued by the maritime administration is not permitted. In addition to basic courses, officers are also required to undertake specialized training and pass several examinations. Additionally, competency certificates have to be revalidated periodically, which ensures that officers are kept abreast of maritime practices.

Industrial relations with shore and shipboard personnel are accorded due importance and cordial relations have been maintained, both ashore and afloat.

INDIA SOFTWARE GROUP (ISG) - SOFTWARE DIVISION

I. Industry Outlook

For two consecutive years, India's information and communications technology market has been the fastest growing in the world. Indian software exports have been growing at a CAGR of over 30% for the past few years. India maintains the offshore leadership position by providing a seamless global delivery model for companies in Europe, Asia Pacific region and the United States. India continues to be an attractive investment destination, as leading global companies have ramped up their investments in India. India drew the bulk of the global IT Enabled Services/ Business Process Outsourcing business on account of its unmatched value proposition. The increasing contribution and visibility of India's domestic IT market is a key differentiator from earlier periods. Small and Medium Enterprises are using a judicious mix of products/ services and alliances with larger firms, thus providing a niche in a large and competitive market.

II. Opportunities and Threats

Companies across the world are realizing the cost benefits of outsourcing and off-shoring. Companies are returning to the days of increased IT spending. This is giving a clear positive signal of revival and growth and is likely to drive the outsourcing opportunities for ISG. Global presence of NovaSoft Information Technology Corporation, U.S.A. in strategic territories is an added advantage to capitalize this outsourcing boom. The Indian IT market is complex, and a diverse mix of players is competing for the same resources and skilled workers. The availability of skilled manpower which will intensify in the near term is a concern

and needs to be managed carefully. The IT Enabled Services market is growing at a rapid pace and so is the number of suppliers making the market extremely competitive. As far as inorganic growth is concerned, there are numerous options available today and this option has to be carefully pursued.

III. Risks and concerns

Facing intense pressure from the investors for steady growth, the IT multinationals are chasing small deals that used to be in the territory of emerging players. In order to get quality reckoning, ISG has signed up with a number of partners who provide software products and solutions. Whilst ISG clients are exposed to partners, any risk here is well mitigated by ISG's involvement in implementation and project management with their clients. Growth through acquisitions is an opportunity to expand ISG's offerings and access to the market although such a growth has risk of business and cultural integration. Compensation costs in the Indian software industry are climbing 12.5 percent annually for the past two years. This needs to be managed efficiently with a mix of right talent at various levels. Adding value to the clients and increasing productivity are the key factors to mitigate this emerging risk.

IV. Outlook

ISG's model of partnering with product/ solution partners has started yielding results in the domestic and overseas markets. Conscious efforts are being made to build a stable operating platform for sustained revenue growth. ISG has had many challenges, has streamlined many processes, and has invested in new initiatives that give a strong competitive edge. ISG has put together a coherent strategy for building the company brand to expand its client list. ISG has paid careful attention to scaling business lines and has chosen an optimal portfolio mix to expand the business and to establish a firm footing in various growth areas.

V. Operational and Financial Performance

The summarised performance of ISG was as under:

	2004-05	(Rs. in Crores) 2003-04
Sales	3.27	2.54
EBIDTA	(8.44)	(5.30)

The Software Division of your Company has been hived off into its subsidiary viz. ISG Novasoft Technologies Limited with effect from April 1, 2005.

VI. Material Development in Human Resources/ Industrial Relations

Human Resources function at ISG continuously strives to build an organization of excellence by recruiting, developing, motivating and retaining the best talent required to meet organizational goals. The training focus is mainly in developing our people in emerging technologies, software engineering and project management skills.

As on March 31, 2005, the total manpower deployed in software division was 61. The division continues to have very cordial industrial relations.

FOOD PROCESSING UNIT

I. Industry Outlook

Food processing is a sunrise Industry in India. Government of India has accorded a high priority to the Food Processing Industry being the world's second largest producer of fruits & vegetables with a number of fiscal incentives to encourage commercialization and value addition to agricultural produce.

II. Opportunities and threats

Increase in per capita income and purchasing power, spending of over 40% of income in food habits, the growing middle class, youngest nation by 2020 with average age of 26 years, increasing number of working women, well developed infrastructure and distribution network are some of the critical growth drivers for the industry. Our reach in rural areas coupled with our strength in contract farming will give us a distinct competitive edge over others.

Biotechnology would trigger a new product revolution, which may change the face of food processing.

Stringent food laws, lower capital investment, protectionist food industries in developed nations and cheaper imports from China and Thailand are a threat to Indian food processing sector.

III. Risks and concerns

Being seasonal industry and dependent on agricultural output, all risks, like vagaries of nature etc. that are associated with agriculture, impact this industry. The raw material is perishable, shelf life of finished products is limited and poor cold chain infrastructure coupled with electric power problem are the main risk factors.

IV. Operational and Financial Performance

The summarised performance of Food Processing Unit was as under:

	2004-05	(Rs. in Crores) 2003-04
Quantity Processed (MT)	5903	3564
Sales (Rs. in crores)	12.22	7.09
EBIDTA (Rs. in crores)	(2.41)	(2.43)

INTERNAL CONTROL SYSTEM

The Company places prime importance to effective internal controls as well as good internal audit system. Internal audit is carried out by the internal audit team of the Company based on the internal audit programme duly approved by the Management Committee and subsequently by the Audit Committee of the Board of Directors. The internal audit reports are first discussed by the Management Committee and later on placed before the Audit Committee of the Board of Directors alongwith the direction / action plan recommended by the Management Committee.

The Company has a system of internal control comprising authority levels, supervision, checks and balances and procedures through documented policy guidelines and manuals. The system is reviewed and updated on an on going basis with an objective to improve systems and efficiency of operations.

During this year, internal audits were carried out in the areas of procurement, order processing, logistics, accounting and all other areas of operations. The audit approach is based on random sample selection. To ensure resolution of audit findings and to monitor implementation of the recommendations, the internal audit also verified the follow up action of the last year audit reports.

CAUTIONARY STATEMENT

The report may contain certain statements that the Company believes are, or may be considered to be "forward looking statements" that describe our objectives, plans or goals. All these forward looking statements are subject to certain risks and uncertainties, including but not limited to, Government action, economic development, risks inherent in the Company's growth strategy and other factors that could cause the actual results to differ materially from those contemplated by the relevant forward looking statements.



Auditors' Report

To

The Members of

Chambal Fertilisers and Chemicals Ltd.

1. We have audited the attached Balance Sheet of Chambal Fertilisers and Chemicals Limited as at March 31, 2005 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 mis-statement. 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 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, 2005, we report that none of the directors is disqualified as on March 31, 2005 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, 2005;
- b) In the case of the Profit and Loss Account, of the profit of the Company for the year ended on that date; and
- c) in the case of Cash Flow Statement, of the cash flows of the Company for the year ended on that date.

For **S.R. BATLIBOI & COMPANY**
Chartered Accountants

per **RAJ AGRAWAL**
Partner

Place : New Delhi

Date : August 20, 2005 Membership No.: 82028

ANNEXURE REFERRED TO IN PARAGRAPH 3 OF OUR REPORT OF EVEN DATE TO THE MEMBERS OF CHAMBAL FERTILISERS AND CHEMICALS LIMITED ON THE ACCOUNTS AS AT AND FOR THE YEAR ENDED 31ST MARCH, 2005

- (i)
 - (a) The Company has maintained proper records showing full particulars, including quantitative details and situation on fixed assets.
 - (b) Fixed assets have been physically verified by the management during the year based on a phased programme of verifying all the assets over a period of two years, which in our opinion is reasonable having regard to the size of the Company and the nature of its fixed assets. No material discrepancies were noticed on physical 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)
 - (a) The Company had granted loans to six companies covered in the register maintained under section 301 of the Companies Act, 1956. The maximum amount involved during the year was Rs. 6637.50 lacs and the year-end balance of loans given to such parties was Rs. 2500.00 lacs.

- (b) In our opinion and according to the information and explanations given to us, the rate of interest and other terms and conditions for such loans are not prima facie prejudicial to the interest of the Company.
- (c) In respect of loans granted, repayment of the principal amount is as stipulated and payment of interest is also generally regular.
- (d) There is no overdue amount of loans granted to companies listed in the register maintained under section 301 of the Companies Act, 1956.
- (e) As informed, the Company has not taken any loans, secured or unsecured from companies, firms or other parties covered in the register maintained under section 301 of Companies Act, 1956. Therefore, provisions of clause (iii) (f) and (g) of Companies (Auditors 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) (a) According to the information and explanations provided by the management, we are of the opinion that the particulars of contracts or arrangements referred to in section 301 of the Act that need to be entered into the register maintained under section 301 have been so entered.
- (b) In our opinion and according to the information and explanations given to us, the transactions made in pursuance of such contracts or arrangements exceeding the value of Rupees five lacs have been entered into during the financial year at prices, which are reasonable, having regard to the prevailing market prices at the relevant time.
- (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 and 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 any Court or any other Tribunal under sections 58A and 58AA.
- (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) According to the information and explanations given to us and the books and records examined by us, the Company has been 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, Custom 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, there are no dues outstanding of Income Tax, Sales Tax, Wealth Tax, Service Tax, Custom Duty, Excise Duty and Cess on account of any dispute, other than the following:

Name of the Statute	Nature of the Dues	Amount (Rs. in lacs)	Period to which the amount relates	Forum where dispute is pending
Income-Tax Act, 1961	Interest on TDS Refund. AY - 1994-95	0.23	AY 1994-95	CIT (Appeals), Kota
Income-Tax Act, 1961	Interest under section 234B & 234C	25.06	AY 1997-98	ITAT
Income-Tax Act, 1961	Disallowance of various expenses/ deductions claimed by the Company.	235.22	AY 2002-03	CIT (Appeals), Kota
Rajasthan Sales-Tax Act, 1994	Interest demand. AY - 1991-92 to 1994-95	0.50	AY - 1991-92 to 1994-95	Deputy Commissioner (Appeals), Kota
Central Sales-Tax Act, 1956	Assessment demand – Additional tax etc. on purchases of HDPE Tubes & Plastic Sheets etc. AY - 1996-97	5.76	AY - 1996-97	Rajasthan Tax Board, Ajmer
Rajasthan Sales-Tax Act, 1994	Use of natural gas for ammonia fuel, power and steam generation	352.34	AY - 1996-97 to 01-02	Pending with Rajasthan High Court and CTO A.E. - I, Kota
Rajasthan Sales Tax Act, 1994	Assessment demand - Additional Tax etc. on purchases of Ready Mix Concrete etc. AY - 1996-97	21.54	AY - 1996-97	Deputy Commissioner (Appeals), Kota



Name of the Statute	Nature of the Dues	Amount (Rs. in lacs)	Period to which the amount relates	Forum where dispute is pending
Central Sales Tax Act, 1956	Assessment Demand-Additional Tax etc. on sale of scrap. AY-1993-94	0.35	AY - 1993-94	Deputy Commissioner (Appeals), Kota
Central Sales Tax Act, 1956	Interest demand. AY 1996-97	0.12	AY - 1996-97	Rajasthan Tax Board
Central Sales Tax Act, 1956	Additional tax etc. on purchases of packing bags for Seeding Programme at concessional rate of CST against issue of 'C' form-AY-1991-92 & 1992-93	164.06	AY - 1991-92 & 1992-93	Rajasthan High Court, Jodhpur & Deputy Commissioner. (Appeals), Kota

- (x) The Company has no accumulated losses at the end of the financial year and it has not incurred any 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 (Auditors Report) Order, 2003 (as amended) are not applicable to the Company.
- (xiv) In respect of dealing/trading in shares, securities, debentures and other investments, in our opinion and according to the information and explanations given to us, proper records have been maintained of the transactions and contracts and timely entries have been made therein. The shares, securities, debentures and other investments have been held by the Company in its own name.
- (xv) According to the information and explanations given to us, the Company has given guarantee for loans taken by its subsidiaries and associates from bank or financial institutions, the terms and conditions whereof in our opinion are not prima-facie prejudicial to the interest of the Company.
- (xvi) Based on information and explanations given to us by the management, term loans were applied for the purpose for which the loans were obtained.
- (xvii) According to the information and explanations given to us and on an overall examination of the Balance Sheet and Cash Flow Statement 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) Based on books and records produced to us by the management, securities have been created in respect of debentures issued, wherever required.
- (xx) The Company has not raised any money through a public issue 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 & COMPANY
Chartered Accountants

per **RAJ AGRAWAL**
Partner

Place : New Delhi
Date : August 20, 2005 Membership No.: 82028

BALANCE SHEET AS AT MARCH 31, 2005

(Rs. in Lacs)

Particulars	Schedule	As at	
		March 31, 2005	March 31, 2004
I. Sources of Funds			
(1) Shareholders' Funds :			
(A) Share Capital	1	40600.00	40600.00
(B) Share Capital Suspense	1A	1045.79	-
(C) Reserves and Surplus	2	42729.82	33769.33
		84375.61	74369.33
(2) Loan Funds :			
(A) Secured Loans	3	67768.20	78947.37
(B) Unsecured Loans	4	25590.12	23701.04
		93358.32	102648.41
(3) Liabilities under Deferred Payments			
		24508.00	30307.91
(4) Deferred Tax Liability (Net)			
		38000.06	40891.42
T O T A L		240241.99	248217.07
II. APPLICATION OF FUNDS			
(1) Fixed Assets :			
(A) Gross Block	5	281241.32	268036.82
(B) Less : Depreciation		112880.75	97901.55
(C) Net Block		168360.57	170135.27
(D) Capital Work in Progress		659.76	273.33
		169020.33	170408.60
(2) Investments			
	6	22711.37	29488.21
(3) Current Assets, Loans and Advances :			
(A) Inventories	7	30110.50	22080.18
(B) Sundry Debtors	8	50096.76	40339.21
(C) Cash and Bank Balances	9	3385.25	1729.72
(D) Other Current Assets	10	294.51	204.88
(E) Loans and Advances	11	9194.09	12528.79
		93081.11	76882.78
Less :			
(4) Current Liabilities and Provisions			
(A) Liabilities	12	33138.43	21017.06
(B) Provisions	13	12231.89	8536.59
		45370.32	29553.65
Net Current Assets		47710.79	47329.13
(5) Miscellaneous Expenditure			
(To the extent not written off or adjusted)	14	799.50	991.13
T O T A L		240241.99	248217.07

Notes on Accounts

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

As per our report of even date

For **S.R. BATLIBOI & COMPANY**
Chartered Accountants

SUNIL SETHY
Managing Director

K.K. BIRLA
Chairman

Per **RAJ AGRAWAL**
Partner
Membership No - 82028

V. KRISHNAN
Vice President - Corporate Finance

H.S. BAWA
Vice Chairman

New Delhi
August 20, 2005

M.S. RATHORE
General Manager - Legal & Secretary



PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED MARCH 31, 2005

(Rs. in Lacs)

Particulars	Schedule	Year Ended March 31, 2005	Year Ended March 31, 2004
INCOME			
Sales of Own Manufactured Products including Subsidy on Fertilisers		225953.09	188575.47
Less : Excise Duty on Sale of Yarn		1101.25	1295.25
Sales of Traded products including Subsidy on Fertilisers		224851.84	187280.22
Income from Operations of Shipping Business		34486.55	34224.89
Software and Business Process Outsourcing Services		8321.62	-
Other Income	15	286.98	219.61
		3002.61	2746.77
TOTAL		270949.60	224471.49
Expenditure			
(Increase)/Decrease in Stocks	16	(7148.32)	335.44
Purchases of Goods for Trading		35362.14	31793.39
Manufacturing and other Expenses	17	196306.47	147510.54
Financial Expenses	18	9676.91	12409.60
Depreciation		15131.81	14378.75
TOTAL		249329.01	206427.72
Profit before Exceptional Items and Tax		21620.59	18043.77
Exceptional Items	19	6480.57	-
Profit after Exceptional Items and before Tax		28101.16	18043.77
Provision for Tax		8930.00	3620.00
Deferred Tax Charge/(Credit)		(2891.36)	1925.00
Profit after Tax		22062.52	12498.77
Transferred from Debenture Redemption Reserve		1500.00	1875.00
Transferred from Debt Redemption Reserve		-	8644.98
Balance Brought Forward from Previous Year		20379.29	9913.84
Profit available for appropriation		43941.81	32932.59
Less : Appropriations :			
(1) Transfer to Debenture Redemption Reserve		2600.00	2225.00
(2) Transfer to General Reserve		2500.00	3000.00
(3) Transfer to Tonnage Tax Reserve		200.00	-
(4) Proposed Dividend on Preference Shares		30.00	-
(5) Proposed Dividend on Equity Shares		7491.74	6496.00
(6) Tax on Dividend		1071.57	832.30
Balance Carried to Balance Sheet		30048.50	20379.29
Basic and Diluted Earnings Per Share		5.35	3.08
Nominal Value of Shares		10.00	10.00

Notes on Accounts

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The Schedules referred to above and the Notes on Accounts form an integral part of the Profit and Loss Account
As per our report of even date

For **S.R. BATLIBOI & COMPANY**
Chartered Accountants

SUNIL SETHY
Managing Director

K.K. BIRLA
Chairman

Per **RAJ AGRAWAL**
Partner
Membership No - 82028

V. KRISHNAN
Vice President - Corporate Finance

H.S. BAWA
Vice Chairman

New Delhi
August 20, 2005

M.S. RATHORE
General Manager - Legal & Secretary

CASH FLOW STATEMENT FOR THE YEAR ENDED MARCH 31, 2005

(Rs. in Lacs)

Particulars	Year ended March 31, 2005	Year ended March 31, 2004
A. CASH FLOW FROM OPERATING ACTIVITIES		
Profit after Exceptional Items and before Tax.	28101.16	18043.77
Movement in Miscellaneous Expenditure	304.91	(698.35)
Depreciation	15131.81	14378.75
Loss/(Profit) on Sale of Fixed Assets	63.18	444.56
Loss/(Profit) on Sale of Investments	(5411.52)	(246.26)
Prepayment Incentive for Sales Tax Liability	(1206.33)	-
Provision for Doubtful Deposits/Advances	9.70	36.02
Interest Expenditure	7817.97	10602.87
Interest Income	(1064.26)	(1204.41)
Dividend Income	(34.39)	(93.71)
Operating Profit before Working Capital Changes (a)	<u>43712.24</u>	<u>41263.24</u>
Adjustments for :		
Trade and Other Receivables	(8844.98)	(3576.00)
Inventories	(7696.73)	(1303.18)
Trade Payables	11138.43	2933.09
Total (b)	<u>(5403.29)</u>	<u>(1946.07)</u>
Cash Generated from Operations (a+b)	38308.95	39317.17
Direct Taxes Paid	(6386.40)	(3730.87)
NET CASH FLOW FROM OPERATING ACTIVITIES	31922.55	35586.31
B. CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of Fixed Assets	(9401.07)	(2884.20)
Sale of Fixed Assets	121.11	124.67
Purchase of Investments	(4030.66)	(2959.77)
Sale of Investments	12789.23	286.39
Interest Received	1110.31	1166.79
Dividend Received	34.39	93.71
Movement in Loans Given	4326.33	125.00
NET CASH FLOW FROM / (USED) IN INVESTING ACTIVITIES	4949.64	(4047.41)
C. CASH FLOW FROM FINANCING ACTIVITIES		
Proceeds from Long Term Borrowings	5750.00	34675.00
Repayment of Long Term Borrowings	(27826.42)	(48187.72)
Net Proceeds of Short Term Borrowings	613.92	(4574.21)
Interest Paid	(7826.13)	(10907.54)
Dividend Paid	(6474.69)	(6046.38)
Income Tax on Dividend Paid	(848.95)	(780.28)
NET CASH USED IN FINANCING ACTIVITIES	(36612.26)	(35821.13)
Increase/(Decrease) in Cash and Cash Equivalents	<u>259.93</u>	<u>(4282.24)</u>
CASH AND CASH EQUIVALENTS AS AT 1ST APRIL	1729.72	6011.96
Increase in Cash and Cash Equivalents pursuant to merger of India Steamship Company Ltd.	1395.60	-
	<u>3125.32</u>	<u>6011.96</u>
CASH AND CASH EQUIVALENTS AS AT 31st MARCH	3385.25	1729.72
Cash and Cash Equivalents Comprise		
Cash in hand	8.48	8.25
Balances with Scheduled Banks :	3371.04	1721.47
Balances in Overseas Accounts	5.73	-
	<u>3385.25</u>	<u>1729.72</u>

1. The Merger of the erstwhile India Steamship Company Ltd. with the Company is a non-cash transaction. (Refer Note No. 15 of Schedule 20)

As per our Report of even date

For **S.R. BATLIBOI & COMPANY**
Chartered Accountants

per **RAJ AGRAWAL**
Partner
Membership No - 82028
New Delhi
August 20, 2005

SUNIL SETHI
Managing Director

V. KRISHNAN
Vice President - Corporate Finance

M.S. RATHORE
General Manager - Legal & Secretary

K.K. BIRLA
Chairman

H.S. BAWA
Vice Chairman



SCHEDULES ANNEXED TO AND FORMING PART OF THE BALANCE SHEET AS AT MARCH 31, 2005

(Rs. in Lacs)

Particulars	As at March 31, 2005	As at March 31, 2004
SCHEDULE 1 : SHARE CAPITAL		
Authorised :		
44,00,00,000 Equity Shares of Rs. 10 Each	44000.00	44000.00
21,00,00,000 Redeemable Preference Shares of Rs. 10 Each	21000.00	21000.00
	<u>65000.00</u>	<u>65000.00</u>
Issued, Subscribed and Paid Up :		
40,60,00,000 Equity Shares of Rs.10 Each, Fully Paid Up	40600.00	40600.00
	<u>40600.00</u>	<u>40600.00</u>

SCHEDULE 1A : SHARE CAPITAL SUSPENSE

**To be Issued, Consequent to Merger of India
Steamship Company Ltd. ***

1,02,07,852 Equity Shares of Rs.10 Each to be Issued to the Equity Shareholders of erstwhile India Steamship Company Ltd. as Fully Paid Up	1020.79	-
2,50,000 5% Cumulative Preference Shares of Rs. 10 each to be Issued to the Preference Shareholders of erstwhile India Steamship Company Ltd.	25.00	-
	<u>1045.79</u>	<u>-</u>

* Refer Note No. 15 of Schedule 20

(Rs. in Lacs)

Particulars	As at March 31, 2004	Additions	Deductions/ Adjustments	Adjustment Pursuant to Scheme of Amalgamation*	As at March 31, 2005
SCHEDULE 2 : RESERVES & SURPLUS					
Capital Reserve (Arising on Forfeiture of Shares)	20.95	-	-	-	20.95
Securities Premium Account	644.09	-	-	-	644.09
Capital Redemption Reserve	2500.00	-	-	(2500.00)	-
Debenture Redemption Reserve	2225.00	2600.00	(1500.00)	-	3325.00
General Reserve	8000.00	2500.00	-	(2122.01)	8377.99
Tonnage Tax Reserve (Shipping Division)	-	200.00	-	113.29	313.29
Balance as per Profit and Loss Account	20379.29	9669.21	-	-	30048.50
	<u>33769.33</u>	<u>14969.21</u>	<u>(1500.00)</u>	<u>(4508.72)</u>	<u>42729.82</u>

* Refer Note No. 15 of Schedule 20

Particulars	(Rs. in Lacs)	
	As at March 31, 2005	As at March 31, 2004
SCHEDULE 3: SECURED LOANS		
Debentures		
6175 7.00% Secured Redeemable Non-Convertible Debentures of Rs.1,00,000 each.	6175.00	6175.00
500 7.90% Secured Redeemable Non-Convertible Debentures of Rs.10,00,000 each.	5000.00	5000.00
Rupee Term Loans		
- From Financial Institutions	1910.00	2894.00
- From Banks	35958.74	45071.59
- From Others	5000.00	5000.00
	42868.74	52965.59
Foreign Currency Term Loan from a Bank	3462.75	-
Finance Lease Liability	95.22	54.21
Short Term Rupee Loan Including Working Capital		
Demand Loan From Banks	9000.00	13000.00
Cash Credit Loans From Banks	1166.49	1752.57
	67768.20	78947.37

Notes

- 7% secured redeemable non-convertible debentures are secured by first pari-passu charge by way of mortgage in english form in respect of the immovable properties of the company situated in Gujarat and further secured by an unconditional and irrevocable guarantee issued by ICICI Bank Limited in favour of debenture trustees which in turn is secured by first pari passu charge by way of mortgage of immovable properties and hypothecation of movable assets of the company (except assets of shipping division), subject to prior charges created / to be created in favour of bankers on movables for securing working capital facilities. These debentures are redeemable on 19th May, 2007.
- 7.90% secured redeemable non-convertible debentures are secured by first pari passu charge by way of mortgage by deposit of title deeds in respect of immovable properties and hypothecation of the movable assets of the company, both present and future (save and except books debts and assets of shipping division) subject to prior charges created/to be created in favour of bankers on movables for securing working capital borrowings. These debentures are redeemable on 31st March 2011.
- Rupee term loans from financial institutions, banks and others (except for loans of Rs.400 lacs and Rs. 5137.00 lacs from banks) are secured by first pari-passu charge by way of mortgage, by deposit of title deeds in respect of immovable properties and hypothecation of the movable assets of the company, both present and future (save and except book debts and assets of shipping division), subject to prior charges created/to be created in favour of bankers on movables for securing working capital borrowings.
- Rupee term loan of Rs. 400 lacs from a bank is secured by hypothecation of wartsila DG set of 4 MW under exclusive charge.
- Rupee term loan of Rs. 5137.00 lacs from a bank is secured by mortgage on the company's vessels, M.T. Ratna Abha and M.T. Ratna Urvi and hypothecation of movabable assets and receivables (both present and future) of shipping division of the company.
- Foreign currency term loan from a bank is secured by mortgage on the vessel M.T. Ratna shalini and hypothecation of the movable properties (present and future) of the shipping division and receivables pertaining to such vessel M.T. Ratna Shalini.
- Cash credit loans from banks and working capital demand loan from banks of Rs. 1500 lacs are secured by hypothecation of all the company's movable assets including movable machinery, all stocks and book debts (including subsidy support), both present & future (except assets of shipping division). These loans are further secured / to be secured by second charge on all the immovable properties (except assets of shipping division) of the company.
- Short term rupee loan of Rs. 7500 lacs is secured by hypothecation of all movable fixed assets of the company (except assets of shipping division) subject to the charges created / to be created in favour of other financial institutions/ banks / other lenders for securing term loans and other facilities and prior charges created / to be created in favour of bankers on movables for securing working capital borrowings.
- Finance lease liability is secured by assets acquired under the facility.
- Secured loans (other than cash credit loans from banks and short term rupee loans) includes Rs. 18231.78 lacs (previous year Rs.15126.71 lacs) repayable within one year.



Particulars	(Rs. in Lacs)	
	As at March 31, 2005	As at March 31, 2004
SCHEDULE 4 : UNSECURED LOANS		
Deferred sales tax (interest free)	499.56	4478.13
Fixed deposits from public	1494.96	1610.68
Loans from bodies corporate	475.00	3500.00
13,85,164 5% Non-convertible debentures of Rs. 100 each (To be Issued) (Refer Note No. 15 of Schedule 20)	1385.16	-
5.70% short term non convertible debentures	5000.00	-
5.08% short term non convertible debentures	-	2000.00
4.88% short term non convertible debentures	-	2000.00
4.90% short term non convertible debentures	-	2000.00
Term loan from a bank	1050.00	6000.00
Short term loans from banks	15550.00	7500.00
Packing credit foreign currency loan from a bank	135.44	612.23
	25590.12	23701.04

NOTES

1. Deferred sales tax (interest free) is repayable in 10 half yearly equal instalments starting from May 22, 2005.
2. During the year, the company has redeemed 5.08%, 4.88% & 4.90% short term non-convertible debentures on April 19, 2004 (Rs. 2000 lacs), June 24, 2004 (Rs. 2000 lacs) and June 25, 2004 (Rs. 2000 lacs) respectively.
3. Maximum amount outstanding against commercial paper during the year Rs. NIL (previous year Rs. 2500 lacs)
4. 5.70% short term non-convertible debentures are redeemable on April 15, 2005.
5. 5% non-convertible debentures (to be issued) are redeemable on the 89th day from the date of allotment.
6. Unsecured loans includes Rs.14224.91 lacs (previous year Rs.17576.24 lacs) repayable within one year.

SCHEDULE 5 : FIXED ASSETS

S. No. Particulars	(Rs. in Lacs)										
	GROSS BLOCK					DEPRECIATION				NET BLOCK	
	As At 31.3.2004	Additions on Merger	Additions Others	Adjustments	As At 31.3.2005	Up to 31.3.2004	For the Year	Adjustments	Upto 31.3.2005	As at 31.3.2005	As At 31.3.2004
1 Land-free Hold	321.61	-	3.98	-	325.59	-	-	-	-	325.59	321.61
2 Land-lease Hold	587.28	-	-	-	587.28	84.77	5.93	-	90.70	496.58	502.51
3 Buildings	14764.28	0.21	27.16	(2.99)	14788.66	2089.47	454.18	(0.32)	2543.33	12245.33	12674.80
4 Leasehold Improvements	631.63	67.98	20.30	-	719.91	385.01	104.61	-	489.62	230.29	246.62
5 Railway Siding	2205.11	-	-	-	2205.11	759.02	104.74	-	863.76	1341.35	1446.09
6 Plant & Machinery	245386.37	-	854.93	(1041.20)	245200.10	92877.13	13388.42	(53.84)	106211.69	138988.41	152509.24
7 Equipment & Appliances	2953.17	23.33	230.02	(87.68)	3118.84	1259.92	196.58	(62.14)	1394.36	1724.48	1693.25
8 Furniture & Fittings	632.36	8.20	116.40	(9.38)	747.58	295.93	51.68	(5.35)	342.27	405.31	336.43
9 Vehicles	491.12	17.63	74.39	(80.47)	502.67	143.21	49.80	(30.96)	162.06	340.61	347.92
10 Vehicles (on Finance Lease)	63.89	-	66.06	-	129.95	7.09	27.62	-	34.71	95.24	56.80
11 Ships	-	5544.60	7621.39	(250.36)	12915.63	-	748.25	-	748.25	12167.38	-
Grand Total	268036.82	5661.95	9014.63	(1472.08)	281241.32	97901.55	15131.81	(152.61)	112880.75	168360.57	170135.27
Capital Work In Progress										659.76	273.33
Previous Year	265531.88		3667.53	(1162.59)	268036.82	83747.71	14378.75	(224.91)	97901.55	170135.27	181784.17

NOTES

1. Freehold Land includes Rs. 0.81 Lacs (Previous Year Rs. 0.81 lacs) ,which is yet to be transferred in the Company's name.
2. Buildings of Rs. 85.07 lacs and Furniture Fittings of Rs. 1.58 lacs (Previous Year Rs. 84.36 lacs and Rs. Nil respectively) represents undivided share in assets jointly owned with others.
3. Deletion from Plant & Machinery and Ships include Rs. 884.82 lacs and Rs. 250.36 lacs respectively (Previous Year increase of Rs. 1336.71 lacs and Rs. Nil respectively) being decrease in the rupee liability in respect of foreign currency loans.
4. Gross Block and Accumulated Depreciation of Plant & Machinery includes Rs. 296 lacs (Previous Year Rs. 271.78 lacs) and Rs. 205.41 lacs (Previous Year Rs. 146.76 lacs) and that of Building includes Rs. 768.38 lacs and Rs. 302.31 lacs (Previous Year Rs. 768.38 lacs and Rs. 148.64 lacs) respectively towards capital expenditure represented by assets not owned by the Company, but which are being used by the Company for its business purpose.
5. Capital Work in Progress includes Capital Advances and Capital Stores of Rs. 79.25 lacs (Previous Year Rs. 22.10 lacs) and Rs. 29.10 lacs (Previous Year Rs. 1.10 lacs) respectively.
6. Deductions from gross block and depreciation of Plant & Machinery and Equipment & Appliances include Rs. 58.53 lacs (Previous Year Rs. 341.72 lacs) and Rs. 18.77 lacs (Previous Year Rs. 116.43 lacs) respectively on account of reversal of liabilities against assets installed / commissioned in earlier years.
7. 'Addition on merger' represent carrying value of fixed assets of erstwhile 'India Steamship Company Ltd' now merged with the company effective 1st September 2004.

(Rs. in Lacs)		
Particulars	As at March 31, 2005	As at March 31, 2004
SCHEDULE 6 : INVESTMENTS		
Long term investment (at cost) :		
Other than trade, unquoted :		
- 6 year National Savings Certificates VIII Issue (Lodged with Govt. Authorities.)	0.08	0.05
- 6 year National Savings Certificates (Lodged with Govt. Authorities.)	0.30	-
- Indira Vikas Patra	0.20	0.20
- 15.50 (Previous Year 31), 14.75% Kerala State Electricity Board Bonds of Rs. 1,00,000 each fully paid	15.50	31.00
- 16 (Previous year Nil), 9.70% National Trading Corporation Limited bonds of Rs.. 1,00,000 each fully paid	18.89	-
- 5% Non-convertible debentures of Woodlands Hospital and Medical Research Centre Ltd	0.22	-
- 8% Non-convertible debentures of Indian Chamber of Commerce	0.01	-
Other than trade, quoted :		
- Nil (Previous year 515000) Equity shares of Industrial Development Bank of India of Rs.10 each fully paid	-	412.16
- 5.5% Government of India Loan 2000	0.04	-
Trade, unquoted :		
- Nil equity shares of Chambal Agritech Limited of Rs. 10 each fully paid (Previous year 9981400 shares)	-	998.14
- 310000 shares of Indo Maroc Phosphore S.A. (IMACID) of Moroccan Dirham 1000 each fully paid	12769.98	12769.98
- 18722886 (Previous year 21150000) equity shares of Zuari Investments Ltd of Rs.10 each fully paid up *	1872.29	2115.00
- 28850000 10% Non-cumulative Redeemable Preference Shares of Zuari Investments Ltd. of Rs. 10 each fully paid up*	-	2885.00
- Nil (Previous year 50000000) Equity shares of Birla Home Finance Limited of Rs. 10 each fully paid up	-	6030.00
Sub total	14677.51	25241.53
Investment in subsidiary		
- 26965995 (Previous year 17127629) Common Stock in Novasoft Information Technology Corporation, USA of the Face value of US\$ 7.05 million (Previous year US\$ 5.25 million)	3506.28	2711.94
- 50700 (Previous year Nil) equity shares in ISG Novasoft Technologies Limited	5.07	-
- 15522846 (Previous year 10) Ordinary shares in Chambal Biotech Pvt. Ltd. of S\$ 1 each (fully paid up)	4522.51	0.01
- Nil (Previous year 5281019) Preference shares in Chambal Biotech Pvt Ltd of S\$ 1 each (fully paid up)	-	1647.63
TOTAL	22711.37	29601.11
less : Diminution in the value of investments	-	112.91
TOTAL	22711.37	29488.20
Aggregate amount of unquoted investments	22711.33	29188.95
Aggregate amount of quoted investments (net of provision)	0.04	299.25
Market value of quoted investments	0.06	299.25

*Refer Note No. 15 of Schedule 20



Particulars	(Rs. in Lacs)	
	As at March 31, 2005	As at March 31, 2004
SCHEDULE 7 : INVENTORIES		
Stores & Spares (including in transit Rs. 0.64 lacs, Previous year Rs. 1.28 lacs)	7014.94	6211.74
Catalysts in Use	120.78	137.91
Naphtha (including in transit Rs. 512.48 lacs, Previous year Rs. 389.22 lacs)	4337.19	4312.32
Fibre (including in transit Rs. 93.81 lacs, Previous year Rs. 84.79 lacs)	661.21	648.13
Loose tools	13.99	16.78
Packing materials	262.53	218.98
Waste	1.53	8.51
Work-in-process	1508.75	1276.59
Finished goods (including in transit Rs. 922.63 lacs, Previous year Rs. 626.68 lacs)	12521.23	7726.15
Traded products (including goods in transit Rs. 2855.27 lacs, Previous year Nil)	3668.35	1523.07
	<u>30110.50</u>	<u>22080.18</u>
SCHEDULE 8: SUNDRY DEBTORS (UNSECURED, CONSIDERED GOOD EXCEPT TO THE EXTENT STATED)		
Debts Outstanding for a Period Exceeding Six Months* :	18560.81	5725.04
(Including subsidy receivable from Government of India Rs. 17156.72 lacs, Previous year Rs. 5626.35 lacs) (Considered Doubtful Rs. 243.56 lacs, Previous year Rs. 28.88 lacs)		
Other Debts :	31779.51	34643.05
(Including subsidy receivable from Government of India Rs. 22273.98 lacs, Previous year Rs. 26356.79 lacs.)		
	<u>50340.32</u>	<u>40368.09</u>
Less: Provision for doubtful debts	243.56	28.88
	<u>50096.76</u>	<u>40339.21</u>
*Includes Rs. 183.19 lacs (Previous year Rs. 105.45 lacs) due from a subsidiary.		
SCHEDULE 9 : CASH AND BANK BALANCES		
Cash in hand	8.48	8.25
Remittance in transit	16.00	96.02
Balances with scheduled Banks :		
In Current Accounts	947.85	1096.09
In Cash Credit Accounts	19.55	440.87
In Saving Accounts	0.02	0.02
In Fixed Deposit Accounts (Receipts worth Rs. 440.71 lacs, Previous year Rs. 31.02 lacs, pledged with Banks and others)	2387.62	88.47
	<u>3355.04</u>	<u>1625.45</u>
Balances in Overseas Accounts		
In current Account with state bank of india- London (Maximum Balance Rs. 7216.75 lacs)	5.73	-
	<u>3385.25</u>	<u>1729.72</u>
SCHEDULE 10 : OTHER CURRENT ASSETS		
Interest receivable on loans and deposits	43.64	89.69
Export benefits receivable	33.01	88.50
Insurance Claims Receivable	191.17	-
Machinery held for disposal	26.69	26.69
	<u>294.51</u>	<u>204.88</u>

Particulars	(Rs. in Lacs)	
	As at March 31, 2005	As at March 31, 2004
SCHEDULE 11: LOANS AND ADVANCES		
(UNSECURED, CONSIDERED GOOD EXCEPT TO THE EXTENT STATED)		
Advances recoverable in cash or Kind or for value to be received * (Considered doubtful Rs.31.60 lacs, previous year Rs. 24.87 lacs)	2704.79	2975.57
Share application money	695.47	638.04
Advance income tax payments and income tax deducted at source/refund receivable (net of tax provision)	662.99	1108.52
Balances with statutory authorities	362.68	553.22
Loans to employees	1024.30	1108.79
Deposits - others (Considered doubtful Rs.14.12 lacs, previous year Rs.14.12 lacs)	1009.58	546.14
Short-term deposits with bodies corporate (Considered doubtful Rs. Nil, previous year Rs. 400 lacs)	2780.00	6037.50
	<u>9239.81</u>	<u>12967.79</u>
Less: Provision for doubtful deposits & advances	45.72	438.99
	<u>9194.09</u>	<u>12528.80</u>
*Includes Rs. 163.92 lacs (previous year Rs. 37.17 lacs) due from subsidiaries.		
SCHEDULE 12 : CURRENT LIABILITIES		
Sundry creditors		
For goods & expenses	27403.70	16,509.02
For others	<u>616.93</u>	<u>306.73</u>
	28020.63	16815.75
Advances from customers	1215.26	579.22
Earnest money/security deposits	2386.03	2104.44
Interest accrued but not due	729.81	725.06
Unclaimed statutory liabilities (As referred in Sec. 205 C of the companies act,1956)		
Unclaimed matured deposit (including interest)	49.32	30.00
Unclaimed interest on debentures	56.63	69.55
Unclaimed matured debentures	102.19	105.79
Unclaimed dividend	<u>578.56</u>	<u>587.25</u>
	<u>786.70</u>	792.59
	<u>33138.43</u>	<u>21017.06</u>
SCHEDULE 13 : PROVISIONS		
Income Tax	2645.85	547.78
Wealth Tax	8.00	6.00
Gratuity and Leave encashment	1001.38	654.51
Proposed dividend on preference shares	30.00	-
Proposed dividend on equity shares	7491.74	6496.00
Tax on proposed dividend	<u>1054.92</u>	<u>832.30</u>
	<u>12231.89</u>	<u>8536.59</u>
SCHEDULE 14 : MISCELLANEOUS EXPENDITURE		
Restructuring Charges on Loans		
Opening Balance	991.13	-
Add : Additions	89.53	1260.29
	<u>1080.66</u>	<u>1260.29</u>
Less : Written off during the year	394.45	269.16
Balance carried forward	686.21	991.13
Amalgamation adjustment account *	<u>113.29</u>	-
	<u>799.50</u>	<u>991.13</u>

*Refer Note No. 15 of Schedule 20



(Rs. in Lacs)		
Particulars	As at March 31, 2005	As at March 31, 2004
SCHEDULES ANNEXED TO AND FORMING PART OF PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED MARCH 31, 2005		
(Rs. in Lacs)		
Particulars	Year Ended March 31, 2005	Year Ended March 31, 2004

SCHEDULE 15 : OTHER INCOME

Interest

- Long Term Investments (gross, tax deducted at source Rs. 0.75 lac, Previous year Rs. 0.96 lac)	3.59	4.50
- Deposit & others (gross, tax deducted at source Rs. 123.39 lacs, Previous year Rs. 207.24 lacs)	1060.67	1199.91

Dividend income

- Long Term Investments (gross, tax deducted at source Nil, Previous year - Nil) (Non trade)	-	16.46
- Current Investments (Non trade)	34.39	77.25
Rent received	27.81	33.68
Foreign exchange variation (net)	832.18	298.15
Insurance claims	31.48	62.58
Provision for doubtful advances written back	280.00	
Excess provision written back - others	38.24	305.09
Surplus on disposal of investments		
- Long term investments (non-trade) (Net of provisions created in earlier years)	129.34	242.11
- Current investments (non trade)	7.94	4.15
Commission income	-	49.33
Miscellaneous income	556.97	453.56
	<u>3002.61</u>	<u>2746.77</u>

SCHEDULE 16 : (INCREASE) / DECREASE IN STOCKS

Traded products				
Closing stock	3668.35		1523.07	
Less : Opening stock	1523.07	(2145.28)	3130.58	1607.51
Finished goods				
Closing stock	12521.23		7726.15	
Less : Opening stock	7726.15	(4795.08)	6403.95	(1322.20)
Waste				
Closing stock	1.53		8.51	
Less : Opening stock	8.51	6.98	7.64	(0.87)
Work-in-process				
Closing stock	1508.75		1276.59	
Less : Opening stock	1276.59	(232.16)	1328.68	52.10
Difference of excise duty on finished goods stock		17.22		(1.10)
		<u>(7148.32)</u>		<u>335.44</u>

Particulars	(Rs. in Lacs)	
	Year ended March 31, 2005	Year ended March 31, 2004
SCHEDULE 17 : MANUFACTURING & OTHER EXPENSES		
Raw material consumed	80324.48	61431.50
Consumption of packing material	5409.49	4193.25
Power & fuel	77338.17	55390.93
Consumption of stores and spares	2179.32	1780.26
Catalyst charge written off	162.52	262.14
Repairs & maintenance :		
Buildings	184.76	109.80
Plant & machinery and ships	993.37	443.46
Others	284.24	787.14
Bagging and other services	457.26	322.50
Payments to and provisions for employees :		
Salaries, wages and other allowances	4630.05	3731.80
Contribution to provident and other funds	543.61	480.66
Medical & staff welfare expenses	311.30	287.91
Contribution to gratuity fund	110.17	145.84
Ships bunker cost	1484.36	-
Ships port dues	484.67	-
Ships special survey expenses	1869.37	-
Rent	1255.46	1201.87
Rates and taxes	83.98	37.34
Insurance	1708.66	1734.59
Directors' fees	8.40	3.68
Auditors' remuneration:		
Audit fees	20.94	20.52
Audit fees for consolidated financial statement	6.61	9.72
Tax audit fees	5.51	4.59
Limited review fees	13.14	11.02
Certification & other services	10.87	19.19
Out of pocket expenses	1.33	0.50
Equipment hire charges	376.73	377.56
Outward freight and handling	10565.95	10263.54
Cash rebate to customers	409.70	544.44
Commission and brokerage - other than sole -selling agent	376.63	86.75
Depletion of loose tools	14.22	13.05
Green belt development/horticulture expenses	301.71	292.20
Provision for doubtful advances/debts	9.70	36.02
Loss on fixed assets sold/discarded (net)	63.18	444.56
Debit balances written off	123.07	-
Less : Adjusted against provisions made	120.00	-
Inventory written off	40.46	292.14
New project expenses written off	-	292.77
Miscellaneous expenses	4263.08	3010.56
	<u>196306.47</u>	<u>147510.54</u>
SCHEDULE 18 : FINANCIAL EXPENSES		
Interest :		
On term loans	5427.80	8735.00
On debentures	1310.76	1199.32
Others	1079.41	668.55
Discounting charges of commercial paper	-	10602.87
Bank charges & guarantee commission	1080.34	32.85
Other financial charges	384.15	1354.60
Restructuring fees on loans written off	394.45	150.12
	<u>9676.91</u>	<u>269.16</u>
SCHEDULE 19 : EXCEPTIONAL ITEMS		
Profit on sale of long term investments in:		
- Chambal Agritech Limited	304.24	-
- BHW Birla Home Finance Limited	4970.00	-
Gain on prepayment of deffered sales tax liability	1206.33	-
	<u>6480.57</u>	<u>-</u>

SCHEDULE 20 : NOTES ON ACCOUNTS

1. Statement of Significant Accounting Policies

a) BASIS OF PREPARATION

The accounts are prepared on historical cost basis and in accordance with the applicable accounting standards. The Company follows mercantile system of accounting and recognises income and expenditure on accrual basis. In case of Shipping division, Insurance claims are accounted for on the basis of claims lodged with the underwriters where recoveries are reasonably certain.

b) FIXED ASSETS

Fixed Assets are stated at historical cost less accumulated depreciation and impairment, if any. The cost of an asset comprises the purchase price and any attributable cost of bringing the asset to its working condition for its intended use.

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 recognised whenever 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.

c) DEPRECIATION

Depreciation is provided on fixed assets on Straight Line Method over the useful lives envisaged by the management, which are equivalent to the rates prescribed in Schedule XIV to the Companies Act, 1956, except as mentioned in para (i) to (vii) below:

(i)	Second hand fixed assets at Textile division	On technically assessed remaining useful lives of such assets of 3 years, 5 years or 7 years.
(ii)	Leasehold Land / Improvements	Amortized over the period of respective leases or useful lives of assets, whichever is lower.
(iii)	Increase / Decrease in value of fixed assets due to foreign exchange fluctuation.	Over the remaining useful lives of the assets.
(iv)	Insurance Spares / Stand-by Equipments	Over the remaining useful lives of mother assets.
(v)	Capital expenditure not represented by assets.	Written off over five years from the date of capitalization.
(vi)	Ships of Shipping Division	On technical evaluation of remaining useful life for each ship.
(vii)	Fixed assets other than ships of Shipping Division	On written down value method at the rates prescribed in Schedule XIV to the Companies Act, 1956.

d) NEW PROJECT EXPENSES PENDING ALLOCATION

Expenditure incurred on new projects is carried forward under Capital Work in Progress and allocated to Fixed Assets, on the commencement of commercial production of the relevant projects.

e) LEASES

Finance leases, which effectively transfer to the Company substantially all the risk and benefits incidental to the ownership of the leased item, are capitalized at the lower of the fair value and present value of the minimum lease payments at the inception of the lease term and disclosed as leased assets. Lease payments are apportioned between the finance charges and reduction of the lease liability, based on the implicit rate of return. Finance charges are charged directly against income.

Leases where the Lessor retains substantially all the risk and benefit of ownership of the leased item, are classified as operating lease. Operating lease payments are recognized as an expense on a straight line basis over the lease term.

f) INVESTMENTS

Investments that are readily realisable 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 an individual investment basis. Long-term investments are carried at cost. However, provision for diminution in the value is made to recognise a decline other than temporary in the value of the investments.

g) INVENTORIES

Inventories are valued as follows:

i) Fertiliser Division

Stores and Spares, Packing Materials - At monthly weighted average cost or net realisable value, whichever is lower.

and Naphtha -
Catalyst in Use - At depreciated cost on the basis of amortization over their estimated useful lives as technically assessed.

Loose Tools	-	At depreciated cost arrived at on the basis of amortization over a period of three years.
Work-in-Process	-	At cost or net realisable value, whichever is lower. Cost for this purpose includes direct costs and an appropriate portion of overheads.
Finished Goods and Traded Products	-	At cost or net realisable value, whichever is lower. Cost of own manufactured goods for this purpose includes direct costs and an appropriate portion of overheads. Realisable value of own manufactured goods is the Concession Price and equated freight (wherever applicable) as determined as per the norms of the Fertiliser Industry Co-ordination Committee.
ii) Textile_Division		
Stores & Spares and	-	At moving weighted average cost or net realisable value, whichever is Packing Materials lower.
Fibre	-	At yearly weighted average cost or net realisable value, whichever is lower.
Work in Process and Finished Goods	-	At cost or net realisable value whichever is lower. Cost for this purpose includes direct costs and an appropriate portion of overheads.
Waste	-	At net realisable value
iii) Food Processing_Division		
Stores and Spares and Packing Material	-	At cost arrived at on FIFO basis or net realisable value, whichever is lower.
Work in Process and Finished Goods	-	At cost or net realisable value, whichever is lower. Cost for this purpose includes direct costs and an appropriate portion of overheads.
iv) Shipping Division		
Bunkers remaining on board	-	At weighted average cost.
Deck, Engine stores & spares and victualling	-	At cost on FIFO basis.
Stock of Standing Spares	-	At net value arrived at on the basis of proportionate amortization over the remaining useful lives of such ships.

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

h) BORROWING COSTS

Borrowing costs are recognised as expenses in the period in which they are incurred except for borrowings for acquisition of qualifying assets which are capitalised upto the date, the asset is ready for its intended use.

i) REVENUE RECOGNITION

a) Sale of Goods & Services

i) Fertiliser Division

Revenue in respect of Sale of Product including subsidy is recognised upon passage of title to the customers, which generally coincides with delivery.

Subsidy on Urea is recognized based on provisional rate of Group Concession as notified under the New Pricing Scheme, further adjusted for equated freight claims and escalation/ de-escalation on inputs as estimated by the management based on the norms prescribed.

ii) Software Division

Revenue from software development and Business Process Outsourcing services is recognised on rendering of such services on accrual basis in terms of the contract with the customers.

iii) Textile Division

Revenue is recognised upon passage of title to the customers, which generally coincides with delivery.

iv) Food Processing Division

Revenue is recognised upon passage of title to the customers, which generally coincides with delivery.

v) Shipping Division

In respect of voyage charter, revenue is recognized on proportionate number of days of respective voyage. In case of time charter (including cost plus charter), revenue is recognized on time basis. Despatch money/ demurrage are considered as part of freight.

b) Interest

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

- j) MISCELLANEOUS EXPENDITURE
- i) Restructuring Charges paid to extinguish high cost debts are written off over the tenure of fresh loans taken for refinancing such high cost debts.
 - ii) Amalgamation Adjustment account is created on account of statutory reserves acquired at the time of amalgamation, accounted for under Purchase Method, to be reversed on utilization/ transfer of such reserves.
- k) FOREIGN CURRENCY TRANSLATION
- (i) 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.
 - (ii) Conversion
At the year-end, monetary items denominated in foreign currencies are converted into rupee equivalents at the year-end exchange rates.
 - (iii) Exchange Differences
All exchange differences arising on settlement/ reinstatement of foreign currency transactions are included in the Profit & Loss Account, except in cases where they relate to the acquisition of fixed assets acquired from outside India, in which case they are adjusted in the cost of the corresponding assets.
 - (iv) Forward Exchange Contracts
In respect of transactions covered by forward exchange contracts, the difference between the forward rate and the exchange rate at the date of the transaction is recognised as income or expense over the life of the contract, except where it relates to fixed assets acquired from outside India, in which case it is adjusted in the cost of the corresponding asset. Exchange difference on such contracts is recognized in the statement of Profit and Loss in the year in which the exchange rate changes. Any Profit or Loss arising on cancellation or renewal of forward exchange contracts is recognized as income or expenses for the year.
 - (v) Options
Foreign Currency Options are accounted for in line with terms of contract and necessary provision for anticipated losses in respect of open options is made. Gain on such options is recognised on actual realisation.
- l) RETIREMENT BENEFITS
- I) Fertiliser, Software, Shipping & Food Processing Divisions
 - i) Retirement benefits in the form of Provident Fund/ Pension Schemes are charged to the Profit & Loss Account of the year when the contributions to the respective funds are due.
 - ii) Liability in respect of Superannuation Fund to the employees of fertiliser division is accounted for as per the Company's Scheme and contributed to Life Insurance Corporation of India every year. The Company does not have any other obligation to the fund other than the contribution payable to the LIC.
 - iii) The Company has taken a policy with Life Insurance Corporation of India (LIC) to cover the gratuity liability of the employees and premium paid to the LIC is charged to Profit & Loss Account. The difference between the actuarial valuation of the gratuity of employees at the year-end and the balance of funds with LIC is provided for as liability in the books.
 - iv) In case of shipping division, additional liability of gratuity in view of agreements, wherever applicable is appropriately provided in the accounts.
 - v) Provision for leave encashment is accrued and provided for on the basis of an actuarial valuation made at the end of each financial year.
 - II) Textile Division
 - i) Retirement benefits in the form of Provident Fund/ Pension Schemes are charged to the Profit & Loss Account of the year when the contributions to the respective funds are due.
 - ii) Gratuity liability under the Payment of Gratuity Act and provision for leave encashment is accrued and provided for on the basis of an actuarial valuation made at the end of each financial year.
- m) TAXATION
- Tax expense (tax saving) is the aggregate of current year tax and deferred tax charged (or credited) to the Profit & Loss Account of the year.
- a) Current tax is the provision made for income tax liability on the profits for the year in accordance with the provisions of Income Tax Act, 1961.
 - b) Deferred tax is recognized, on timing differences, being the differences resulting from the recognition of items in the financial statements and in estimating its current income tax provision.
 - c) Deferred tax assets are recognized on brought forward business losses and unabsorbed depreciation only to the extent that there is virtual certainty supported by convincing evidence and on others, to the extent that there is reasonable certainty of their realization.
 - d) Deferred tax assets and liabilities are measured using the tax rates and the tax laws that have been enacted or substantively enacted at the balance sheet date.

n) SEGMENT REPORTING POLICIES

Identification of Segments:

The Company's operating businesses are organized and managed separately according to the nature of products manufactured and services provided, with each segment representing a strategic business unit that offers different products and serves different markets. The analysis of geographical segments is based on the locations of customers.

- Intersegment Transfer:

The Company accounts for inter segment sales and transfers as if the sales or transfers were to third parties at current market prices.

-Allocated Common Costs

Common allocable costs are allocated to each segment in proportion to the relative sales of each segment.

-Unallocated items:

All the common income, expenses, assets and liabilities, which are not possible to be allocated to different segments, are treated as unallocated items.

o) EARNING PER SHARE

Basic earning per share is calculated by dividing the net profit or loss for the period attributable to equity shareholders (after deducting preference dividends and attributable taxes) by the weighted average number of the equity shares outstanding during the period.

For the purpose of calculating diluted earning per share, 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 effect of all dilutive potential equity shares.

p) PROVISIONS

A Provision is recognized when an enterprise has a present obligation as a result of past event and 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 management 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 management estimates.

2. Contingent liabilities (not provided for) in respect of :

Particulars	(Rs. in Lacs)	
	Year ended 31st March, 2005	Year ended 31st March, 2004
a) Outstanding Bank Guarantees	692.38	302.33
b) Export bills negotiated under Irrevocable Letters of Credit	87.59	291.61
c) Outstanding amount against Counter Guarantees given to Banks / Financial Institutions on account of Loans given by the said Banks / Financial Institutions to Bodies Corporate.	4499.53	11514.40
d) Show cause/demand/notices by Customs, Sales Tax and Income Tax authorities being disputed by the Company	569.96*	950.75
e) Differential amount of custom duty in respect of machinery imported under EPCG Scheme including interest thereon.	1408.86	1270.40
f) Various labour cases	Amount not ascertainable	Amount not ascertainable
g) Other claims against the Company not acknowledged as debts.	304.03**	338.70
h) Claim against Nihat Shipping Company Limited in legal suits / notices, in which the Company has been made a party, is being contested, since the Company acted as Agents / Technical & Operational managers.	232.04	N.A.

*Brief Description of Contingent Liabilities as per (d) above:		Rs. in Lacs	
S. No.	Particulars	Current Year	Previous Year
1.	INCOME - TAX : - Interest on TDS Refund & Interest u/s 234 C	25.29	43.45
2.	SALES - TAX : - RST- Purchase of packing bags for Seeding Programme - RST- Use of Natural Gas for Ammonia Fuel, Power & Steam Generation - CST Intt. Demand - Purchases of packing bags for Seeding Programme. - Misc. RST & CST demand	- 352.34 164.06 28.27	329.42 352.34 164.06 41.93
3.	Petty Excise duty cases	-	5.00
4.	Various Custom duty cases	-	14.55
	Total	569.96	950.75

** Brief Description of Contingent Liabilities as per (g) above		Rs. in Lacs	
S. No.	Particulars	Current Year	Previous Year
1.	Charges raised by the Railways on account of underloading of Wagons	17.24	53.21
2.	Maintenance charges claim raised by Railways for two loop lines at Bhonra Station	81.66	81.66
3.	Arrear of water charges raised by Irrigation Department towards water drawn from Kalisindh river during the period 1993-97	198.85	198.85
4.	Other Miscellaneous Claims.	6.28	4.98
	Total	304.03	338.70

Based on favourable decisions in similar cases, legal opinion taken by the Company, discussions with the solicitors, etc., the Company believes that there is fair chance of decisions in its favour in respect of all the items listed in (d), (g) and (h) above and hence no provision is considered necessary against the same.

	2004-05	(Rs. in lacs) 2003-04
3. Estimated amount of contracts remaining to be executed on capital account (net of advances)	1071.37	558.95
4. No provision has been made for Sales Tax on works contracts reimbursable to some contractors as the amount for the same is not ascertainable which, however, is not likely to be material.		
5. Under the Jute Packaging Material (Compulsory use of Packing Commodities) Act, 1987, a specified percentage of fertilisers dispatched were required to be supplied in Jute bags up to 31.8.2001. The provisions of the said Act were challenged in the Supreme Court, which upheld the constitutional validity of this Act in its judgement in 1996. In spite of making conscious efforts to step up use of jute packaging material, the Company had been unable to adhere to the specified percentage, due to strong customer resistance to use of jute bags. The Company had received show cause notice from the Office of the Jute Commissioner, Kolkata, for levying a penalty of Rs. 7380.36 lacs for non compliance of the provisions of the said Act. The Company has obtained a stay order from Delhi High Court against the above show cause notice and has been advised that the said levy is bad in law.		
6. (a) The Company as well as other users of natural gas under HBJ Gas Pipeline had in earlier years received letters from Gas Authority of India Ltd., informing about the possibility of levy of excise duty on natural gas (presently not		

levied) with retrospective effect. The amount of such levy is not ascertainable. However, in the event of its levy, it is reimbursable by FICC / Government of India under Subsidy Scheme.

- (b) The Company as well as other users of Natural Gas under HBJ Gas Pipeline had received a letter in an earlier year from Gas Authority of India Limited informing about the possibility of levy of Central Sales Tax. The Company has been taking the delivery of Gas in the State of Rajasthan and has been accordingly paying Rajasthan Sales Tax on the supply. Therefore, the Company feels that no Central Sales Tax is payable by it. Further, the amount of such levy is not ascertainable. However, in the event of its levy, it is reimbursable by FICC / Government of India under Subsidy Scheme.
- (c) The Company has received Show Cause Notices for Rs.33784.14 lacs (previous year Rs.24869.89 lacs) towards Excise Duty on Naphtha used as fuel for generation of Power and Steam for manufacture of Urea. The matter is pending before the Commissioner of Central Excise at Jaipur. In similar cases of other Fertilizer Companies, the Hon'ble Supreme Court & CEGAT have given favorable decisions to the Companies. However, in the event of the Company having to pay the above, it is reimbursable by FICC/ Government of India under Subsidy Scheme.
7. Details of remuneration of Managing Director included under relevant heads of account are as follows:

	<u>2004-05</u>	<u>2003-04</u>	(Rs. in Lacs)
- Salary	24.00	45.00	
- Provident Fund and Superannuation Fund	6.48	10.37	
- Other Perquisites	17.42	26.63	
	<u>47.90</u>	<u>82.00</u>	

Note:

- a) Managing Director is covered under the Company's Group Gratuity Scheme along with other employees of the company. The Gratuity liability is determined for all the employees on an independent actuarial valuation basis. The specific amount of Gratuity for Managing Director can not be ascertained separately and accordingly the same has not been included in the above.
- b) Previous year figures include remuneration of Managing Director and Joint Managing Director.
8. Loans to Employees include :
- (a) Balance amount of Loan/ Deposit given to Managing Director
- (1) Housing loan Rs. Nil (Previous Year – Rs. Nil). Maximum amount due at any time during the year– Rs. Nil (Previous Year – Rs. 31.41 lacs).
- (2) Deposit in respect of Rent Rs.5.00 lacs. (Previous year –Rs. 5.00 lacs) Maximum amount due at any time during the year – Rs.5.00 lacs. (Previous year –Rs. 5.00 lacs)
- (b) Balance amount of Housing Loan given to Company Secretary – Rs. 12.48 lacs (Previous Year - Rs. 13.80 Lacs). Maximum amount due at any time during the year – Rs. 13.80 lacs (Previous Year – Rs. 15.00 lacs).
9. Repairs to machinery consist of repairs carried out by outside parties only. Materials consumed on repair works have been included under Stores & Spares consumed.
10. Details of investments in the units of various Mutual Funds purchased and sold during the year are given below:

S.No.	Scheme Name	Number of Units Purchased	Number of Units Sold	Purchase value (Rs/Lacs)	Sales value (Rs/Lacs)
1.	ING Vysya Liquid Fund	118736776.10	118736776.10	11978.00	11986.35
2.	Birla Cash Plus Institutional Plan-dividend	8334108.83	8334108.83	900.00	900.26
3.	Birla Cash Plus Institutional Premium Plan-dividend	124369418.24	124369418.24	12450.00	12458.75
4.	DSP Merrill Lynch Liquidity Fund Dividend Option	22986438.40	22986438.40	2300.00	2300.94
5.	Alliance Cash Manager Institutional Plan Daily Dividend	11005141.24	11005141.24	1100.00	1100.55
6.	Tata Liquid Super High Investment Fund- Daily Dividend	107437932.45	107437932.45	12850.00	12859.06
7.	SBI Mutual Funds	39949619.28	39949619.28	4000.00	4002.19
8.	Grindlays Cash Fund Institutional Plan Daily Dividend	18904246.89	18904246.89	2000.00	2000.37



9.	JM High Liquid Fund Super Institutional Plan-daily Dividend	146682325.78	146682325.78	14680.00	14690.61
10.	JM High Liquid Fund Institutional Plan-daily Dividend	22004258.09	22004258.09	2200.00	2200.43
11.	Kotak Liquid Institutional Plan - Daily Dividend	16359044.22	16359044.22	2000.00	2000.40
12.	UTI Liquid Cash Plan-Institutional - Daily Income Option	246682.24	246682.24	2500.00	2500.66

Additionally, 5,15,000 Equity Shares of Rs. 10 each of Industrial Development Bank of India (IDBI), 99,81,400 Equity Shares of Rs. 10 each of Chambal Agritech Limited and 5,00,00,000 Equity Shares of Rs. 10 each of BHW Birla Home Finance Limited were sold during the year out of investments made in earlier years.

11. SEGMENT INFORMATION

- Primary Segment : Business Segment

The Company's operating businesses are organized and managed separately according to the nature of products manufactured and services provided. The two identified reportable segments are Own Manufactured Fertilizers and Trading. The "Own Manufactured Fertilizers Segment" includes manufacture and marketing of urea which is a controlled commodity, the price and distribution of which is decided by the Government of India (GOI). However, under the New Pricing Scheme, GOI has permitted partial de-control of movement. The "Trading Segment" includes the purchase and sale of Fertilizers and Agri Inputs and this activity, though different in risk perception from own manufactured urea, is carried out mainly with an objective of providing Fertilizers/Agri Inputs under one roof.

The 'Others' segment includes the software, yarn, shipping and food processing business activities of the Company.

- Secondary Segment: Geographical Segment

The analysis of geographical segment is based on the geographical location of the customers.

SEGMENT INFORMATION

The following table presents segment revenues, results, assets & liabilities in accordance with AS-17 as on 31.3.2005.
(Rs. in Lacs)

Particulars	Own Manufactured Fertilisers		Trading		Others		Total	
	2004-05	2003-04	2004-05	2003-04	2004-05	2003-04	2004-05	2003-04
Revenue								
External sales /Income	210955.05	174715.94	35155.68	34592.35	23125.43	13232.77	269236.16	269236
Inter segment sales					(41.18)	(34.18)	(41.18)	(34.18)
Total Sales / Income	210955.05	174715.94	35155.68	34592.35	23084.25	13198.59	269194.98	222506.88
Unallocated Income							1754.63	1964.61
Total Revenue							270949.60	224471.49
Results								
Segment result	30487.44	31299.62	1498.81	523.75	760.93	(185.52)	32747.17	31637.85
Unallocated Expenses (net)							4372.85	4195.62
Operating Profit before								
Exceptional items							28374.32	27442.23
Exceptional Items							6480.57	-
Interest Expense							7817.97	10602.87
Interest Income							1064.27	1204.41
Income Tax							6038.64	5545.00
Net Profit after								
Exceptional items							22062.52	12498.77

(Rs. in Lacs)

Particulars	Own Manufactured Fertilisers		Trading		Others		Total	
	2004-05	2003-04	2004-05	2003-04	2004-05	2003-04	2004-05	2003-04
<u>Other Information</u>								
Segment Assets	209892.55	216028.63	11507.33	3989.58	33593.63	15779.17	254993.51	235797.38
Unallocated Assets							29819.32	40982.21
Total Assets	209892.55	216028.63	11507.33	3989.58	33593.63	15779.17	284812.81	276779.59
Segment Liabilities	20272.26	16186.05	8003.72	2261.02	3631.50	1198.15	31907.48	19645.22
Unallocated Liabilities							4930.60	9908.43
Total Liabilities	20272.26	16186.05	8003.72	2261.02	3631.50	1198.15	36838.06	29553.65
Capital Expenditure (including FEV impact)	(485.61)	656.82	10.25	11.25	14231.51	650.21	13756.15	1318.28
Depreciation	13329.63	13190.75	9.71	11.49	1792.46	939.14	15131.81	14141.38
Unallocated Depreciation							146.83	237.36
Amortization	14.22	13.05					14.22	13.05
Non-Cash Expenses other than Depreciation & Amortization	162.52	262.14					162.52	262.14

- Secondary Segment Reporting (by Geographical Segments)

The following is the distribution of the Company's consolidated revenue by geographical markets, regardless of where the goods were produced.

(Rs. in Lacs)

	Current Year	Previous Year
Revenue from Domestic Market	262381.16	221194.10
Revenue from Overseas Markets	8568.44	3277.39
	270949.60	224471.49

The Company has common assets for producing goods for Domestic Market and Overseas Markets. Hence, separate figures for assets/additions to fixed assets cannot be furnished.

12. Related Party Disclosures

During the year, the Company entered into transactions with the related parties. Those transactions alongwith related balances as at 31st March 2005 and for the year then ended are presented in the following table.

List of related parties alongwith nature and volume of transactions is given below:

(a) Subsidiaries

NovaSoft Information Technology Corporation, USA
Chambal Biotech Private Limited (w.e.f. 1st October, 2004)
ISG Novasoft Technologies Limited, India.

Subsidiaries of NovaSoft Information Technology Corporation, USA
NovaSoft Information Technology (Europe) Ltd., UK
Asia NovaSoft Technologies Pte Ltd, Singapore.
NovaSoft Information Technology Corporation GMBH, Germany

Subsidiaries and Step Subsidiaries of Chambal Biotech Private Limited

- * Technico Pty. Limited, Australia.
- * Chambal Agritech Limited, India.
- * Technico Asia Holdings Pty. Limited, Australia.
- * Technico Horticulture (Kunming) Co. Limited, China.
- * Technico Group America Inc., USA.
- * Technico ISC Pty. Limited, Australia.
- * Technico Technologies Inc., Canada.

* Note: w.e.f. 1st October, 2004



(Rs. in Lacs)

Nature of Transactions	Current Year		Previous Year	
Sale of Software		80.15		157.39
NovaSoft Information Technologies Corporation, USA	46.38		157.39	
NovaSoft Information Technologies Corporation, UK	33.77		-	
Other Income		45.75		-
Technico Pty Ltd.	45.00		-	
Others	0.75		-	
Investment Made		1468.52		1506.33
NovaSoft Information Technologies Corporation, USA	422.19		1506.33	
Chambal Biotech Private Limited	1041.33		-	
Others	5.00		-	
Guarantees Outstanding		4499.53		-
Chambal Agritech Limited	4193.00		-	
Others	306.53		-	
Guarantee Commission Income		6.70		-
Chambal Agritech Limited	6.70		-	
Outstanding balances as at the year end				
Receivables (Debtors)		297.69		150.51
NovaSoft Information Technologies Corporation USA	197.40		150.51	
ISG Novasoft Technologies Ltd.	33.71		-	
Chambal Agritech Limited	51.42		-	
Others	15.16		-	

- (b) Joint Ventures
Indo Maroc Phosphore S.A.
BHW Birla Home Finance Limited (Upto 31st October, 2004)
Chambal Agritech Limited (Upto 12th May, 2004)

(Rs. in Lacs)

Nature of Transactions	Current Year		Previous Year	
Purchase of Finished and Other Goods		-		0.01
Chambal Agritech Limited	-		0.01	
Purchase of Fixed Assets		-		7.35
BHW Birla Home Finance Limited	-		7.34	
Others	-		0.01	
Sale of Fixed Assets		-		0.45
BHW Birla Home Finance Limited	-		0.45	
Interest and Guarantee Commission Income		1.12		13.61
Chambal Agritech Limited	1.12		13.61	
Sale of Software		1.10		1.31
Chambal Agritech Limited	1.10		-	
BHW Birla Home Finance Limited	-		1.31	
Other Income		66.95		68.52
Indo Maroc Phosphore S.A.	66.95		66.02	
Others	-		2.50	
Corporate Guarantees Given		-		5364.40
Chambal Agritech Limited	-		3564.40	
BHW Birla Home Finance Limited	-		1800.00	
Investments Made/ (Refund Received)		(300.00)		349.90
Chambal Agritech Limited	(300.00)		349.90	
Outstanding Balances as at the year end				
Receivables (Debtors)		76.30		162.52
Indo Maroc Phosphore S.A.	71.23		98.24	
Chambal Agritech Limited	-		64.28	
Others	5.07		-	
Payables (Creditors)		-		2.59
BHW Birla Home Finance Limited	-		2.59	

- (c) Associates
 Zuari Investments Limited
 India Steamship Company Limited (Subsidiary of an Associate upto 31st August, 2004)
 Chambal Biotech Private Limited (Upto 30th September 2004)
 Technico Pty. Ltd. (Subsidiary of an Associate upto 30th September 2004)
 Chambal Agritech Limited (From May 12, 2004 to September 30, 2004)

(Rs. in Lacs)

Nature of Transactions	Current Year		Previous Year	
Services Expenses		12.59		3.32
Zuari Investments Ltd.	12.59		3.32	
Interest and Guarantee Commission Income		76.49		99.67
Zuari Investments Ltd.	46.41		-	
India Steamship Company Ltd.	24.50		99.67	-
Chambal Agritech Limited	5.58		-	
Sale of Software		-		1.65
Technico Pty Ltd.	-		1.65	
Other Income		18.94		0.50
Zuari Investments Ltd.	18.94		0.50	
Loans/Deposits Granted		1000.00		600.00
Zuari Investments Ltd.	1000.00		-	
India Steamship Company Ltd.	-		600.00	
Loan/Deposits Refunded		1000.00		100.00
Zuari Investments Ltd.	1000.00		-	
India Steamship Company Ltd.	-		100.00	
Corporate Guarantees Outstanding		1350.00		1350.00
India Steamship Company Ltd.	1350.00		1350.00	
Investments Made		3003.44		338.04
Zuari Investments Ltd.	813.46		-	
Chambal Biotech Private Limited	2189.98		338.04	
Sale of Investment in Chambal Agritech Limited.		(1,302.38)		-
Technico Pty Ltd.	(1,302.38)		-	
Outstanding Balances as at the year end				
Receivables (Debtors)		1.77		0.34
Zuari Investments Ltd.	1.77		0.34	

- (d) Key Management Personnel and their relatives
 Mr.H.C.Grover (in previous year only)
 Mr.Sunil Sethy
 Mrs. Rani Grover (in previous year only)
 Mrs. Rita Sethy

(Rs. in Lacs)

Nature of Transactions	Current Year		Previous Year	
Dividend Paid		0.19		0.19
Mr. Sunil Sethy	0.09		0.09	
Mrs. Rita Sethy	0.10		0.10	
Rent Expenses		15.00		24.72
Mr. Sunil Sethy	15.00		9.75	
Mrs. Rani Grover	-		14.97	
Remuneration paid to Managing Director (*)		47.90		43.82
Mr. H.C. Grover	-		43.82	
Mr. Sunil Sethy	47.90		-	



(Rs. in Lacs)

Nature of Transactions	Current Year		Previous Year	
Remuneration paid to Joint Managing Director Mr. Sunil Sethy	-	-	38.18	38.18
Outstanding Balances as at the year end Deposit – Rent Mr. Sunil Sethy	5.00	5.00	5.00	5.00

* This includes rent paid to Mr. Sunil Sethy

Note : The transactions relating to reimbursement of actual expenses to/ from related parties have not been considered above.

13. Details of Loans and Advances to parties in which Directors are interested and Investments by the Loanee in the shares of the Company (as required by clause 32 of listing agreement)

(Rs. in lacs)

Description	Outstanding amount as at		Maximum amount outstanding during financial year	
	31.03.05	31.03.04	2004-05	2003-04
Loans and Advances to Associates - India Steamship Company Limited	Nil	600.00	600.00	700.00
Loans and advances to firms/ Companies in which directors are interested :				
- Texmaco Ltd.	Nil	537.50	537.50	562.50
- The Oudh Sugar Mills Ltd.	Nil	1000.00	1000.00	1000.00
- Upper Ganges Sugar and Industries Ltd.	Nil	1000.00	1000.00	1000.00
- Zuari Industries Ltd.	2500.00	2500.00	2500.00	2500.00
- Zuari Investments Ltd.	Nil	Nil	1000.00	Nil
Investments by the above mentioned loanees in the shares of the Company :				
- Zuari Industries Ltd.	5383.90	5383.90	5383.90	5383.90
- Upper Ganges Sugar and Industries Ltd.	50.00	50.00	50.00	50.00

14. Earning Per Share (EPS)

	2004-05	2003-04
I. Calculation of weighted Average Number of Equity Shares of Rs. 10 each		
Number of shares at the beginning of the year	40,60,00,000	40,60,00,000
Shares to be issued (effective 1 st September 2004) (refer Note 15 below)	1,02,07,852	Nil
Total equity shares outstanding at the end of the year	41,62,07,852	40,60,00,000
Weighted average number of equity shares outstanding during the year	41,19,54,580	40,60,00,000
II. Profit for the year after tax (Rs./lacs)	22062.52	12498.77
Less: Preference Shareholder Dividend and dividend tax thereon.	34.21	-
Profit available to equity shareholders (Rs./lacs)	22028.31	12498.77
III. Basic/Diluted earning per share (Rs.)	5.35	3.08
IV. Nominal value of equity shares	Rs.10 each	Rs.10 each

15. (a) Demerger of the Shipping Investment Division of Zuari Investments Limited (ZIL) and its vesting in the Company.
- ZIL is engaged in the business of, *inter alia*, depository participant services, distribution of financial products, share transfer agents and investments.
 - Pursuant to the Scheme of Arrangement and Demerger amongst the Company and ZIL and their respective shareholders and creditors (the Scheme of Demerger) as sanctioned by the Hon'ble High Court of Judicature of Bombay at Panaji, Goa and the Hon'ble High Court of Rajasthan at Jaipur, vide their orders dated May 18th 2005 and July 13th 2005 respectively, the Shipping Investment Undertaking of ZIL have been demerged and vested in the Company with effect from September 1, 2004. The Scheme has accordingly been given effect to in these accounts.

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- iii. In terms of the scheme, all the assets and liabilities of the Shipping Investment Division have been accounted for at their carrying amounts on September 1, 2004.
 - iv. As per the Scheme of Demerger, the Company's investment aggregating to Rs.1056.17 lacs in equity share capital and Rs.2885.00 lacs in preference share capital of the ZIL stands extinguished.
 - v. Pursuant to the Scheme of Demerger and after considering the extinguishment of Share Capital held by the Company in ZIL as referred in para (iv) above, the Company will issue 1,385,164, 5% Unsecured Redeemable Non Convertible Debentures (NCD) of the face value of Rs.100 each aggregating to Rs. 1385.16 lacs credited as fully paid up to the shareholders of ZIL (other than the Company) in the ratio of 473 NCD for every 10,000 equity shares held in ZIL. Pending allotment of NCDs, an amount of Rs.1385.16 lacs has been included in Non-Convertible Debentures (to be issued) as at 31 March, 2005 (Schedule 4 – Unsecured Loans).
 - vi. Consequent upon giving effect to the Scheme of Demerger, an amount of Rs. 328.99 Lacs arising as Goodwill, being the difference between a) the aggregate of NCDs to be allotted and equity and preference share capital extinguished; and b) the net book value of assets and liabilities of Shipping Investment Division as on September 1, 2004, has been debited to General Reserve as per the Scheme of Demerger.
 - vii. As stated above, the effect of the Scheme of Demerger has been accounted for in terms of the Court Orders. This is different from the accounting treatment prescribed in Accounting Standard -13 in relation to acquisition value of Investments in Shipping Investment Division of Zuari Investments Limited. In terms of the Scheme, investment acquired has been taken at its carrying amount instead of the fair value. Had it been accounted for at the fair value, value of the investment acquired would have been increased by the amount of goodwill i.e. Rs. 328.99 lacs (as mentioned in the para-vi above). However, in such a situation goodwill arrived at pursuant to the Scheme of Amalgamation, as mentioned in para 15(b) (vi) below, would also have increased by the same amount. Therefore, there is no financial impact of the above accounting on the Company's financial statements.
- (b) Amalgamation of erstwhile India Steamship Company Limited (India Steamship) with the Company
- i. India Steamship was engaged in the shipping business.
 - ii. Pursuant to the Scheme of Arrangement and Amalgamation amongst the Company and India Steamship and their respective shareholders and creditors (the Scheme of Amalgamation) as sanctioned by the Hon'ble High Court at Calcutta and the Hon'ble High Court of Rajasthan at Jaipur vide their Orders dated 22nd June 2005 and 13th July 2005 respectively, the assets and liabilities of India Steamship were transferred to and vested in the Company with effect from September 1, 2004. The Scheme of Amalgamation has accordingly been given effect to in these accounts.
 - iii. In terms of the Accounting Standard 14 – Accounting for Amalgamation issued by the Institute of Chartered Accountants of India, the Scheme of Amalgamation is accounted under 'Purchase Method', wherein all the assets and liabilities (except for Miscellaneous Expenditure recorded at zero value) of India Steamship have been accounted for at their carrying amounts on September 1, 2004. Further, Tonnage Tax Reserve of Rs.113.29 lacs (reserve created by India Steamship in accordance with 'Tonnage Tax Scheme' as prescribed by Chapter XII-G of the Income Tax Act, 1961), being a statutory reserve, has been recorded by the Company with a corresponding debit to 'Amalgamation Adjustment Account' in Schedule 14 – Miscellaneous Expenditure.
 - iv. As per the Scheme of Amalgamation, the Company's investment in India Steamship Company Limited [vested in the Company pursuant to the Scheme of Demerger referred in Note 15(a) above] aggregating to Rs.2897.34 lacs in equity share capital and Rs.2100.00 lacs in preference share capital of the India Steamship stands extinguished.
 - v. Pursuant to the Scheme of Amalgamation and after considering the extinguishment of share capital held by the Company in the India Steamship as referred in Note 15 (b) (iv) above, the Company will issue :
 - a) 10,207,852 equity shares of Rs.10 each aggregating to Rs. 1020.79 lacs to the equity shareholders of India Steamship in the ratio of 11 fully paid up equity shares of the Company for every 20 equity shares held in India Steamship; and
 - b) 250,000 preference shares of Rs.10 each aggregating to Rs. 25 lacs to the preference shareholders of India Steamship in the ratio of 10 fully paid up preference shares of Rs. 10 each of the Company for every preference share of Rs.100 held in India Steamship.
 Pending allotment of equity and preference shares, amounts of Rs.1020.79 lacs and Rs.25.00 lacs have been included in the Share Capital Suspense Account as at March 31, 2005 (Schedule 1A).
 - vi. Consequent upon giving effect to the Scheme of Amalgamation, an amount of Rs 4293.02 Lacs arising as Goodwill, being the difference between
 - a) the aggregate value of the equity and preference shares to be allotted and equity and preference share capital extinguished; and

- b) the net book value of assets and liabilities of India Steamship as on September 1, 2004, has been debited to the Capital Redemption Reserve to the extent of Rs 2500 lacs and the balance Rs. 1793.02 Lacs to the General Reserve as per the Scheme of Amalgamation.
- vii. As stated above, the effect of the Scheme of Amalgamation has been accounted for in terms of the Court orders. This is different from the accounting treatment prescribed in Accounting Standard -14 in relation to adjustment of Goodwill. In terms of the scheme, Goodwill arising on amalgamation has been adjusted with Capital Redemption Reserve/ General Reserve instead of treating it as an asset to be amortized to income over its useful life.
16. Sale of stake in BHW Birla Home Finance Limited – Joint Venture
On 1st November, 2004, the Company sold its entire stake of 50% in BHW Birla Home Finance Limited, a Joint Venture of the Company and BHW Holdings AG, Germany for a consideration of Rs. 11000 lacs. The said disinvestment resulted in profit of Rs. 4970 lacs which has been credited to Profit & Loss Account and disclosed as an exceptional item.
17. Sale of stake in Chambal Agritech Limited – Joint Venture
On 12th May, 2004, the Company sold its entire stake of 50% in Chambal Agritech Limited, a Joint Venture of the Company and Technico Pty Ltd, Australia for a consideration of Rs. 1602.38 lacs. The said disinvestment resulted in profit of Rs. 304.24 lacs which has been credited to Profit & Loss Account and disclosed as an exceptional item.
18. The Company has been availing “Sales Tax Deferment Scheme” in respect of sale of Urea made in the state of Rajasthan. In accordance with the Scheme, the deferred sales tax amount was to be paid during the period commencing from May 2005. However, the Company has exercised the option to pre-pay the Deferred Sales Tax Liability upto 30th June 2004 as per Notification issued by Government of Rajasthan in this regard. Exceptional item includes Rs. 1206 lacs on account of gain on such prepayment of Deferred Sales Tax Liability.
19. Indo Maroc Phosphore S.A. is a 50:50 Joint Venture between the Company and Office Cherifien Des Phosphates (OCP), Morocco. Subsequent to 31st March 2005, the Company and OCP have inducted TATA Chemicals Limited as equal partner in the aforesaid Joint venture through disinvestment of one third of their respective shareholdings. Profit of Rs. 4043 Lacs arising on this disinvestment has been accounted for in the first quarter of the Financial year 2005-06.
20. Information in respect of Joint Ventures:

(Rs. in Lacs)

S. No.	Particulars	Current Year Joint Venture Companies			Previous Year Joint Venture Companies		
		BHW Birla Home Finance Ltd. (Note 1)	Chambal Agritech Ltd. (Note 1)	Indo Maroc Phosphore S.A. (IMACID)	BHW Birla Home Finance Ltd.	Chambal Agritech Ltd.	Indo Maroc Phosphore S.A. (IMACID)
1	Proportion of Ownership Interest	50%	50%	50%	50%	50%	50%
2	Country of Incorporation or Registration	India	India	Morocco	India	India	Morocco
3	Accounting Period ended	31.03.2005	31.03.2005	31.12.2004	31.03.2004	31.03.2004	31.12.2003
4	Assets	NA	NA	37684.60	21914.8	1783.47	45828.20
5	Liabilities	NA	NA	28018.80	15494.24	1648.45	40728.50
6	Income	1715.06	7.90	32938.10	2226.19	147.41	24760.00
7	Expenses	1482.76	30.14	30976.05	2159.30	456.31	27804.90
8	Contingent Liabilities	NA	NA	Nil	Nil	Nil	Nil
9	Capital Commitments	NA	NA	111.48	37.13	2.17	43.90

- Note: 1) BHW Birla Home Finance Limited was Joint Venture till 30.9.2004 and Chambal Agritech Limited was Joint Venture till 12.5.2004. Accordingly, the disclosure of current year's Income & Expenses in respect of these joint ventures is based on their un-audited financials as of the aforesaid dates.
- 2) The above details represent proportionate amount of the Company's share in the Joint Ventures.

21. Nitrogenous Fertilizers are under the Concession Scheme as per New Pricing Scheme implemented w.e.f. 1st April, 2003. The Concession rate for the current period has been accounted for on the basis of Notified price both for Gadepan I and II under the New Pricing Scheme, further adjusted for input price escalation / de-escalation and other known policy parameters.
- Pending finalisation of "Net Gain" as per the Policy for Production and Sale of Urea beyond 100% re-assessed capacity, the Company has estimated the Net Gain in accordance with the known policy parameters in this regard.
- The current year subsidy income is inclusive of Rs.1034.15 Lacs being the subsidy income pertaining to earlier years, determined during the year. [Previous year Rs. 890.26 Lacs reversal of subsidy income].
22. Income on account of foreign exchange difference on outstanding forward exchange contracts aggregating to Rs. 4.51lacs (Previous year Rs. 9.59 lacs) is being carried forward to be recognized in the Profit and Loss Account of the next year. Charges paid for foreign currency option contract (outstanding on March 31, 2005) aggregating to Rs. 12.84 Lacs (previous year Rs. 320.40 lacs) is being carried forward to be recognized in the Profit and Loss Account of the next year.
23. Current year provision for dividend on preference shares includes arrears of dividend on Cumulative Preference Shares, issued by erstwhile India Steamship Company Limited (now merged with the Company) for twenty three years and five months ended 31 August, 2004 amounting to Rs. 29.27 lacs.
24. (a) The Company has an investment of AUD 15.65 million (Rs. 5216.98 Lacs) in the Share Capital (Equity Rs. 4522.51 Lacs, and Equity Share Application money Rs.694.47 lacs) in Chambal Biotech Private Limited, Singapore, which in turn has invested AUD 15.55 million in the Equity Share Capital of Technico Pty Ltd, Australia. As per latest available financial statements of Technico Pty Ltd., its accumulated losses have resulted in erosion of significant portion of it's net worth. This being long term strategic investment and also in view of projected profitable operation of the company, in the opinion of the management, no provision is required to be made on the above account.
- (b) The Company has investments of Rs.12769.98 lacs, Rs. 3506.28 lacs and Rs. 5.07 lacs in the Share Capital of Indo Maroc Phosphore, S.A. (IMACID), Morocco, Novasoft Information Technology Corporation (Novasoft), USA and ISG Novasoft Technologies Ltd. respectively. As per the latest available financial statements of these companies, their accumulated losses have resulted in erosion of significant portion of the net worth of the respective companies. These being long-term strategic investments and also in view of projected profitable operations of the companies, in the opinion of management, no provision are required to be made on the above account.
25. In line with the Company's strategy to have substantial presence in the Agri business, the Company has further invested AUD 9.55 million in the Share capital of Chambal Biotech Pvt. Ltd. (CBPL), a special purpose vehicle (SPV) in Singapore. SPV has, in turn, invested in the share capital of Technico Pty Ltd., Australia. The total investment made in Technico Pty Ltd as on March 31, 2005 was AUD 15.65 million as against planned investment of AUD 18.62 million.
- Subsequent to 31st March 2005, CBPL has bought additional equity shares of Technico Pty limited from its existing shareholders for a consideration of AUD 5.69 million. Consequently, CBPL now holds 78% of share capital in Technico Pty Limited.
- During the year, preference shares held by the Company in CBPL were converted into ordinary shares. As a result of aforesaid conversion and acquisition, the Company's holding in CBPL has increased to approximately 99.99% of the ordinary share capital, thereby making it a virtually wholly owned subsidiary.
26. Deferred Tax Liability (Net)

(Rs. in Lacs)

	Deferred Tax Asset (Liability) as at 01.04.2004	Current Year (Charge)/Credit	Deferred Tax Asset/(Liability) as at 31.3.2005
Difference between Book & Tax Depreciation	(40832.42)	2757.64	(38074.77)
Deductions available on payment basis	126.18	46.79	172.97
Provision for Gratuity	86.72	14.10	100.83
Provision for Doubtful Debts	165.67	(141.61)	24.06
Others	(437.57)	214.44	(223.14)
Total	(40891.42)	2891.36	(38000.06)

27. (a) The Company has, during the year, taken certain fixed assets of the cost of Rs. 63.11 Lacs (Previous year Rs. 60.89 Lacs) on finance lease. The lease payment made during the year amounts to Rs. 28.20 Lacs (Previous year Rs. 8.85 lacs), out of which Rs. 22.11 Lacs (Previous year Rs. 6.68 lacs) has been adjusted against Principal and



Rs. 6.09 Lacs (Previous year Rs. 2.17 lacs) has been shown as Finance Lease Charges. The break up of minimum lease payment outstanding as at March 31, 2005 is as follows: (Rs. in Lacs)

Period	Lease Payment	Principal	Finance Lease Charges
Payable within one year	37.38	30.41	6.97
Payable after one year but before 5 year	71.47	64.80	6.67
Payable after 5 years	-	-	-

(b) The Shipping Division of the Company has entered into an Operating Lease Agreement for the premises which is non- cancelable. The lease payments made during the period amounts to Rs. 45.34 lacs. The break up of minimum lease period outstanding as at March 31, 2005 is as follows:

Period	Lease Payments
Payable within one year	76.15
Payable after one year but within five years	287.16
Payable after five year	NIL

28. Liability under Deferred Payment and interest accrued thereon amounting to Rs. 24824.69 Lacs (Previous Year Rs. 30694.22 Lacs), is guaranteed by Financial Institutions and Banks which, in turn, are secured by mortgage by deposit of title deeds in respect of immovable properties and hypothecation of the movable fixed assets of the Company, both present and future, (save and except book debts and assets of Shipping Division), subject to prior charges created / to be created in favour of Bankers / Financial Institutions on movables for securing working capital borrowings, ranking pari passu with the charges created / to be created in favour of Financial Institutions, Banks and others for securing various Rupee Loans / Guarantee Assistance and in favour of trustees for Non Convertible Debentures. This includes amount payable within one year Rs. 5434.71 lacs (Previous year Rs. 5718.97 lacs)

29. In respect of the Shipping Division of the Company, an amount recoverable from a charterer amounting to Rs. 593.92 lacs is outstanding for a long period towards reimbursement of dry dock expenses in respect of a ship which has not been accepted by the charterer. The matter is under arbitration and the chances of recovery are considered good. However, as an abundant caution, a sum of Rs. 219.12 lacs provided for in the accounts in earlier years continues.

30. The Board of Directors of ISS Holdings Ltd (a subsidiary of erstwhile India Steamship Company Limited) had applied on November 11, 2003 to the Registrar of Companies, West Bengal to strike off the name of the company under Section 560 of the Companies Act, 1956 in terms of the Simplified Exit Scheme offered under General Circular No. 17/78/2001 – CL. V dated 25.03.2003 issued by the Department of Company Affairs. Notification in this regard is awaited.

31. Expenses pertaining to earlier years amounting to Rs.172.58 lacs (Previous Year Rs. 29.86 lacs) have been accounted for under respective heads of account in the Profit & Loss Account.

32. Sundry Creditors (for goods, works & expenses) includes outstanding of small scale industrial undertakings amounting to Rs. 10.88 lacs (Previous Year Rs. 34.43 lacs) and the parties whose dues are outstanding for more than 30 days are as under:

Name of the party	Name of the party
Swastik Lloyds Engineering Pvt. Ltd.	Emco Switch Gears Pvt. Ltd.
Shiv Ganga Paper Converters Pvt Ltd.	Jaynti Polymers Industries
M.B. Technocrates	Nopso Polyfibrics
Rakesh Engg. Works	Lakeland Chemicals Ltd.
Vircap Sealingtech Pvt. Ltd.	Rose Zinc Ltd.
Shree Pesticides	Krishna agro

33. Additional information pursuant to the provisions of Part II of Schedule VI to the Companies Act, 1956:

A) CAPACITY

Product	Unit	Licenced Capacity		Installed Capacity (*)	
		2004-2005	2003-2004	2004-2005	2003-2004
(i) Fertiliser					
Ammonia	MTPD	2700	2700	2700	2700
Urea	MTPD	4600	4600	4600	4600
(ii) Yarn Spindles	Nos.	**	**	39552	37248

(*) As certified by the management.

(**) Not applicable.

B) PRODUCTION, SALES AND STOCKS

	2004-2005		2003-2004	
	Quantity Tons	Amount (Rs. in Lacs)	Quantity Tons	Amount (Rs. in Lacs)
PRODUCTION				
Ammonia	1062356	-	1012799	-
Urea	1855806	-	1762347	-
Man-made Fibres Yarn	12035.709	-	11486.450	-
Fibre Yarn Waste	363.860	-	383.244	-
Frozen vegetables & Fruits	5903.230	-	3564.430	-
OPENING STOCK				
Ammonia	2517	207.73	1769	121.51
Urea	68846	5494.53	55695	4498.45
Man-made Fibre Yarn	1348.907	1524.38	1173.300	1347.31
Fibre Yarn Waste	43.552	8.51	57.551	7.64
Frozen Vegetables & Fruits	3356.890	707.24	2407.523	558.19
CAPTIVE CONSUMPTION				
Ammonia	1062103	-	1012051	-
CLOSING STOCK				
Ammonia	2770	254.69	2517	207.73
Urea	100318	8650.00	68846	5494.53
Man-made Fibres Yarn	2172.008	2523.39	1348.907	1524.38
Fibre Yarn Waste	11.230	1.53	43.552	8.51
Frozen vegetables & Fruits	5268.780	1347.84	3356.890	707.24
SALES				
Urea	1824199	211644.06	1748915	174437.72
Man-made Fibre Yarn	11211.580	14039.64	11309.543	12055.99
Fibre Yarn Waste	396.182	90.72	397.243	84.61
Frozen Vegetable & Fruits	3826.790	1145.15	2524.177	701.90

Notes

- Stock of Ammonia is included under Stock-in-Process.
- Difference in quantity tally is on account of shortages/damages etc.

C) SOFTWARE ACTIVITY

Software Division of the Company is mainly engaged in the business of development of Computer Software. The development and sale of Computer Software is not capable of being expressed in any generic units. Hence, it is not possible to give quantitative details and information required under paragraphs 3, 4C and 4D of Part-II of Schedule VI of the Companies Act, 1956.

D) SHIPPING ACTIVITY

Shipping Division of the Company is engaged in the business of shipping activities. Shipping activities are not capable of being expressed in generic units. Hence quantitative details and related information required to be given under paragraphs 3 and 4C of Part II of Schedule VI of the Companies Act, 1956 are not applicable to this business. Further, erstwhile India Steamship Company Limited (now merged with the Company) has been granted exemption vide Notification No. 46/92/2005-CL-III dated 28th May, 2005 of the Ministry of Company Affairs, Government of India, from the disclosure of quantitative details (in respect of the financial year ending on 31st March, 2005) in compliance of Paragraph 4D(a), (b), (c), (e) of Part -II of Schedule VI to the Companies Act, 1956 as amended vide Notification No. GSR 494(E), Dated the 30th October, 1973 .

E) RAW MATERIAL CONSUMED - INDIGENOUS & IMPORTED

Particulars	Unit	2004-2005			2003-2004		
		Quantity	Value (Rs. in Lacs)	%	Quantity	Value (Rs. in Lacs)	%
INDIGENOUS							
Natural Gas	1000 SM ³	361530	16324.32	20.32	336360	13162.89	21.43
Naphtha	MT	270494.42	54130.62	67.39	267286	40527.11	65.97
Staple Fibre	MT	12310.344	9050.65	11.27	11737.658	7314.80	11.91
Vegetables & Fruites	MT	15130.76	818.89	1.02	9699.154	426.70	0.69
TOTAL			80324.48	100		61431.50	100
IMPORTED		NIL	NIL		NIL	NIL	

F) TRADING ACTIVITY

Products	2004-2005		2003-2004	
	Quantity	Value (Rs. in Lacs)	Quantity	Value (Rs. in Lacs)
OPENING STOCK				
DAP (MT)	604	60.34	16476	1616.21
MOP (MT)	8856	599.52	5898	397.75
Bio-Fertiliser (Kg)	187	51.82	38	14.46
Pesticides (Ltr.)	166193 }		170568 }	
Pesticides (Kg)	81879 }	385.82	69824 }	411.63
Seeds (Kg)	265454	114.74	287218	207.17
SSP (MT)	9551	222.60	5278	110.00
Zinc (MT)	11	1.22	14	1.49
NPK (MT)	531	43.13	5074	365.03
Micro Nutrient (MT)	0.80	0.13	0	0
Frozen Vegetables & Fruits (MT)	250.02	43.75	25.41	6.84
PURCHASES:				
DAP (MT)	122850	13896.75	208652	21036.12
MOP (MT)	164905	14481.37	45786	3223.08
Bio-Fertiliser (Kg)	1726	496.79	824	249.22
Pesticides (Ltr.)	1307272 }		970527 }	
Pesticides (Kg)	3335204 }	4463.05	3352886 }	3121.10
Seeds (Kg)	6060447	608.02	1658230	558.27
SSP (MT)	26513	688.31	115024	2701.40
Zinc (MT)	6117	692.28	4967	479.02
NPK (MT)	0	0	4825	379.80
Micro Nutrient (MT)	24.70	4.01	10.000	1.62
Organic Fertilisers (MT)	1000	12.61	0	0
Frozen Vegetables & Fruits (MT)	80.42	18.95	250.05	43.76
SALES				
DAP (MT)	123040	14136.96	224144	22859.87
MOP (MT)	140234	12408.51	42352	2921.14
Bio-Fertiliser (Kg)	1721	585.22	674	246.33
Pesticides (Ltr.)	1229130 }		974902 }	
Pesticides (Kg)	3112119 }	4710.88	3340831 }	3483.86
Seeds (Kg)	6194378	679.63	1679992	636.51
SSP (MT)	35316	949.85	110752	2788.70
Zinc (MT)	6104	746.28	4969	514.06
NPK (MT)	531	43.27	9368	765.98
Micro Nutrient (MT)	25.50	4.69	9.200	1.76
Organic Fertilisers (MT)	1000	15.78	0	0
Frozen Vegetable and fruits (MT)	315.44	91.45	25.41	6.68

Products	2004-2005		2003-2004	
	Quantity	Value (Rs. in Lacs)	Quantity	Value (Rs. in Lacs)
CLOSING STOCK :				
DAP (MT)	45	1.06	604	60.34
MOP (MT)	33382	2894.00	8856	599.52
Bio-Fertiliser (Kg.)	192	74.53	187	51.82
Pesticides (Ltr.)	244335	598.75	166193	385.82
Pesticides (Kg)	304965		81879	
Seeds (Kg)	131523	70.25	265454	114.74
SSP (MT)	748	20.67	9551	222.60
Zinc (MT)	24	2.73	11	1.22
NPK (MT)	0	0	531	43.13
Micro Nutrients (MT)	0	0	0.80	0.13
Frozen Vegetables & Fruits (MT)	15	6.36	250.02	43.75

Note: 1) Difference in quantity tally represents shortages / damages etc.

Particulars	(Rs. in Lacs)	
	Year ended 31st March, 2005	Year ended 31st March, 2004
G) CIF VALUE OF IMPORTS (on cash basis)		
- Capital Goods (including production stores & spare parts)	479.29	485.14
H) EXPENDITURE IN FOREIGN CURRENCY (on cash basis)		
- Process Licence, Design, Engineering and Supervision fee	184.34	1.13
- Interest and finance charges	853.24	1261.48
- Travelling	131.03	115.92
- Others	84.87	66.03
I) EARNING IN FOREIGN EXCHANGE		
FOB value of Export	1939.05	2902.80
Despatch Money (On Cash basis)	6.89	42.68
Software	214.03	157.39
Others (On Cash basis)	110.64	72.00
J) NET DIVIDEND REMITTED IN FOREIGN CURRENCY		
- Number of NRI Shareholders	470	493
- Number of Shares held by them	15450450	15989700
- Dividend paid (Rs. in Lacs)	247.21	239.85
- Year to which dividend relates	2003-04	2002-03

K) The Company is of the view that spare parts and components cover only such items as go directly into production and accordingly, the information pertaining to break up of total stores and spare parts consumption between indigenous and imported and the percentage of each to the consumption has not been given.

34. Previous Year's figures have been regrouped where necessary to conform to this year's classifications.

As per our report of even date

For S.R. BATLIBOI & COMPANY
Chartered Accountants

SUNIL SETHY
Managing Director

K.K. BIRLA
Chairman

per **RAJ AGRAWAL**
Partner
Membership No - 82028

V. KRISHNAN
Vice President - Corporate Finance

H.S. BAWA
Vice Chairman

New Delhi
August 20, 2005

M.S. RATHORE
General Manager - Legal & Secretary



BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE

I.	Registration No.	3293
	State Code	17
	Balance Sheet Date	31.03.2005
		(Rs. in '000)
II.	Capital raised during the year*	
	Public Issue	NIL
	Right Shares	NIL
	Bonus Shares	NIL
	Private Placement	NIL
III.	Position of Mobilisation and Deployment of funds	
	Total Liabilities	28561232
	Total Assets	28561232
	Sources of Funds	
	Paid up Capital*	4060000
	Reserve & Surplus	5127227
	Secured Loan	6776820
	Unsecured Loan	2559012
	Deferred Payment Liabilities	2450800
	Deferred Tax Liability (Net)	3800006
	Application of funds	
	Net Fixed Assets (including CWIP)	16902033
	Investment	2271137
	Net Current Assets	5625324
	Misc. Expenditure	79950
IV.	Performance of the Company	
	Turnover (including other income)	27094960
	Total Expenditure	24932902
	Total Profit before exceptional items and tax	2162057
	Exceptional items	648057
	Profit before tax including Exceptional Items	2810115
	Profit after tax	2206251
	Earning Per Equity Share in Rs.	5.35
	Dividend rate:	
	Equity Shares	18%
	Preference	5%
V.	Generic Names of the Principal Products of the Company	
	<u>Item Code No.</u>	<u>Product Description</u>
	31021000	Urea
	31053000	DAP
	85245200	Software
	5509-21	100% Polyester Yarn
	5509-50	Polyester Viscos Yarn
	7102100	Frozen Peas
	NA	Shipping Division

* Pursuant to the scheme of Amalgamation, 1,02,07,852 equity shares of Rs. 10 each and 2,50,000 preference shares of Rs. 10 each will be issued to the respective shareholders of erstwhile India Steamship Company Limited.

Statement Pursuant to Section 212 of the Companies Act, 1956

Name of the Subsidiary Company	Financial Year Ending of the Subsidiary	Number of Shares held by the Company or its Subsidiary	Extent of Holding %	For Financial Year of the Subsidiary	
				Profits/(loss) so far as it concerns the members of the Holding Company and not dealt with in the books of Accounts of the Holding Company (Except to the extent dealt with in Col.6)	Profit/(loss) so far as it concerns the members of the Holding Company and dealt with in the books of Accounts of the Holding Company
(1)	(2)	(3)	(4)	(5)	(6)
				Rs. in Lacs	Rs. in Lacs
NovaSoft Information Technology Corporation, USA	31.03.2005	26965995 shares of Common Stock	99.81%	(788.26)	-
NovaSoft Information Technology (Europe) Ltd, UK	31.03.2005	500000 Common Shares	99.81% *	(31.22)	-
Asia NovaSoft Technologies Pte Ltd, Singapore	31.03.2005	90540 Common Shares	99.81% *	(23.96)	-
NovaSoft Information Technology Corporation, GMBH, Germany	31.03.2005	25000 Shares	99.81% *	(2.28)	-
ISG Novasoft Technologies Limited, India	31.03.2005	50700 Equity Shares	100% **	(33.71)	-
Chambal Biotech Private Limited, Singapore	31.03.2005	15522846 Ordinary Shares	99.99% **	(5.21)	-
Technico Pty Limited, Australia	31.03.2005	11028982 Ordinary shares	51% #	(389.07)	-
Chambal Agritech Limited, India	31.03.2005	30962800 Equity Shares	51% # #	(542.53)	-
Technico Asia Holdings Pty. Limited, Australia	31.03.2005	39589182 Ordinary Shares	51% # #	(359.69)	-
Technico Horticulture (Kunming) Co. Limited, China	31.03.2005	3684522 Ordinary Shares	51% # #	(4.91)	-
Technico Group America Inc., USA	31.03.2005	1000 shares of Common Stock	51% # #	N.A.	-
Technico ISC Pty. Limited, Australia	31.03.2005	2 Ordinary Shares	51% # #	(29.39)	-
Technico Technologies Inc., Canada	31.03.2005	410000 Ordinary Shares	51% # #	(64.83)	-

* NovaSoft Information Technology (Europe) Ltd., U.K., Asia NovaSoft Technologies Pty Ltd., Singapore and NovaSoft Information Technology Corporation GMBH, Germany are wholly owned subsidiaries of NovaSoft Information Technologies Corporation, USA in which the Company holds 99.81% shares of Common Stock.

** ISG Novasoft Technologies Limited, India and Chambal Biotech Private Limited, Singapore became subsidiary of the Company during the financial year 2004-05.

Technico Pty Limited, Australia is a subsidiary of Chambal Biotech Private Limited, Singapore (which owns 51% of its Ordinary Shares).

Chambal Agritech Limited, India; Technico Asia Holdings Pty. Limited, Australia; Technico Horticulture (Kunming) Co. Limited, China; Technico Group America Inc., USA; Technico ISC Pty. Limited, Australia and Technico Technologies Inc., Canada are wholly owned subsidiaries of Technico Pty. Ltd., Australia.

SUNIL SETHY
Managing Director

K.K. BIRLA
Chairman

V. KRISHNAN
Vice President - Corporate Finance

H.S. BAWA
Vice Chairman

New Delhi
August 20, 2005

M.S. RATHORE
General Manager – Legal & Secretary

Financial performance of subsidiaries during the period April 1, 2004 to March 31, 2005

(Amount in Rs. Lacs)

	Share Capital	Reserves	Total Assets	Total Liabilities	Details of Investment	Turnover	Profit/(Loss) before taxation	Provision for Taxation	Profit/(Loss) after taxation	Proposed dividend	The Exchange rates used for conversion of figures from foreign currency to Indian rupees are as under		
											Balance Sheet	Profit & Loss Account	
62	NovaSoft Information Technology Corporation, USA	2477.98	(2389.06)	546.18	457.25	-	2339.28	(808.11)	(18.35)	(789.76)	-	1 US\$=Rs.43.79	1 US\$=Rs.44.9427
	Novasoft Information Technology (Europe) Ltd, UK	406.73	(74.91)	820.96	491.11	-	3232.89	(48.82)	(17.54)	(31.28)	-	UK Pound 1 = Rs. 81.346	UK Pound 1 = Rs. 79.26
	Asia Novasoft Technologies Pte Ltd, Singapore	24.01	(15.07)	49.60	43.87	-	180.05	(24.01)	-	(24.01)	-	1 S\$=Rs.26.523	1 S\$=Rs. 26.8313
	Novasoft Information Technology Corporation, GMBH, Germany	14.14	(8.93)	24.32	19.11	-	0.80	(2.29)	-	(2.29)	-	Euro1=Rs.56.5592	Euro1=Rs.56.5663
	ISG Novasoft Technologies Limited, India	5.07	(33.71)	5.07	33.71	-	-	(33.71)	-	(33.71)	-		
	Chambal Biotech Private Limited, Singapore	5279.89	(28.71)	5257.99	6.54	5245.93	-	(5.21)	-	(5.21)	-	AUD1= Rs. 33.7266	AUD1=Rs. 34.04251
	Technico Ply Limited, Australia	13352.09	(10307.23)	3452.99	312.49	2120.78	492.53	(762.89)	-	(762.89)	-	AUD1=Rs.33.7266	AUD1=Rs.34.04251
	Chambal Agritech Limited, India	2896.28	(3174.62)	3685.27	4108.65	-	830.26	(1063.78)	-	(1063.78)	-		
	Technico Horticulture (Kunming) Co. Limited, China	1242.66	(691.27)	649.34	498.94	-	609.79	(9.63)	-	(9.63)	-	AUD1=Rs.33.7266	AUD1=Rs.34.04251
	Technico ISC Pty. Limited, Australia	-	(143.35)	284.53	426.55	-	369.38	(57.62)	-	(57.62)	-	AUD1=Rs.33.7266	AUD1=Rs.34.04251
	Technico Group America Inc., USA												NOT OPERATIONAL
	Technico Asia Holdings Pty. Limited, Australia	13352.09	(10163.88)	3556.85	276.89	-	20.17	(705.27)	-	(705.27)	-	AUD1=Rs.33.7266	AUD1=Rs.34.04251
	Technico Technologies Inc., Canada	138.28	(234.58)	265.57	359.69	-	10.68	(127.11)	-	(127.11)	-	AUD1=Rs.33.7266	AUD1=Rs.34.04251

Auditors' Report to the Board of Directors of Chambal Fertilisers and Chemicals Limited on the Consolidated Financial Statements of Chambal Fertilisers and Chemicals Limited, its Subsidiaries, Joint Ventures and Associates

1. We have audited the attached Consolidated Balance Sheet of the Chambal Group, as at March 31, 2005, the Consolidated Profit and Loss Account and also the Consolidated Cash Flow Statement for the year ended on that date. These financial statements are the responsibility of the Chambal's management and have been prepared by the management on the basis of separate financial statements and other financial information regarding components. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with the auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material mis-statement. 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.

We have not audited the financial statements of subsidiaries, joint ventures and associates of Chambal, whose financial statements (to the extent of the Group's proportionate share) reflect total assets of Rs. 49657.96 lacs as at March 31, 2005, the total revenues of Rs. 41045.58 lacs and net cash outflows amounting to Rs. 1325.52 lacs for the year then ended. These financial statements and other financial information have been audited by other auditors, whose reports have been furnished to us, (except in case of certain joint ventures disposed off during the year reflecting net revenues of Rs. 1722.64 lacs and net cash outflows of Rs. 1564.77 lacs where in the absence of availability of audited financials, management approved financials have been considered), and our opinion, insofar as it relates to the amounts included in respect of these subsidiaries, joint

ventures and associates, is based solely on the reports of other auditors.

3. We report that the consolidated financial statements have been prepared by Chambal's management in accordance with the requirements of Accounting Standard (AS) 21, Consolidated financial statements, Accounting Standard (AS) 23, Accounting for Investments in Associates in Consolidated Financial Statements and Accounting Standard (AS) 27, Financial Reporting of Interests in Joint Ventures issued by the Institute of Chartered Accountants of India.
4. Based on our audit and on consideration of reports of other auditors on separate financial statements and on the other financial information of the components, and to the best of our information and according to the explanations given to us, we are of the opinion that the attached consolidated financial statements give a true and fair view in conformity with the accounting principles generally accepted in India:
 - a) in the case of the Consolidated Balance Sheet, of the state of affairs of the Chambal of group as at March 31, 2005;
 - b) In the case of the Consolidated Profit and Loss Account, of the consolidated profit for the year ended on that date; and
 - c) in the case of the Consolidated Cash Flow Statement, of the consolidated cash flows for the year ended on that date.

For **S.R. BATLIBOI & COMPANY**
Chartered Accountants

per **RAJ AGRAWAL**
Partner

Place : New Delhi

Date : August 20, 2005

Membership No.: 82028

CONSOLIDATED FINANCIAL STATEMENTS

BALANCE SHEET AS AT MARCH 31, 2005

(Rs. in Lacs)

Particulars	Schedule	As at	
		March 31, 2005	March 31, 2004
I. SOURCES OF FUNDS			
(1) Shareholders' Funds :			
(A) Share Capital	1	40600.00	40600.00
(B) Share Capital Suspense	1A	1045.79	-
(C) Reserves and Surplus	2	<u>36438.29</u>	<u>27246.45</u>
		78084.08	67846.45
(2) Loan Funds :			
(A) Secured Loans	3	71889.67	93007.23
(B) Unsecured Loans	4	<u>48137.77</u>	<u>56784.58</u>
		120027.44	149791.81
(3) Minority Interest		1239.87	20.95
(4) Liabilities under Deferred Payments		24508.00	30307.91
(5) Deferred Tax Liability		38000.06	40865.33
Total		<u>261859.45</u>	<u>288832.45</u>
II. APPLICATION OF FUNDS			
(1) Goodwill		6545.99	1797.04
(2) Fixed Assets :			
(A) Gross Block	5	335188.14	319246.73
(B) Less : Depreciation		<u>140543.84</u>	<u>118873.19</u>
(C) Net Block		<u>194644.30</u>	<u>200373.54</u>
(D) Capital Work in Progress		<u>669.99</u>	<u>275.29</u>
		195314.29	200648.83
(3) Investments	6	2055.92	7038.08
(4) Current Assets, Loans and Advances :			
(A) Inventories	7	34010.09	24627.75
(B) Sundry Debtors	8	61349.88	53299.88
(C) Housing Loans	9	-	19603.17
(D) Cash and Bank Balances	10	4403.97	4583.19
(E) Other Current Assets	11	959.62	218.47
(F) Loans and Advances	12	<u>9305.63</u>	<u>13658.90</u>
		110029.19	115991.36
Less :			
(5) Current Liabilities and Provisions			
(A) Liabilities	13	40683.16	28897.06
(B) Provisions	14	<u>12353.02</u>	<u>8842.96</u>
		53036.18	37740.02
Net Current Assets		56993.01	78251.34
(6) Miscellaneous Expenditure	15	950.24	1097.16
(To the extent not Written Off or Adjusted)			
Total		<u>261859.45</u>	<u>288832.45</u>

Notes on Consolidated Accounts 22

The Schedules referred to above and the Notes on Consolidated accounts form an integral part of the Consolidated Balance Sheet.

As per our Report of even date

For S.R. BATLIBOI & COMPANY

Chartered Accountants

per **RAJ AGRAWAL**

Partner

Membership No - 82028

New Delhi

August 20, 2005

SUNIL SETHY

Managing Director

V. KRISHNAN

Vice President - Corporate Finance

M.S. RATHORE

General Manger - Legal & Secretary

K.K. BIRLA

Chairman

H.S. BAWA

Vice Chairman

**CONSOLIDATED
PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED MARCH 31, 2005**

(Rs. in Lacs)

Particulars	Schedule	Year ended March 31, 2005	Year ended March 31, 2004
INCOME			
Sales of Own Manufactured Products including Subsidy on Fertilisers		258100.62	210481.41
Less : Excise Duty on Sale of Yarn		<u>(1101.25)</u>	<u>(1295.25)</u>
		256999.37	209186.16
Sales of Traded Products including subsidy on Fertilisers		34486.55	34224.89
Income from Operations of Shipping Business		8321.62	-
Revenue from Software Development and Business Process Outsourcing Services		6116.81	7341.60
Income from Housing Finance Activities		1238.89	2136.55
Other Income	16	5063.90	4221.18
Total		<u>312227.14</u>	<u>257110.38</u>
EXPENDITURE			
(Increase)/Decrease in Stocks	17	(7231.82)	839.54
Purchases of Goods for Trading		35362.14	31793.39
Manufacturing and Other Expenses	18	230108.19	175215.48
Operating Financial Expenses in respect of Housing Finance Activities	19	770.49	1100.68
Other Financial Expenses	20	11513.41	15761.13
Depreciation & Amortisation		20017.80	19038.89
Total		<u>290540.21</u>	<u>243749.11</u>
Profit before Exceptional Items and Tax		21686.93	13361.27
Exceptional Items	21	6166.17	-
Profit after Exceptional Items and before Tax		27853.10	13361.27
Provision for Tax		8955.21	3651.94
Deferred Tax Charge/(Credit)		(2983.99)	1883.93
Profit after Tax		21881.88	7825.40
Pre-acquisition Losses adjusted against Goodwill		58.50	50.82
Share in Profit/(Loss) of Associates		(245.73)	(115.65)
Share of Minority Interests in Losses		567.92	59.02
Net Profit for the Year		<u>22262.57</u>	<u>7819.59</u>
Transferred from Debenture Redemption Reserve		1500.00	1875.00
Transferred from Securities Premium Account		375.00	-
Transferred from Special Reserve		148.66	-
Transferred from Debt Redemption Reserve		-	8644.98
Balance Brought Forward from Previous Year	10864.37		9913.84
Add: Share in Accumulated Profits of Associates as at April 1, 2003		-	85.33
Less: Share in Accumulated Losses of Joint Ventures as at April 1, 2003		-	(4819.19)
Less: Adjustment of Unrealised Profits w.r.t. Joint Ventures and Associates		-	-
		<u>10864.37</u>	<u>(21.00)</u>
		35150.60	5158.98
		35150.60	23498.55
Less : Appropriations :			
(1) Debenture Redemption Reserve		2600.00	2225.00
(2) Transferred to General Reserve		2500.00	3000.00
(3) Transferred to Tonnage Tax Reserve		200.00	-
(4) Transferred to Special Reserve		-	80.88
(5) Proposed Dividend on Preference Shares		30.00	-
(6) Proposed Dividend on Equity Shares		7491.74	6496.00
(7) Tax on Dividend		1071.57	832.30
Balance carried to Balance Sheet		<u>21257.29</u>	<u>10864.37</u>
Basic and Diluted Earnings Per Share		5.38	1.93
Nominal Value of each Share		10.00	10.00

Notes on Consolidated Accounts 22
The Schedules referred to above and the Notes on Consolidated Accounts form an integral part of the Consolidated Profit and Loss Account.

As per our Report of even date

For **S.R. BATLIBOI & COMPANY**
Chartered Accountants

SUNIL SETHY
Managing Director

K.K. BIRLA
Chairman

per **RAJ AGRAWAL**
Partner
Membership No - 82028

V. KRISHNAN
Vice President - Corporate Finance

H.S. BAWA
Vice Chairman

New Delhi
August 20, 2005

M.S. RATHORE
General Manager - Legal & Secretary

CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED MARCH 31, 2005

(Rs. in Lacs)

Particulars	Year ended March 31, 2005	Year ended March 31, 2004
A. CASH FLOW FROM OPERATING ACTIVITIES :		
Profit after Exceptional Items and before Tax	27853.12	13361.27
Adjustments for :		
Movement in Miscellaneous Expenditure	332.90	567.78
Depreciation & Amortisation	20017.80	19038.89
(Profit)/Loss on Sale of Fixed Assets	106.51	544.29
(Profit)/Loss on Sale of Investments	(5103.80)	(253.93)
Prepayment Incentive for Sales Tax Liability	(1206.33)	-
Provisions for Doubtful Deposits / Advances	58.01	168.06
Interest Expenditure	9570.44	12671.82
Interest Income	(1087.52)	(1391.26)
Dividend Income	(41.05)	(109.19)
Operating Profit before Working Capital Changes (a)	<u>50500.08</u>	<u>44597.73</u>
Adjustments for :		
Trade and Other Receivables	(13544.33)	(1697.48)
Inventories	(7984.50)	(917.37)
Trade Payables	10702.51	4187.25
Total (b)	<u>(10826.32)</u>	<u>1572.40</u>
Cash Generated from Operations (a+b)	<u>39673.76</u>	<u>46170.13</u>
Direct taxes (Paid) / Refunded	(6415.97)	(4541.35)
NET CASH FLOW FROM OPERATING ACTIVITIES	33257.78	41628.78
B. CASH FLOW FROM INVESTING ACTIVITIES		
Purchases of Fixed Assets	(9668.71)	(2907.69)
Sales of Fixed Assets	496.94	132.68
Amount Paid for Acquisition of Further Stake in Subsidiaries/Associates	(2343.21)	-
Purchases of Investment	0.62	56.46
Proceeds from Disposal of Investments in Joint Ventures	12302.38	-
Sale of Investment	486.85	-
Interest Received	1140.71	1353.80
Dividend Received	41.05	109.19
Movement in Loans Given	4326.33	(5162.28)
NET CASH FLOW FROM / (USED) IN INVESTING ACTIVITIES	6782.96	(6417.84)
C. CASH FLOW FROM FINANCING ACTIVITIES		
Proceeds from Long Term Borrowings	5750.00	-
Repayment of Long Term Borrowings	(27628.84)	(14516.50)
Net Proceeds of Short Term Borrowings	(2798.00)	(2666.27)
Interest Paid	(9634.08)	(13003.33)
Dividend Paid	(6465.74)	(6046.38)
Income Tax on Dividend Paid	(848.95)	-
NET CASH USED IN FINANCING ACTIVITIES	(41625.61)	(36232.48)
Foreign Currency Translation Difference	(20.72)	61.72
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	(1605.59)	(959.82)
CASH AND CASH EQUIVALENTS AS AT APRIL 1	4583.19	6903.30
Increase in cash & Cash Equivalents Pursuant to Merger of India Steamship Company Limited	1395.60	-
Less: Cash & Cash Equivalents in respect of JV's Disposed Off during the Year.	(193.52)	-
Add: Cash & Cash Equivalents in respect of Subsidiaries Acquired during the Year.	224.29	-
CASH AND CASH EQUIVALENTS AS AT MARCH 31	4403.97	4583.19
Cash and Cash Equivalents comprise		
Cash in Hand	12.43	13.48
Balances with Banks	4391.54	4569.71
	<u>4403.97</u>	<u>4583.19</u>

1. The Merger of the erstwhile India Steamship Company Ltd. with the Company is a Non-Cash Transaction (Refer Note No. 8 of Schedule 22)

As per our Report of even date

For **S.R. BATLIBOI & COMPANY**
Chartered Accountants

SUNIL SETHY
Managing Director

K.K. BIRLA
Chairman

per **RAJ AGRAWAL**
Partner
Membership No - 82028
New Delhi
August 20, 2005

V. KRISHNAN
Vice President - Corporate Finance

H.S. BAWA
Vice Chairman

M.S. RATHORE
General Manger - Legal & Secretary



SCHEDULES ANNEXED TO AND FORMING PART OF THE CONSOLIDATED BALANCE SHEET AS AT MARCH 31, 2005
(Rs. in Lacs)

Particulars	As at March 31, 2005	As at March 31, 2004
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SCHEDULE 1 : SHARE CAPITAL

Authorised :

44,00,00,000	Equity Shares of Rs. 10 Each	44000.00	44000.00
21,00,00,000	Redeemable Preference Shares of Rs. 10 Each	21000.00	21000.00
		65000.00	65000.00

Issued, Subscribed and Paid Up :

40,60,00,000	Equity Shares of Rs.10 each, fully paid up	40600.00	40600.00
		40600.00	40600.00

SCHEDULE 1A : SHARE CAPITAL SUSPENSE

To be issued, consequent to merger of India

Steamship Company Ltd. *

1,02,07,852	Equity shares of Rs.10 each to be issued to the shareholders of erstwhile 'India Steamship Company Ltd.' as fully paid up	1020.79	-
2,50,000	5% Free of Tax Cumulative Preference Shares of Rs. 10 each to be issued to the preference shareholders of erstwhile "India Steamship Company Ltd":	25.00	-
		1045.79	-

* Refer Note No. 8 of Schedule 22

Particulars	(Rs. in Lacs)	
	As at March 31, 2005	As at March 31, 2004
SCHEDULE 2 : RESERVES & SURPLUS		
Capital reserve (Arising on Forfeiture of Shares)	20.95	20.95
Securities Premium Account		
Opening Balance	1019.09	644.09
Add: Share in Accumulated Balances of Joint Venture as on April 1, 2003	-	375.00
Less: Transferred to Profit & Loss Account on disposal of investment in JV	(375.00)	-
	644.09	1019.09
Special Reserve (In terms of Section 36(1)(viii) of the Income Tax Act, 1961)		
Opening Balance	148.66	-
Share in Accumulated Balances of Joint Venture as on April 1, 2003	-	67.78
Add: Transferred from Profit & Loss Account during the year	-	80.88
Less: Transferred to Profit & Loss Account on disposal of investment in JV	(148.66)	-
	-	148.66
Capital Redemption Reserve		
Opening Balance	2500.00	
Less : Adjustment Pursuant to Scheme of Merger with India Steamship Co. Ltd.	(2500.00)	
	-	2500.00
Foreign Currency Translation Reserve	2499.68	2468.38
Debenture Redemption Reserve		
Opening Balance	2225.00	1875.00
Less: Transferred to Profit and Loss Account	(1500.00)	(1875.00)
Add: Transferred from Profit and Loss Account	2600.00	2225.00
	3325.00	2225.00
General Reserve		
Opening Balance	8000.00	5000.00
Add: Transferred from Profit and Loss Account	2500.00	3000.00
Less : Adjustment Pursuant to Scheme of Merger with India Steamship Co. Ltd.*	(2122.01)	-
	8377.99	8000.00
Tonnage Tax Reserve (shipping business) *		
Opening Balance	-	-
Add : Adjustment pursuant to scheme of merger with India Steamship Co. Ltd.*	113.29	-
Add: Transferred from Profit and Loss Account	200.00	-
Balance as per Profit and Loss Account	313.29	-
	21257.29	10864.37
	36438.29	27246.45

* Refer Note No. 8 of Schedule 22



Particulars	(Rs. in Lacs)	
	As at March 31, 2005	As at March 31, 2004
SCHEDULE 3: SECURED LOANS		
Debentures		
6175 7.00% Secured Redeemable Non-Convertible Debentures of Rs.1,00,000 each.	6175.00	6175.00
500 7.90% Secured Redeemable Non-Convertible Debentures of Rs.10,00,000 each.	5000.00	5000.00
Rupee Term Loans		
- From Financial Institutions	1910.00	2894.00
- From Banks	38487.69	51875.70
- From National Housing Bank	-	6712.50
- From Others	5000.00	5000.00
	45397.69	66482.20
Foreign Currency Term Loans	3660.25	-
Finance Lease Liability	111.23	56.54
Short Term Rupee Loan including Working Capital		
Demand Loans from Banks	9207.04	13056.50
Cash Credit Loans from Banks	2330.74	2231.95
Vehicle Loans from Banks	7.72	5.04
	71889.67	93007.23

Notes

- 7% secured redeemable non-convertible debentures are secured by first pari-passu charge by way of mortgage in english form in respect of the immovable properties of the company situated in Gujarat and further secured by an unconditional and irrevocable guarantee issued by ICICI Bank Limited in favour of debenture trustees which in turn is secured by first pari passu charge by way of mortgage of immovable properties and hypothecation of movable assets of the company (except assets of shipping division), subject to prior charges created / to be created in favour of bankers on movables for securing working capital facilities. These debentures are redeemable on 19th May, 2007.
- 7.90% secured redeemable non-convertible debentures are secured by first pari passu charge by way of mortgage by deposit of title deeds in respect of immovable properties and hypothecation of the movable assets of the company, both present and future (save and except books debts and assets of shipping division) subject to prior charges created / to be created in favour of bankers on movables for securing working capital borrowings. These debentures are redeemable on 31st March, 2011.
- Rupee term loans from financial institutions, banks and others (except for loans of Rs. 400 lacs, Rs. 5137.00 lacs and Rs. 2528.95 lacs from banks) are secured by first pari-passu charge by way of mortgage by deposit of title deeds in respect of immovable properties and hypothecation of the movable assets of the company, both present and future (save and except book debts and assets of shipping division), subject to prior charges created / to be created in favour of bankers on movables for securing working capital borrowings.
- Rupee term loan of Rs. 400 lacs from a bank is secured by hypothecation of Wartsila DG set of 4 Mw under exclusive charge.
- Rupee term loan of Rs. 5137.00 lacs from a bank is secured by mortgage on the company's vessels, M.T. Ratna Abha and M.T. Ratna Urvi and hypothecation of moveable assets and receivables (both present and future) of shipping division of the company.
- Rupee term loan of Rs. 2528.95 lacs from a bank in respect of a subsidiary is secured by first charge on all of the subsidiary's assets including all movable and immovable properties & assets, both present and future.
- Foreign currency term loan of Rs. 3462.75 lacs from a bank is secured by mortgage on the vessel M.T. Ratna Shalini and hypothecation of the movable properties (present and future) of the shipping division and receivables pertaining to such vessel M.T. Ratna shalini.
- Foreign currency term loan of Rs. 197.50 lacs from a bank in respect of one of the subsidiaries in Canada is secured over the land, building and equipment of that subsidiary in Canada.
- Cash credit loans from banks (except Rs. 1164.25 lacs) and working capital demand loans from banks of Rs. 1500 lacs are secured by hypothecation of all the company's movable assets including movable machinery, all stocks and book debts (including subsidy support), both present & future (except assets of shipping division). These loans are further secured / to be secured by second charge on all the immovable properties (except assets of shipping division) of the company.
- Cash credit loans of Rs. 363.66 lacs in respect of overseas subsidiaries are secured over the land, building and equipment of these subsidiaries.
- Cash credit loan of Rs. 94.58 lacs in respect of an overseas subsidiary is secured by way of hypothecation of specified percentage of the book debts.
- Short term rupee loan of Rs. 7500 lacs is secured by hypothecation of all movable fixed assets of the company (except assets of shipping division) subject to the charges created / to be created in favour of other financial institutions/ banks / other lenders for securing term loans and other facilities and prior charges created / to be created in favour of bankers on movables for securing working capital borrowings.
- Working capital demand loan of Rs. 207.04 lacs in respect of one of the subsidiaries is secured by first charge by way of hypothecation of all movable assets of the subsidiary and first charge by way of mortgage of the fixed assets of the subsidiary, both present and future.
- Cash credit loans of Rs. 706.01 lacs in respect to one of the subsidiaries is secured by a second charge by way of hypothecation of all movable assets of the subsidiary and to be secured by second charge by way of mortgage of the fixed assets of the subsidiary, both present and future.
- Finance lease liability is secured by assets acquired under the facility.
- Loans for vehicles are secured by hypothecation of specific vehicles with first and exclusive charge.

Particulars	(Rs. in Lacs)	
	As at March 31, 2005	As at March 31, 2004
SCHEDULE 4 : UNSECURED LOANS		
Deferred Sales Tax (interest free)	499.56	4478.13
Fixed Deposits from Public	1494.96	2876.51
Loans from Bodies Corporate	475.00	3500.00
13,85,164 5% Non-Convertible Debentures of Rs. 100 each (To be issued) (Refer Note No 8 of Schedule 22)	1385.16	-
Buyer's Credit	4196.15	4983.57
5.70% Short term Non Convertible Debentures	5000.00	-
5.08% Short Term Non Convertible Debentures	-	2000.00
4.88% Short Term Non Convertible Debentures	-	2000.00
4.90% Short Term Non Convertible Debentures	-	2000.00
	<u>5000.00</u>	<u>6000.00</u>
Cash Credit Loans from Banks	3379.79	4757.65
Packing Credit Foreign Currency Loan From a Bank	135.44	612.23
Short Term Loans		
- From Banks	15550.00	8400.00
- From Others -	-	7.50
Term Loan from a Bank	<u>1050.00</u>	-
Foreign Currency Loans		
- From Foreign Banks	14821.80	21168.99
- From Others	<u>149.91</u>	<u>21168.99</u>
	<u><u>48137.77</u></u>	<u><u>56784.58</u></u>

Notes

1. Deferred sales tax (interest free) is repayable in 10 half yearly equal installments starting from May 22, 2005.
2. During the year the company has redeemed 5.08%, 4.88%, 4.90% short term non-convertible debentures on April 19, 2004 (Rs. 2000 lacs), June 24, 2004 (Rs. 2000 lacs) and June 25, 2004 (Rs. 2000 lacs) respectively.
3. 5.70% short term non-convertible debentures have been redeemed on April 15, 2005 .
4. 5.00% non convertible debentures (to be issued) are redeemable on the 89th day from the day of allotment.



SCHEDULE 5 - FIXED ASSETS - CONSOLIDATED

Particulars	(Rs. in Lacs)												
	GROSS BLOCK					DEPRECIATION					NET BLOCK		
	As at March 31, 2004	Additions due to Merger	Additions due to acquisition of a Subsidiary	Other Additions	Adjustments (Note 8)	Forex Translation adjustment on opening block	As at March 31, 2005	Up to March 31, 2004	Up to March 31, 2005	Forex Translation Adjustment on current blockyear depreciation	Forex Translation Adjustment on opening blockyear depreciation	Up to March 31, 2005	As at March 31, 2004
Land-lease Free	587.28	-	-	-	-	-	587.28	-	-	-	-	587.28	587.28
Land-lease Hold	384.46	-	246.75	12.11	(63.26)	6.97	587.03	84.77	-	-	90.70	496.33	299.69
Buildings	20276.80	0.21	1021.87	27.16	(287.59)	102.28	21140.73	3163.77	239.79	21.40	8.88	16993.12	17113.03
Railway siding	2205.11	-	-	-	-	-	2205.11	759.02	-	-	-	1341.35	1446.09
Plant & Machinery	288956.02	-	1225.25	988.35	(1970.53)	630.94	289830.03	111596.64	377.05	266.61	148.27	159945.68	177359.38
Equipment & Appliances	3382.46	23.33	43.98	306.47	(371.03)	2.93	3388.14	1447.55	1.95	241.22	0.58	1857.51	1934.91
Vehicles	571.63	17.63	64.59	96.46	(147.89)	2.26	604.68	182.53	27.61	1.20	0.05	378.57	389.10
Vehicles (On Finance Lease)	63.89	-	34.24	66.06	-	0.97	165.16	7.09	18.11	0.51	(0.02)	110.00	56.80
Furniture & Fittings	855.64	8.20	129.58	156.28	(125.89)	3.30	1027.11	413.20	84.12	1.90	(0.28)	479.96	442.44
Leasehold Improvements	809.27	67.98	7.98	53.71	(149.05)	(0.24)	789.65	511.65	1.25	115.14	(0.02)	236.62	297.62
Ships	-	5544.60	-	7621.39	(250.36)	-	12915.63	-	-	748.25	-	12167.38	-
Intangible Assets													
License Fees	469.18	-	-	-	(469.18)	-	-	136.13	-	3.34	(139.47)	-	333.04
Patents & Trade Marks	684.99	-	1089.75	-	-	40.35	1815.09	570.84	1046.26	37.52	3.96	1815.09	114.16
Land Occupancy Rights	-	-	122.72	-	(9.35)	3.47	116.84	-	71.10	2.01	0.00	43.73	-
Intellectual Property Rights	-	-	15.23	-	-	0.43	15.66	-	7.90	0.22	(0.01)	6.77	-
Total	319246.73	5661.95	4001.94	9327.99	(384.13)	793.66	335188.14	118873.19	1875.14	2007.80	(715.64)	140543.84	200373.54
Add Capital Work in Progress	-	-	-	-	-	-	-	-	-	-	-	-	-
Grand Total	319246.73	5661.95	4001.94	9327.99	(384.13)	793.66	335188.14	118873.19	1875.14	2007.80	(715.64)	140543.84	200648.83
Previous Year	318025.35	-	-	4438.89	(3217.51)	-	319246.73	98608.70	-	19038.89	-	118873.19	200373.54

1. Lease free land of Rs. 22.12 lacs (previous year Rs. 7.25 lacs) is yet to be transferred in the name of the respective companies.
2. Buildings of Rs. 85.07 lacs and furniture & fixture of Rs. 1.58 lacs (previous year Rs.84.36 lacs and nil respectively) represent undivided share in assets jointly owned with others.
3. Deletions to plant and machinery and ships include Rs. 1266.11 lacs and Rs. 250.36 lacs respectively (previous year Rs. 3242.49 lacs and Rs. Nil respectively) being decrease in liability in respect of foreign currency loans.
4. Gross block and accumulated depreciation of plant and machinery include Rs. 296 lacs (previous year Rs. 271.78 lacs) and Rs. 205.41 lacs (previous year Rs. 146.76 lacs) and that of buildings include Rs. 768.38 lacs and Rs. 302.31 lacs (previous year Rs. 768.38 lacs and Rs. 148.64 lacs) respectively towards capital expenditure represented by assets not owned by the company, but which are being used by the company for its business purpose.
5. Capital work in progress include capital advances and capital stores of Rs.89.48 lacs (previous year Rs. 24.06 lacs) and Rs. 29.10 lacs (previous year Rs. 1.10 lacs) respectively.
6. Ddeductions from gross block and depreciation of plant and machinery and equipment and appliances include Rs. 58.53 lacs (previous year Rs. 341.72 lacs) and Rs. 18.77 lacs (previous year Rs. 116.43 lacs) respectively on account of reversal of liabilities against assets installed/ commissioned in earlier years.
7. Additions due to merger represents carrying value of fixed assets of erstwhile 'India Steamship Company Limited' now merged with the company wef 1st September, 2004.
8. Adjustment in gross block and accumulated depreciation includes deletions on account of sale of interests in joint ventures amounting to Rs. 1748.46 lacs and Rs. 416.73 lacs respectively.

Particulars	(Rs. in Lacs)	
	As at March 31, 2005	As at March 31, 2004
SCHEDULE 6 : INVESTMENTS		
Long Term Investments (at cost) :		
Other Than Trade, Unquoted :		
- 6 Year National Savings Certificates VIII Issue (Lodged With Govt. Authorities.)	0.08	0.05
- 6 Year National Savings Certificates (Lodged with Govt. Authorities.)	0.30	-
- Indira Vikas Patra	0.20	0.20
- 15.50 (Previous Year 31), 14.75% Kerala State Electricity Board Bonds of Rs. 1,00,000 each fully paid	15.50	31.00
- 16 (Previous Year–Nil), 9.70% National Trading Corporation Limited Bonds of Rs. 1,00,000 Each Fully Paid	18.89	-
- 12.35% NHB Bonds, 2009 (Eleventh Series)	-	25.00
- 5% Non Convertible Debentures of Woodlands Hospital and Medical Research Centre Ltd	0.22	9.31
- 8% Non Convertible Debentures of Indian Chamber of Commerce	0.01	25.71
- 11.5%, 4500 Government of India Bond, 2008 of Rs. 100 Each	-	5.66
- 7.4%, 8500 Government of India Bond, 2012 of Rs. 100 Each	-	9.78
- 6.05%, 7000 Government of India Bond, 2019 of Rs. 100 Each	-	7.30
- 5.87%, 3000 Government of India Bond, 2022 of Rs. 100 Each	-	1.50
Other Than Trade, Quoted :		
- Nil (Previous Year 515000) Equity Shares of Industrial Development Bank of India of Rs.10 Each Fully Paid	-	412.16
- 5.5% Government of India Loan 2000	0.04	-
Trade, Unquoted :		
Investments In Associates		
- 1,87,22,886 (Previous Year 2,11,50,000) Equity Shares of Zuari Investments Ltd. * of Rs. 10 each fully paid up (Including Goodwill Aggregating to Rs. 146.86 Lacs)	1872.29	2115.00
- Nil (Previous Year 2,88,50,000) 10% Non-cumulative Non-convertible Redeemable * Preference Shares of Zuari Investments Ltd. of Rs 10 each fully paid up	-	2885.00
Add: Share in opening Accumulated Profits	112.69	85.33
Add: Share in Profits for the Current Year	35.70	27.36
	<u>2020.68</u>	<u>5112.69</u>
- 15,22,846 (Previous Year 10) Ordinary Shares in Chambal Biotech Pvt Ltd of S\$ 1 Each (Fully Paid Up)	-	0.01
- Nil (Previous Year 52,81,019) Preference Shares In Chambal Biotech Pvt Ltd of S\$ 1 Each (Fully Paid Up)	-	1647.63
Less: Share in Opening Accumulated Losses	-	-
Less: Share in Losses for the current year (Refer Note No. 1(ii) of Schedule 22)	-	(143.01)
	<u>-</u>	<u>1504.63</u>
Current Investments :		
- 57771.40 Units Of IL & FS Income Fund Bonus Plan (Net Asset Value Rs. 6.04 Lacs)	-	6.00
TOTAL	<u>2055.92</u>	<u>7150.99</u>
Less : Diminution in the Value of Non Trade Quoted Investments	-	112.91
TOTAL	<u>2055.92</u>	<u>7038.08</u>
Book Value of Unquoted Investments	<u>2055.88</u>	<u>6738.83</u>
Book Value of quoted Investments (Net of Provision)	0.04	299.25
Market Value of quoted Investments	0.04	299.25

*(Refer Note No. 8 of Schedule 22)



Particulars	(Rs. in Lacs)	
	As at March 31, 2005	As at March 31, 2004
SCHEDULE 7 : INVENTORIES		
Stores & Spares	7963.70	6983.69
Catalyst In use	120.78	137.91
Naphtha	4337.19	4312.32
Other raw materials	935.21	887.71
Loose tools	14.30	16.88
Packing materials	278.45	218.98
Waste	1.53	8.51
Work-in-process	2408.73	2267.80
Software jobs in process	48.98	46.89
Finished goods	14232.87	8223.99
Traded products	3668.35	1523.07
	<u>34010.09</u>	<u>24627.75</u>
SCHEDULE 8 : SUNDRY DEBTORS (UNSECURED, CONSIDERED GOOD EXCEPT TO THE EXTENT STATED)		
Debts outstanding for a period exceeding six months :	20079.52	6394.76
(Including Subsidy Receivable from Government of India Rs. 17156.72 lacs Previous year Rs. 5626.35 lacs) (Considered Doubtful Rs. 526.83 lacs Previous year Rs. 205.38 lacs)		
Other Debts :	<u>41797.19</u>	<u>47110.50</u>
(Including Subsidy Receivable from Government of India Rs. 22273.98 lacs Previous year Rs. 26356.79 lacs)	61876.71	53505.26
Less: Provision for doubtful debts	<u>(526.83)</u>	<u>(205.38)</u>
	<u>61349.88</u>	<u>53299.88</u>
SCHEDULE 9 : HOUSING LOANS (SECURED)		
Individuals	-	19610.45
Projects	-	140.89
	-	19751.34
Less: Provisions	-	(148.17)
	-	<u>19603.17</u>
SCHEDULE 10 : CASH AND BANK BALANCES		
Cash in hand	12.43	13.48
Remittance in transit	16.00	96.02
Balances with Banks :		
In Current Accounts	1236.06	2822.34
In Cash Credit Accounts	19.55	786.82
In Saving Accounts	0.02	0.02
In Deposit Accounts (Receipts worth Rs. 440.71 lacs, Previous year Rs. 721.56 lacs, pledged with Banks and others).	3119.91	864.51
	<u>4375.54</u>	<u>4473.69</u>
	<u>4403.97</u>	<u>4583.19</u>

Particulars	(Rs. in Lacs)	
	As at March 31, 2005	As at March 31, 2004
SCHEDULE 11 : OTHER CURRENT ASSETS		
Interest receivable on loans and deposits	43.64	94.35
Export benefits receivable	33.01	88.50
Insurance claims receivable	856.28	-
Machinery held for disposal	26.69	26.69
Acquired Properties	-	8.93
	<u>959.62</u>	<u>218.47</u>
SCHEDULE 12 : LOANS AND ADVANCES (Considered Good Except to the Extent Stated)		
Secured		
Loan instalments due from Customers	-	68.09
(Considered Doubtful current year Rs. Nil, Previous year Rs.1.55 Lacs)		
Loans Against Fixed Deposits	-	6.48
Unsecured		
Advances Recoverable in cash or In Kind or for value to be received	2660.73	3061.36
(Considered Doubtful Rs. 31.60 lacs, Previous year Rs. 24.87 lacs)		
Share application money	-	338.04
Advance Income Tax payments and income tax deducted at Source/Refund Receivable (Net of tax provision)	667.55	1151.10
Balances with Statutory Authorities	1151.04	1560.82
Loans to Employees	1024.30	1116.96
Deposits- Others	1067.73	684.09
(Considered Doubtful Rs. 14.12 lacs, Previous year Rs. 14.12 lacs)		
Short Term Deposits with bodies corporate	2780.00	6112.50
(Considered Doubtful Nil previous year Rs. 400 lacs)		
	<u>9351.35</u>	<u>14099.44</u>
Less: Provision for doubtful deposits & advances	<u>(45.72)</u>	<u>(440.54)</u>
	<u>9305.63</u>	<u>13658.90</u>
SCHEDULE 13 : CURRENT LIABILITIES		
Sundry creditors		
For Goods Works & Expenses	34564.13	23429.47
For Others	<u>624.11</u>	<u>508.69</u>
	35188.24	23938.16
Book Overdraft	-	8.70
Advances From Customers	1257.87	636.06
Earnest Money / Security Deposits	2503.90	2104.44
Interest accrued but not due	946.45	1049.27
Amount Payable to NHB-SPV	-	342.20
Unclaimed Statutory Liabilities		
(As Referred In Sec. 205 C of The Companies Act 1956)		
Unclaimed matured deposit (including interest)	49.32	55.64
Unclaimed interest on debentures	56.63	69.55
Unclaimed matured debentures	102.19	105.79
Unclaimed dividend	578.56	818.23
	<u>786.70</u>	<u>587.25</u>
	<u>40683.16</u>	<u>28897.06</u>



(Rs. in Lacs)		
Particulars	As at March 31, 2005	As at March 31, 2004
SCHEDULE 14 : PROVISIONS		
Income Tax	2645.85	578.80
Wealth Tax	8.00	6.00
Employee benefits	1122.51	881.36
Proposed dividend on preference shares	30.00	-
Proposed Dividend on equity shares	7491.74	6496.00
Tax on Proposed Dividend	1054.92	832.30
Others	-	48.50
	<u>12353.02</u>	<u>8842.96</u>
SCHEDULE 15 : MISCELLANEOUS EXPENDITURE		
Deferred revenue expenditure		
Restructuring charges on loans	832.28	1090.11
Preliminary expenses	1.70	2.56
Other deferred revenue expenses	2.97	4.49
Amalgamation adjustment account*	113.29	-
	<u>950.24</u>	<u>1097.16</u>

*Refer Note No. 8 of schedule No. 22

SCHEDULES ANNEXED TO AND FORMING PART OF CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED MARCH 31, 2005

(Rs. in Lacs)		
Particulars	Year Ended March 31, 2005	Year Ended March 31, 2004
SCHEDULE 16 : OTHER INCOME		
Interest		
- Long Term Investments	8.45	11.80
- Deposit & Others	1079.07	1379.46
Dividend Income		
- Long term investments	-	16.46
- Current investments (Non trade)	41.05	92.73
Rent received	38.13	33.68
Foreign exchange variation (Net)	543.26	-
Insurance claims	963.38	400.42
Provision for doubtful advances written back	280.00	-
Excess provision written back others	39.04	316.33
Surplus on disposal of investments	-	-
- Long term investments (Non trade)	-	242.11
(Net of provisions created in earlier years)		
- Current investments (Non trade)	136.02	11.82
Commission income	7.94	49.33
Miscellaneous income	1927.56	1667.04
	<u>5063.90</u>	<u>4221.18</u>

Particulars	(Rs. in Lacs)	
	Year Ended March 31, 2005	Year Ended March 31, 2004
SCHEDULE 17 : (INCREASE) / DECREASE IN STOCKS		
Traded Products		
Closing stock	3668.35	1523.07
Less : Opening stock	<u>1523.07</u>	<u>3130.58</u>
Finished Goods		1607.51
Closing stock	14232.90	8223.99
Less : Opening stock*	<u>9551.31</u>	<u>7331.85</u>
Software jobs in process		
Closing stock	48.98	46.89
Less : Opening stock	<u>46.89</u>	<u>51.19</u>
Waste		
Closing stock	1.53	8.51
Less : Opening stock	<u>8.51</u>	<u>7.64</u>
Work-in-process		(0.87)
Closing stock	2408.73	2267.80
Less : Opening stock**	<u>1981.67</u>	<u>2389.64</u>
Difference of excise duty on finished goods stock		121.84
	<u>17.22</u>	<u>(1.10)</u>
	<u>(7231.82)</u>	<u>839.54</u>

* Including stock adjustment (Net) amounting to Rs. 1327.32 lacs on acquisition/disposal of subsidiary/joint venture during the year.

**After stock adjustment (Net) amounting to Rs. 286.13 lacs on acquisition/disposal of subsidiary/joint venture during the year.

SCHEDULE 18 : MANUFACTURING & OTHER EXPENSES

Raw material consumed	96843.42	71141.70
Consumption of packing material	5448.63	4193.25
Power & fuel	78510.64	56474.59
Consumption of stores and spares	2417.56	1906.57
Catalyst charge written off	162.52	262.14
Repairs & maintenance :		
Buildings	185.73	119.14
Plant & machinery	1281.39	657.06
Others	<u>314.00</u>	<u>141.12</u>
	1781.12	917.32
Bagging and other services	502.76	302.31
Farm wages / contract farming charges	398.40	131.13
Sub contractor cost	2316.86	2094.19
Payments to and provisions for employees :		
Salaries , wages and other allowances	8612.37	8842.71
Contribution to provident and other funds	1101.44	862.45
Medical & staff welfare expenses	527.48	656.54
Contribution to gratuity	<u>110.37</u>	<u>155.39</u>
	10351.66	10517.09
Ships bunker cost	1484.36	-
Ships port dues	484.67	-
Ships special survey expenses	<u>1869.37</u>	-
	3838.40	-
Rent	1700.30	1615.17
Rates and taxes	114.62	81.40
Insurance	1926.01	2126.86
Directors' fees	53.18	3.68
Agronomy management fee	233.74	-
Equipment hire charges	411.91	406.58
Outward freight and handling	14925.24	15517.30
Cash rebate to customers	493.51	544.44



Particulars	(Rs. in Lacs)	
	Year Ended March 31, 2005	Year Ended March 31, 2004
Selling commission	430.50	86.75
Depletion of loose tools	14.22	13.16
Green belt development/horticulture expenses	301.71	292.20
Provision for doubtful advances/debts	58.01	168.06
Loss on fixed assets sold/ discarded (net)	106.51	544.29
Debit balances written off	259.28	71.31
Less adjusted against provision made	(120.00)	-
	<u>139.28</u>	<u>71.31</u>
New project expenses written off	40.46	292.77
Inventory written off	59.83	338.16
Training & market development expenses written off	103.90	-
Preliminary expenses written off	35.62	1.75
Other deferred revenue expenses written off	3.54	3.08
Loss/ provision for loss on securitised housing loans	-	66.33
Miscellaneous expenses	6384.13	5,101.90
	<u>230108.19</u>	<u>175215.48</u>
SCHEDULE 19 : OPERATING FINANCIAL EXPENSES		
Interest :		
On Term Loans	730.98	1074.27
On Debentures	-	-
Others	0.31	0.52
	<u>731.29</u>	<u>1074.79</u>
Bank Charges & Guarantee Commission	24.97	18.60
Other Financial Charges	14.23	7.29
	<u>770.49</u>	<u>1100.68</u>
SCHEDULE 20 : OTHER FINANCIAL EXPENSES		
Interest :		
On Term Loans	6966.12	10729.31
On Debentures	1310.76	1199.32
Others	1293.56	743.19
	<u>9570.44</u>	<u>12671.82</u>
Discounting charges of commercial paper	-	32.85
Bank charges & guarantee commission	1122.23	1389.83
Foreign exchange variation (Net)	-	1244.65
Restructuring fees on loans written off	421.44	270.18
Other financial charges	399.30	151.80
	<u>11513.41</u>	<u>15761.13</u>
SCHEDULE 21 : EXCEPTIONAL ITEMS		
Profit on sale of long term investments in :		
Chambal Agritech Limited	677.13	-
BHW Birla Home Finance Limited	4282.71	-
Gain on prepayment of deferred sales tax liability	1206.33	-
	<u>6166.17</u>	<u>-</u>

SCHEDULE 22 : CONSOLIDATED NOTES ON ACCOUNTS

A. Statement of Significant Accounting Policies

1. BASIS OF PREPARATION

The Consolidated Financial Statements (CFS) relates to Chambal Fertilisers and Chemicals Limited (hereinafter referred as the "Company") and its Subsidiaries, Joint Ventures and Associates (hereinafter referred as the "Group").

The accounts are prepared on historical cost basis and in accordance with the applicable accounting standards. The Group follows the mercantile system of accounting and recognizes income and expenditure on accrual basis.

2. PRINCIPLES OF CONSOLIDATION

The Consolidated Financial Statements are prepared in accordance with the applicable Accounting Standards on the following basis.

- (i) Subsidiary companies are consolidated on a line-by-line basis by adding together the book values of the like items of assets, liabilities, income and expenses, after eliminating all significant intra-group balances and intra-group transactions and also unrealised profits or losses, except where cost cannot be recovered.
- (ii) Interests in the assets, liabilities, income and expenses of the Joint Ventures are consolidated using proportionate consolidation method. Intra group balances, transactions and unrealised profits/losses are eliminated to the extent of Company's proportionate share.
- (iii) The excess of the cost to the Company of its investment in Subsidiaries and Joint Ventures over its proportionate share in the equity of the investee company as at the date of acquisition of stake is recognized in the financial statements as Goodwill. In case the cost of investment in a subsidiary or joint venture is less than the proportionate share in the equity of the investee as at the date of investment, the difference is treated as Capital Reserve.
- (iv) Minorities' interest in net profit of consolidated subsidiaries for the year is identified and adjusted against the income in order to arrive at the net income attributable to the shareholders of the Company. Minorities' share of net assets is identified and presented in the Consolidated Balance Sheet separately. Where accumulated losses attributable to the minorities are in excess of their equity, in the absence of the contractual obligation on the minorities, the same is accounted for by the holding company.
- (v) Investments in Associates are accounted for using the equity method. The excess/deficit of cost of investment over the proportionate share in equity of the Associate as at the date of acquisition of stake is identified as Goodwill/ Capital Reserve and included in the carrying value of the Investment in Associate and disclosed separately. The carrying amount of the investment is adjusted thereafter for the post acquisition change in the share of net assets of the Associate.
- (vi) As far as possible, the Consolidated Financial Statements are prepared using uniform accounting policies for like transactions and other events in similar circumstances and are presented to the extent possible, in the same manner as the Company's separate financial statements. Differences in accounting policies have been disclosed separately.
- (vii) The accounts of all the Group Companies are drawn upto the same reporting date as the parent entity (i.e. Financial Year ended 31st March 2005) except for an overseas joint venture, in which case the accounts drawn up as at 31st December, 2004 have been used. No adjustments have been done for the period subsequent to that date, since there are no significant transactions.

3. FIXED ASSETS AND INTANGIBLES

- (i) Fixed Assets are stated at historical cost less accumulated depreciation and impairment, if any. The cost of an asset comprises the purchase price and any directly attributable costs of bringing the asset to working condition for its intended use.
- (ii) In respect of a joint venture of the Company, Intangible assets consisting of Patents, Rights and Trademarks etc. comprise the cost of consideration paid for acquisition of these assets from an outside party.
- (iii) Intangibles include TECHNITUBER ® technology and Trademarks in respect of an overseas subsidiary.
- (iv) 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 recognised whenever the carrying amount of an asset exceeds its recoverable amount. The recoverable amount is the greater of the assets 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.

4. GOODWILL

Goodwill represents the difference between the Group's share in the net worth of the investee company and the cost of acquisition at each point of time of making the investment. For this purpose, the Group's share of equity in the investee company is determined on the basis of the latest financial statements of that Company available as of date of acquisition, after making necessary adjustments for material events between the date of such financial statements and the date of respective acquisition.

5. DEPRECIATION

(i) In respect of Indian companies comprised within the Group, Depreciation is provided on fixed assets on the straight line method over the useful lives envisaged by the Management, which are equivalent to the rates prescribed in Schedule XIV to the Companies Act, 1956, except as mentioned below:

a. Second hand fixed assets at Textile division	On technically assessed remaining useful life of such assets of 3 years, 5 years or 7 years.
b. Leasehold Land / Improvements	Amortized over a period of respective leases or useful lives of the assets, whichever is lower
c. Increase / Decrease in value of fixed assets due to foreign exchange fluctuation.	Over the remaining lives of the assets.
d. Insurance Spares / Stand-by Equipments	Over the remaining lives of mother assets.
e. Capital expenditure not represented by assets.	Written off over five years from the date of capitalization.
f. Plant and Machinery used in field operations	Over its estimated useful life of five years based on technical evaluation
g. Ships of Shipping Division	On technical evaluation of remaining useful life for each ship.
h. Fixed assets other than ships of Shipping Division	On the written down value method at the rates prescribed in Schedule XIV to the Companies Act, 1956

(ii) In case of a Joint Venture of the Company, intangible assets are being written off over a period of 6 years based on technical assessment.

(iii) In case of Foreign Companies, comprised within the Group, depreciation has been provided on a straight line basis at the rates required/permissible as per their local laws so as to write off the assets over their estimated useful lives, which range from 3 to 20 years (13.46% of total Fixed Assets).

(iv) In case of an overseas subsidiary, intangible assets consisting of TECHNITUBER® technology and trade marks are being amortised on a straight-line basis over the period during which benefits are expected to be received, which is taken to be 10 years. Where the economic benefits are no longer expected to be received, the asset is written down to its Net Realisable Value.

6. NEW PROJECT EXPENSES PENDING ALLOCATION

Expenditure incurred on new projects is carried forward under Capital Work in Progress and allocated to Fixed Assets on the commencement of commercial production of the relevant projects.

7. LEASES

Finance leases, which effectively transfer to the Company substantially all the risks and benefits incidental to the ownership of the leased item, are capitalized at the lower of the fair value and present value of the minimum lease payments at the inception of the lease term and are disclosed as leased assets. Lease payments are apportioned between the finance charges and reduction of the lease liability, based on the implicit rate of return. Finance charges are charged directly against income.

Leases where the Lessor retains substantially all the risks and benefits of the ownership of the leased item are classified as operating lease. Operating lease payments are recognised as an expense on a straight line basis over the lease term.

8. INVESTMENTS

Investments that are readily realisable 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 an individual investment basis. Long-term investments are carried at cost. However, provision for diminution in the value is made to recognise a decline other than temporary in the value of the investments.

9. INVENTORIES

- (i) Inventories, except to the extent attributable to a foreign joint venture and a foreign subsidiary of the Company (as stated below), are valued as follows:

Raw Materials including Fibre	At cost or Net Realisable Value, whichever is lower. Cost is computed using the yearly weighted average method.
Stores and Spares, Packing Materials and Naptha	At cost or Net Realisable Value, whichever is lower. Cost is computed using the monthly weighted average method except in case of textile division where it is computed using moving weighted average method and Food processing division & shipping division where it is computed using FIFO method.
Loose Tools	At depreciated cost arrived at on the basis of amortisation over a period of three years.
Work-in-Process	At cost or net realizable value whichever is lower. Cost for this purpose includes direct costs and an appropriate portion of overheads.
Catalyst in use	At depreciated cost on the basis of amortisation over their estimated useful lives as technically assessed.
Finished Goods and Traded Products	At cost or net realizable value, whichever is lower. Cost of own manufactured goods for this purpose includes direct costs and an appropriate portion of overheads. In case of fertilizer division realizable value of own manufactured goods is the concession price and equated freight (wherever applicable) as determined as per the norms of the Fertilisers Industry Coordination Committee
Software Jobs-in-process	At direct cost determined for each stage of completion
Waste	At Net Realisable Value
Deck, Engine stores & spares, and victualling of Shipping Division	At cost on FIFO basis.
Stock of standing spares of Shipping Division	At net value arrived at on the basis of proportionate amortization over the remaining useful lives of such ships.
Bunkers remaining on Board in case of Shipping Division	At weighted average cost.

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

- (ii) In case of a foreign Joint venture of the Company, inventories are valued as under-
- (a) Raw materials are valued at Cost determined using the weighted average method (29% of total Other Raw material inventory)
 - (b) Stores & Spares are valued at annual weighted average cost. Additionally, the Joint Venture provides for inventory obsolescence based on a fixed percentage of the cost, depending on the time period for which the item has remained non moving. (11.79% of total Stores & Spares Inventory).
 - (c) Finished Goods and Work in Progress are valued at cost or net realisable value, which ever is lower. Cost for this purpose includes direct cost and an appropriate portion of overheads.
- (iii) In case of a foreign subsidiary of the Company, inventories are valued as under-
- a) Raw materials are valued at Cost or Net Realisable Value whichever is lower. Cost is determined using the FIFO method.
 - b) Stores & Spares are valued at Cost or Net Realisable Value whichever is lower. Cost is determined using the FIFO method (0.12% of the total store and Spares inventory).
 - c) Finished Goods and Work in Progress are valued at cost or net realisable value, whichever is lower. Cost for this purpose includes direct cost and an appropriate portion of overheads.

10. BORROWING COSTS

Borrowing costs are recognized as expenses in the period in which they are incurred except for borrowings for acquisition of qualifying assets which are capitalised upto the date, the asset is ready for its intended use.

11. REVENUE RECOGNITION

- (i) Revenue in respect of sale of products including subsidy is recognized upon passage of title to the customer, which generally coincides with the delivery.

Subsidy on Urea is recognized based on provisional rate of Group Concession as notified under the New Pricing Scheme, further adjusted for equated freight claims and escalation/de-escalation on inputs as estimated by the management based on the norms prescribed.

- (ii) Revenue from software development and business process outsourcing services is recognised on rendering of such services on accrual basis in terms of the contracts with the customers. In case of fixed price contracts, anticipated losses are recognized when they become known.

- (iii) Shipping Division

In respect of voyage charter, revenue is recognized on proportionate number of days of respective voyage. In case of time charter (including cost plus charter), revenue is recognized on time basis. Dispatch money / demurrage are considered as part of freight.

- (iv) In respect of a joint venture engaged in Housing Finance activities (disposed off during the year), revenue is recognized as under-

- a. Repayment of housing loans is by way of Equated Monthly Installments (EMIs) comprising principal and interest. For Housing loans sanctioned on Annual Rest Basis (ARB), interest is calculated each year on the outstanding balance of the loans at the beginning of each year. For housing loans sanctioned on Monthly Rest Basis (MRB) and loans given to staff, interest is calculated on monthly reducing balance of loans. EMIs commence once the entire loan is disbursed. Pending commencement of EMIs, Pre-EMI interest is payable every month.

- b. Processing fee received in respect of a housing loan is accounted for in the year in which the loan is sanctioned. Processing Fee received in respect of an Easy Home Loan Deposit (EHLDD) Contract (Saving Phase) is accounted for in the year in which the loan is sanctioned. Processing Fee received in respect of an EHLDD Contract (Loan Phase) is accounted for in the year in which the loan is disbursed to the depositor.

- c. Income from Non-Performing Assets (NPA) is recognized in accordance with the guidelines on the prudential norms of National Housing Bank (NHB). Provisions for NPA are made in accordance with such guidelines.

- (v) Interest Income is recognized on a time proportion basis taking into account the amount outstanding and the rate applicable.

12. MISCELLANEOUS EXPENDITURE

- (i) Charges paid to extinguish / restructure high cost debts are written off over the tenure of fresh loans taken for refinancing such high cost debts or over the revised repayment tenure (as the case may be).

- (ii) Amalgamation Adjustment account is created on account of statutory reserves acquired at the time of amalgamation accounted for under Purchase Method, to be reversed on utilization/transfer of such reserves.

- (iii) In respect of one of the step subsidiaries of the Company, preliminary expenses are being amortised over a period of five years from the date of commencement of commercial production.

- (iv) In respect of one of the step subsidiaries of the Company, Deferred Revenue Expenditure incurred during project construction period is being amortised over a period of five years from the date of commencement of commercial production.

13. FOREIGN CURRENCY TRANSACTIONS/TRANSLATIONS

- (i) 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.

- (ii) Conversion

At the year end, monetary items denominated in foreign currencies are converted into rupee equivalents at the year end exchange rates.

- (iii) Exchange Differences

All exchange differences arising on settlement / restatement of foreign currency transactions are included in the Profit & Loss Account, except in cases where they relate to the acquisition of fixed assets from outside India, in which case they are adjusted in the cost of the corresponding assets.

- (iv) Forward Exchange Contracts

In respect of transactions covered by forward exchange contracts, the difference between the forward rate and the exchange rate at the date of the transaction is recognised as income or expense over the life of the contract, except where it relates to acquisition of fixed assets from outside India, in which case it is adjusted in the cost of the corresponding

asset. Exchange difference on such contracts is recognized in the statement of profit and loss in the year in which the exchange rate changes. Any Profit or Loss arising on cancellation or renewal of forward exchange contracts is recognized as income or expense for the year.

(v) Options

Foreign Currency Options are accounted for in line with terms of contract and necessary provision for anticipated losses in respect of open options is made. Gain on such options is recognized on actual realization.

(vi) Foreign Currency Translations

The financial statement of foreign subsidiaries and joint ventures are translated into Indian rupees as follows :-

- All assets and liabilities are translated at the year end rate except for Shareholders' Fund, which is converted at historical rate.
- Revenue items, except for opening and closing inventories, are translated at average of daily rates for the period.
- Opening and closing inventories are translated at the rates prevalent at the commencement and close of the accounting period respectively.

The gains or losses resulting from such translation are reported as a separate component of Reserve and Surplus under the head Foreign Currency Translation Reserve.

14. RETIREMENT BENEFITS

- (i) Retirement Benefits in the form of Provident Fund/Pension Schemes are charged to the Profit & Loss Account of the year when the contributions to the respective funds are due.
- (ii) Liability in respect of Superannuation Fund to the employees of fertilizer division is accounted for as per the Company's Scheme and contributed to Life Insurance Corporation of India every year. The Company does not have any other obligation to the Fund other than the contribution payable to LIC.
- (iii) The Company has taken a policy with Life Insurance Corporation of India (LIC) to cover the gratuity liability of the employees and premium paid to the LIC is charged to Profit & Loss Account. The difference between the actuarial valuation of the gratuity of employees at the year-end and the balance of fund with LIC is provided for as liability in the books.
- (iv) In case of Shipping division, additional liability of gratuity in view of agreements, wherever applicable, is appropriately provided for in the accounts.
- (v) In respect of Indian entities comprised within the Group, provision for leave encashment is accrued and provided for on the basis of an actuarial valuation made at the end of each financial year.
- (vi) In respect of overseas group companies, contribution made towards retirement/ employee benefits, in accordance with the relevant applicable local laws, are charged to Profit and Loss Account.

15. TAXATION

Tax expense (tax saving) is the aggregate of current year tax and deferred tax charged (or credited) to the Profit and Loss Account for the year.

- (i) Current tax is the provision made for income tax liability on the profits for the year in accordance with the applicable Tax laws in respective countries.
- (ii) Deferred tax is recognised, on timing differences, being the differences resulting from the recognition of items in the financial statements and in estimating its current income tax provision.
- (iii) Deferred tax assets are recognised on brought forward business losses and unabsorbed depreciation only to the extent that there is virtual certainty supported by convincing evidence and on others, to the extent that there is reasonable certainty of their realization.
- (iv) Deferred tax assets and liabilities are measured using the tax rates and the tax laws that have been enacted or substantially enacted at the balance sheet date.

16. SEGMENT REPORTING POLICIES

(i) Identification of Segments:

The Company's and Group's operating businesses are organized and managed separately according to the nature of products manufactured and services provided, with each segment representing a strategic business unit that offers different products and serves different markets. The analysis of geographical segments is based on the locations of customers.

(ii) Inter-segment Transfer:

The Company accounts for inter-segment sales and transfers as if the sales or transfers were to third parties at current market prices.

(iii) Allocated Common Costs

Common allocable costs are allocated to each segment in proportion to the relative sales of each segment.

(iv) Unallocated items:

All the common income, expenses, assets and liabilities which are not possible to be allocated to different segments, are treated as unallocated items.

17. EARNING PER SHARE

(i) Basic earning per share is calculated by dividing the net profit or loss for the period attributable to equity shareholders (after deducting preference dividends and attributable taxes) by the weighted average number of the equity shares outstanding during the period.

(ii) For the purpose of calculating diluted earning per share, 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 effect of all dilutive potential equity shares.

18. PROVISIONS

A provision is recognized when an enterprise has a present obligation as a result of past event and 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 their present value and are determined based on best management estimate required to settle the obligation at the balance sheet date. These are reviewed at each balance sheet date and are adjusted to reflect the current best management estimates.

B NOTES ON ACCOUNTS

1. The Chambal Group comprises of the following entities :-

Name of the Group Company	Country of Incorporation	% of Ownership as at 31.03.05	% of Ownership as at 31.03.04
a) Subsidiaries			
NovaSoft Information Technology Corporation (Including its Subsidiaries) [Refer note (i) below]	USA	99.81%	92.11%
Chambal Biotech Private Limited (Including its Subsidiaries) [(Refer note (ii) below)]	Singapore	99.99%	NA
ISG Novasoft Technologies Ltd.	India	100%	NA
b) Step-down Subsidiaries			
NovaSoft Information Technology (Europe) Ltd.	UK	99.81%	92.11%
Asia NovaSoft Technologies Private Ltd	Singapore	99.81%	92.11%
NovaSoft Information Technology Corporation, GMBH	Germany	99.81%	92.11%
Technico Pty. Limited [Refer note (iii) below]	Australia	51%	NA
Chambal Agritech Limited [Refer note (iv) below]	India	51%	NA
Technico Asia Holdings Pty. Limited	Australia	51%	NA
Technico Horticultural (Kunming) Co. Limited	China	51%	NA
Technico Group America Inc.	USA	51%	NA
Technico ISC Pty. Limited	Australia	51%	NA
Technico Technologies Inc.	Canada	51%	NA
c) Joint Ventures			
Indo Maroc Phosphore S.A. [Refer Note (v) below]	Morocco	50%	50%
BHW Birla Home Finance Ltd. [Refer Note (vi) below]	India	50%	50%
Chambal Agritech Ltd. [Refer Note (iv) below]	India	50%	50%
d) Associates			
Zuari Investments Ltd.	India	50%	50%
Chambal Biotech Private Ltd. [Refer Note (ii) below]	Singapore	50%	50%

- (i) During the year the Company has acquired additional shares of common stock from the existing shareholders and has also subscribed to fresh issue of shares of common stock made by Novasoft Information Technology Corporation, USA. As a result of aforesaid transactions, the Company's holding in Novasoft as at 31st March, 2005 has increased to approximately 99.81% of the shares of common stock from 92.11% as at 31st March, 2004.
- (ii) During the year, the Convertible Preference Shares held by the Company got converted into Ordinary Shares, resulting in Chambal Biotech Private Limited (CBPL), Singapore becoming a subsidiary of the Company w.e.f 1st October, 2004. The Company has also subscribed to fresh issue of Ordinary Shares made by CBPL. As a result of aforesaid conversion and acquisition, the Company's holding in CBPL as at 31st March, 2005 has increased to approximately 99.99% of the Ordinary Shares. Accordingly, the accompanying financial statements include a line by line item consolidation of consolidated financial statements of CBPL from 1st October, 2004 to 31st March, 2005. The group's share of losses for the six months period ended 30th September, 2004 has been accounted for using the Equity Method of accounting.
- (iii) On 17th March, 2003, CBPL had entered into a series of agreements with Technico Pty Ltd and its shareholders resulting in Technico Pty Ltd becoming a 51% subsidiary of CBPL effective that date. The agreements also provided for transfer of the Company's 50% shareholding in Chambal Agritech Limited (A joint venture between the Company & Technico Pty Ltd) to Technico for an agreed consideration of 4 Million Australian Dollars. Consequent to conversion of the preference shares held by the Company in CBPL on 30th September, 2004, Technico Pty Ltd has also become a step subsidiary of the Company effective from that date. Accordingly, the accompanying financial statements include a line by line consolidation of the Consolidated Financial Statements of Technico Pty Ltd from 1st October, 2004 to 31st March, 2005. The group's share of losses for the six months period ended 30th September, 2004 has been accounted for using the Equity Method of accounting.
- Subsequent to 31st March, 2005, CBPL has bought additional shares of common stock of Technico Pty Limited from its existing shareholders for a consideration of 5.69 Million Australian Dollars. Consequently, CBPL now holds 78% of shares in Technico Pty Limited.
- (iv) Consequent to transfer of the Company's 50% shareholding in Chambal Agritech Ltd. (CAL) to Technico Pty Ltd on 12th May, 2004 as mentioned in note (iii) above, CAL has ceased to be a Joint Venture of the Company effective that date. The said divestment resulted in a profit of Rs. 677.13 lacs, which has been credited to Profit and Loss Account as an exceptional item. The group's share of revenues and expenses for the period upto 12th May, 2004 has been accounted for using Proportionate Consolidation Method.
- (v) Subsequent to 31st March, 2005, the Company has entered into an agreement for divestment of one third of its shareholding in IMACID to Tata Chemicals Ltd at an agreed consideration of Rs. 8300 lacs.
- (vi) As a result of sale of entire stake of 50% held by the Company in BHW Birla Home Finance Limited (BBHFL) on 1st November, 2004, BBHFL has ceased to be a Joint Venture of the Company effective that date. The said divestment resulted in a profit of Rs. 4282.71 lacs which has been credited to profit and loss account as an exceptional item. The group's share of revenues and expenses for the period upto 31st October, 2004 has been accounted for using Proportionate Consolidation Method.
- (vii) In the absence of availability of audited financials, profit arising on sale of investments in Chambal Agritech Ltd. and BHW Birla Home Finance Ltd. has been computed based on management approved unaudited financials prepared as of and upto the date of disinvestment of stake by Chambal Fertilisers and Chemicals Limited.

2. Contingent liabilities (not provided for) in respect of:

(Rs. in Lacs)

Sl. No.	Brief Nature of Liability	As at March 31, 2005	As at March 31, 2004
a)	Outstanding Bank Guarantees	692.38	302.33
b)	Export bills negotiated under Irrevocable Letters of Credit	87.59	291.61
c)	Outstanding amount against Counter Guarantees given to Banks / Financial Institutions on account of Loans given by the said Banks / Financial Institutions to Bodies Corporate.	-	8832.21
d)	Show cause/demand/notices by Customs, Sales Tax and Income Tax authorities being disputed by the Company	569.96*	950.75
e)	Differential amount of custom duty in respect of machinery imported under EPCG Scheme including interest thereon.	1408.86	1270.40
f)	Various labour cases	Amount not ascertainable	Amount not ascertainable
g)	Other claims against the Company not acknowledged as debts.	304.03**	338.70



(Rs. in Lacs)

Sl. No.	Brief Nature of Liability	As at March 31, 2005	As at March 31, 2004
h)	Claim against Nihat Shipping Company Limited in legal suits / notices, in which the Company has been made a party, is being contested, since the Company acted as Agents / Technical & Operational managers.	232.04	NA
i)	Share in Contingent Liabilities of an Associate	-	2078.63
*Brief description of Contingent Liabilities as per (d) above			
1	INCOME - TAX :		
	- Interest on TDS Refund & Interest under Section 234 C	25.29	43.45
2	SALES - TAX :		
	- RST- Purchase of packing bags for Seeding Programme	-	329.42
	- RST- Use of Natural Gas for Ammonia Fuel, Power & Steam Generation	352.34	352.34
	- CST Intt. Demand - Purchases of packing bags for Seeding Programme	164.06	164.06
	- Misc. RST & CST demand	28.27	41.93
3	Petty Excise duty cases	-	5.00
4	Various Custom duty cases	-	14.55
	Total	<u>569.96</u>	<u>950.75</u>
** Brief description of Contingent Liabilities as per (g) above			
1	Undercharges raised by the Railways on account of short supply of Wagons	17.24	53.21
2	Maintenance charges claim raised by Railways for two loop lines at Bhonra Station	81.66	81.66
3	Arrear of water charges raised by Irrigation Department towards water drawn from Kalisindh river during the period 1993-97	198.85	198.85
4	Other Miscellaneous claims	6.28	4.98
	Total	<u>304.03</u>	<u>338.70</u>

Based on the favourable decisions in similar cases, legal opinion taken by the company, discussion with the solicitors, etc., the Company believes that there is fair chance of decisions in its favour in respect of all the items listed in (d), (g) and (h) above and hence no provision is considered necessary against the same.

	2004-05	(Rs. in Lacs) 2003-04
3. Estimated amount of contracts remaining to be executed on capital account (net of advances)	1294.32	642.15
4. No provision has been made for Sales Tax on works contracts reimbursable to some contractors as the amount for the same is not ascertainable which, however, is not likely to be material.		
5. Under the Jute Packaging Material (Compulsory use of Packing Commodities) Act, 1987, a specified percentage of fertilisers dispatched were required to be supplied in Jute bags up to 31.8.2001. The provisions of the said Act were challenged in the Supreme Court, which upheld the constitutional validity of this Act in its judgment in 1996. In spite of making conscious efforts to step up use of jute packaging material, the Company had been unable to adhere to the specified percentage, due to strong customer resistance to use of jute bags. The Company had received show cause notice from the Office of the Jute Commissioner, Kolkata, for levying a penalty of Rs.7380.36 lacs for non-compliance of the provisions of the said Act. The Company has obtained a stay order from Delhi High Court against the above show cause notice and has been advised that the said levy is bad in law.		
6. (i) The Company as well as other users of natural gas under HBJ Gas Pipeline had in earlier years received letters from Gas Authority of India Ltd., informing about the possibility of levy of excise duty on natural gas (presently not levied) with retrospective effect. The amount of such levy is not ascertainable. However, in the event of its levy, it is reimbursable by FICC / Government of India under Subsidy Scheme.		

- (ii) The Company as well as other users of Natural Gas under HBJ Gas Pipeline had received a letter in an earlier year from Gas Authority of India Limited informing about the possibility of levy of Central Sales Tax. The Company has been taking the delivery of Gas in the State of Rajasthan and has been accordingly paying Rajasthan Sales Tax on the supply. Therefore, the Company feels that no Central Sales Tax is payable by it. Further, the amount of such levy is not ascertainable. However, in the event of its levy, it is reimbursable by FICC / Government of India under Subsidy Scheme.
- (iii) The Company has received Show Cause Notices for Rs.33784.14 lacs (previous year Rs.24869.89 lacs) towards Excise Duty on Naphtha used as fuel for generation of Power and Steam for manufacture of Urea. The matter is pending before the commissioner of Central Excise at Jaipur. In similar cases of other Fertilizer Companies, the Hon'ble Supreme Court & CEGAT have given favourable decisions to the Companies. However, in the event of the Company having to pay the above, it is reimbursable by FICC/ Government of India under Subsidy Scheme.

7. Earning Per Share (EPS) –

	<u>2004-05</u>	<u>2003-04</u>
I Calculation of weighted Average Number of Equity Shares of		
Rs. 10 each Number of shares at the beginning of the year	40,60,00,000	40,60,00,000
Shares to be issued (effective 1 st September 2004) (Refer Note 8 below)	1,02,07,852	Nil
Total equity shares outstanding at the end of the year	41,62,07,852	40,60,00,000
Weighted average number of equity shares outstanding during the year	41,19,54,580	40,60,00,000
II Profit for the year after Tax (Rs./ Lacs)	22262.57	7819.59
III Less : Preference shareholder Dividend and dividend tax thereon	34.21	-
IV Profit available for equity shareholders	22228.38	7819.59
V Basic and diluted earning per share (Rs.)	5.38	1.93
VI Nominal value of equity shares	Rs.10 each	Rs.10 each

8(a). Demerger of the Shipping Investment Division of Zuari Investments Limited (ZIL) and its vesting in the Company.

- i. ZIL is engaged in the business of, *inter alia*, depository participant services, distribution of financial products, share transfer agents and investments.
- ii. Pursuant to the Scheme of Arrangement and Demerger amongst the Company and ZIL and their respective shareholders and creditors (the Scheme of Demerger) as sanctioned by the Hon'ble High Court of Judicature of Bombay at Panji, Goa and the Hon'ble High Court of Rajasthan at Jaipur, vide their orders dated May 18, 2005 and July 13, 2005 respectively, the Shipping Investment Undertaking of ZIL has been demerged and vested in the Company with effect from September 1, 2004. The Scheme has accordingly been given effect to in these accounts.
- iii. In terms of the Scheme, all the assets and liabilities of the Shipping Investment Division have been accounted for at their carrying amounts on September 1, 2004.
- iv. As per the Scheme of Demerger, the Company's investment aggregating to Rs.1056.17 lacs in equity share capital and Rs.2885.00 lacs in preference share capital of the ZIL stands extinguished.
- v. Pursuant to the Scheme of Demerger and after considering the extinguishment of Share Capital held by the Company in ZIL as referred in para (iv) above, the Company will issue 1,385,164, 5% Unsecured Redeemable Non Convertible Debentures (NCDs) of the face value of Rs.100 each aggregating to Rs. 1385.16 lacs credited as fully paid up to the shareholders of ZIL (other than the Company) in the ratio of 473 NCD for every 10,000 equity shares held in ZIL. Pending allotment of NCDs, an amount of Rs.1385.16 lacs has been included in Non-Convertible Debentures (to be issued) as at 31 March, 2005 (Schedule 4 – Unsecured Loans).
- vi. Consequent upon giving effect to the Scheme of Demerger, an amount of Rs 328.99 lacs arising as Goodwill, being the difference between
 - a) the aggregate of NCDs to be allotted and equity and preference share capital extinguished; and
 - b) the net book value of assets and liabilities of Shipping Investment Division as on September 1, 2004, has been debited to General Reserve as per the Scheme of Demerger.
- vii. As stated above, the effect of the Scheme of Demerger has been accounted for in terms of the Court Orders. This is different from the accounting treatment prescribed in Accounting Standard -13 in relation to acquisition value of Investments in Shipping Investment Division of Zuari Investments Limited. In terms of the Scheme, Investment acquired has been taken at its carrying amount instead of the fair value. Had it been accounted for at the fair value, value of the investment acquired would have been increased by the amount of goodwill i.e. Rs. 328.99 lacs (as mentioned in the para-vi above). However, in such a situation, goodwill arrived at pursuant to the scheme of Amalgamation, as mentioned in para 8(b) (vi) below, would also have increased by the same amount. Therefore, there is no financial impact of the above accounting on the Company's financial statements.

- 8 (b). Amalgamation of erstwhile India Steamship Company Limited (India Steamship) with the Company
- i. India Steamship was engaged in the shipping business.
 - ii. Pursuant to the Scheme of Arrangement and Amalgamation amongst the Company and India Steamship and their respective shareholders and creditors (the Scheme of Amalgamation) as sanctioned by the Hon'ble High Court at Calcutta and the Hon'ble High Court of Rajasthan at Jaipur, vide their Orders dated 22nd June, 2005 and 13th July 2005 respectively, the assets and liabilities of India Steamship were transferred to and vested in the Company with effect from September 1, 2004. The Scheme of Amalgamation has accordingly been given effect to in these accounts.
 - iii. In terms of the Accounting Standard 14 – Accounting for Amalgamation issued by the Institute of Chartered Accountants of India, the Scheme of Amalgamation is accounted under 'Purchase Method', wherein all the assets and liabilities (except for Miscellaneous Expenditure recorded at zero value) of India Steamship have been accounted for at their carrying amounts on September 1, 2004. Further, Tonnage Tax Reserve of Rs.113.29 lacs (reserve created by India Steamship in accordance with 'Tonnage Tax Scheme' as prescribed by Chapter XII-G of the Income Tax Act, 1961), being a statutory reserve, has been recorded by the Company with a corresponding debit to 'Amalgamation Adjustment Account' in Schedule 14 – Miscellaneous Expenditure.
 - iv. As per the Scheme of Amalgamation, the Company's investment in India Steamship Company Limited [vested in the Company pursuant to the Scheme of Demerger referred in Note 8 (a) above] aggregating to Rs.2897.34 lacs in equity share capital and Rs.2100.00 lacs in preference share capital of the India Steamship stands extinguished.
 - v. Pursuant to the Scheme of Amalgamation and after considering the extinguishment of share capital held by the Company in the India Steamship as referred in Note 8 (b) (iv) above, the Company will issue :
 - a) 10,207,852 equity shares of Rs.10 each aggregating to Rs. 1020.79 lacs to the equity shareholders of India Steamship in the ratio of 11 fully paid up equity shares of the Company for every 20 equity shares held in India Steamship; and
 - b) 250,000 preference shares of Rs.10 each aggregating to Rs. 25 lacs to the preference shareholders of India Steamship in the ratio of 10 fully paid up preference shares of Rs. 10 each of the Company for every preference share of Rs.100 held in India Steamship.

Pending allotment of equity and preference shares, amounts of Rs.1020.79 lacs and Rs.25.00 lacs have been included in the Share Capital Suspense Account as at March 31, 2005 (Schedule 1A).
 - vi. Consequent upon giving effect to the Scheme of Amalgamation, an amount equivalent to Rs.4293.02 lacs arising as Goodwill, being the difference between
 - a) the aggregate value of the equity and preference shares to be allotted and equity and preference share capital extinguished ; and
 - b) the net book value of assets and liabilities of India Steamship as on September 1, 2004,

has been debited to the Capital Redemption Reserve to the extent of Rs 2500 lacs and balance of Rs. 1793.02 lacs to the General Reserve as per the Scheme of Amalgamation.
 - vii. As stated above, the effect of the scheme of Amalgamation has been accounted for in terms of the court order. This is different from the accounting treatment prescribed in Accounting Standard – 14 in relation to adjustment of Goodwill. In terms of the scheme, Goodwill arising on amalgamation has been adjusted with Capital Redemption Reserve/General Reserve instead of treating it as an asset to be amortised to income over its useful life.
9. The Company has been availing "Sales Tax Deferment Scheme" in respect of sale of Urea made in the state of Rajasthan. In accordance with the Scheme, the deferred sales tax amount was to be paid during the period commencing from May 2005. However, the Company has exercised the option to pre-pay the Deferred Sales Tax Liability upto 30th June, 2004 as per Notification issued by Government of Rajasthan in this regard. Exceptional item includes Rs. 1,206 Lacs on account of gain on such prepayment of Deferred Sales Tax Liability.
10. Nitrogenous Fertilizers are now under the Concession Scheme as per New Pricing Scheme implemented w.e.f. 1st April, 2003. The Concession rate for the current period has been accounted for on the basis of Notified price both for Gadepan I and II under the New Pricing Scheme, further adjusted for input price escalation / de-escalation and other known policy parameters.
- Pending finalisation of "Net Gain" as per the Policy for Production and sale of Urea beyond 100% re-assessed capacity, the Company has estimated the Net Gain in accordance with the known policy parameters in this regard.
- The current year subsidy income is inclusive of Rs. 1034.15 lacs being the subsidy income pertaining to earlier years, determined during the year. [previous year Rs.890.26 lacs reversal of subsidy income]

11. Current year provision for dividend on preference shares includes arrears of dividend on Cumulative Preference Shares, issued by erstwhile India Steamship Company Limited (now merged with the Company) for twenty three years and five months ended 31 August 2004 amounting to Rs. 29.27 lacs.

12. Goodwill in the Balance Sheet as per the details given below represents goodwill arising on acquisition of Novasoft Information Technologies Corporation, USA and Chambal Biotech Private Limited, Singapore. Such Goodwill has been tested for impairment using the cash flow projections that are based on most recent financials budgets / forecasts approved by management and accordingly, no amortisation has been made during the year.

	(Rs. in Lacs)
Novasoft Information Technology Corporation	1859.66
Chambal Biotech Private Limited	4686.33
Total	6545.99

13. One of the foreign subsidiaries of the group engaged in software operations and another subsidiary engaged in horticultural operations with net assets aggregating to Rs. 53.83 lacs and Rs. 278.90 lacs respectively as on 31st March, 2005 have incurred significant losses. Their accumulated losses have resulted in erosion of a significant portion of the net worth.

These subsidiaries are dependent upon support of the parent Company to their business plans on a continuing basis. The financial statements of those entities have been prepared on the basis that the entities will continue as going concerns with such support from the parent Company.

14. Breakup of Deferred Tax Liability (Net)

			(Rs. in Lacs)
	Deferred Tax Asset (Liability) as at 01.04.2004	Current Year (Charge)/Credit	Deferred Tax Asset/(Liability) as at 31.3.2005
Difference between Book & Tax Depreciation	(40832.42)	2757.64	(38074.77)
Deductions available on payment basis	126.18	46.79	172.97
Provision for Gratuity	86.72	14.10	100.83
Provision for Doubtful Debts	165.67	(141.61)	24.06
Others	(411.48)	307.07	(223.15)*
Total	(40865.33)	2983.99	(38000.06)

No deferred tax asset has been recognised in respect of the foreign subsidiaries, in view of their continued losses.

* Figure is after excluding deferred tax asset amounting to Rs. 118.74 lacs in respect of a Joint Venture disposed off during the year.

15. **(A) Finance Lease**

The Company has, during the year, taken certain fixed assets of the cost of Rs.63.11 lacs (previous year Rs. 60.89 lacs) on finance lease. The lease payment made during the year amounts to Rs. 30.06 lacs (previous year Rs. 8.85 lacs), out of which Rs. 24.30 lacs (previous year Rs. 6.68 lacs) has been adjusted against Principal and Rs. 6.62 lacs (previous year Rs. 2.17 lacs) has been shown as Finance Lease Charges. The break up of minimum lease payment outstanding as at March 31, 2005 is as follows:

			(Rs. in Lacs)
Period	Lease Payment	Principal	Finance Lease Charges
Payable within one year	40.44	33.60	8.02
Payable after one year but before 5 year	84.53	77.62	7.71
Payable after 5 years	-	-	-

(B) Operating Lease

Shipping Division of the Company, Novasoft Information Technologies Corporation, USA, Indo Maroc Phosphore S.A and Technico Pty. Ltd, Australia entered into operating lease agreement. Lease payments made during the year amounting to Rs. 45.34 lacs, Rs. 0.78 lacs, Rs. 21.48 lacs & Rs. 0.06 lacs respectively for Shipping Division, Novasoft Information Technologies Corporation, USA, Indo Maroc Phosphore S.A. Morocco and Technico Pty. Ltd. Australia. The break up of lease payment outstanding as at March 31, 2005 is as follows:



Period	(Rs. in Lacs) Lease Rentals
Payable within one year	241.16
Payable after one year but before 5 year	624.36
Payable after 5 years	132.83

16. Liability under Deferred Payment and interest accrued thereon amounting to Rs. 24824.69 Lacs (Previous Year Rs. 30694.22 Lacs) is guaranteed by Financial Institutions and Banks which, in turn, are secured by mortgage by deposit of title deeds in respect of immovable properties and hypothecation of the movable fixed assets of the Company, both present and future, (save and except book debts and assets of Shipping Division), subject to prior charges created / to be created in favour of Bankers / Financial Institutions on movables for securing working capital borrowings, ranking pari passu with the charges created / to be created in favour of Financial Institutions, Banks and others for securing various Rupee Loans / Guarantee Assistance and in favour of trustees for Non Convertible Debentures. This includes amount payable within one-year Rs. 5434.71 lacs (Previous year Rs. 5718.97 lacs)
17. In respect of the Shipping Division of the Company, an amount recoverable from a charterer amounting to Rs. 593.92 lacs is outstanding for a long period towards reimbursement of dry dock expenses in respect of a ship which has not been accepted by the charterer. The matter is under arbitration and the chances of recovery are considered good. However, as an abundant caution, a sum of Rs. 219.12 lacs provided for in the accounts in earlier years continues.
18. The Board of Directors of ISS Holdings Ltd. (a subsidiary of erstwhile India Steamship Company Limited) had applied on November 11, 2003 to the Registrar of Companies, West Bengal to strike off the name of the company under Section 560 of the Companies Act, 1956 in terms of the Simplified Exit Scheme offered under General Circular No 17/78/2001 – CL. V dated 25.03.2003 issued by the Department of Company Affairs. Notification in this regard is awaited.
19. a. Novasoft Information Technology Corporation USA, a foreign subsidiary of the Company engaged in software operations, maintains a stock option plan ("The plan") for its employees, consultants and directors. Under the plan the company grants stock options for fixed number of shares to employees with an exercise price equal to fair value of the shares at the date of grant. The options vest over a period of four years after the date of grant and expire ten years from the date of grant. There were no options granted during the year ended March 31, 2005.

The movement in the stock options during the year is as per the table given below :-

	Number of options	Weighted Average Exercise Price
Options outstanding, March 31, 2004	3,40,000	US \$1.90
Cancelled	(2,95,000)	US \$1.41
Options outstanding, March 31, 2005	44,500	US \$0.25

- b. Technico Pty Limited, Australia, a foreign subsidiary of the Company engaged in horticultural operations, has an executive employee share option scheme where certain directors; executive and certain members of the staff of the consolidated entity are issued options for the ordinary shares of Technico Pty Limited. The options are issued for nil consideration, by invitation of the directors of Technico Pty Limited. The options are issued for a term of five years and cannot be transferred.

The movement in the stock options during the year is as per the table given below :-

	Number of options	Weighted Average Exercise Price
Options outstanding as on March 31, 2004	8,19,000	AUD 1.61
Granted during the year	2,70,000	AUD 1.76
Cancelled	-	-
Options outstanding as on March 31, 2005	10,89,000	AUD 1.61

20. SEGMENT REPORTING POLICIES

Identification of Segments:

Primary Segment: Business Segment

The Group's operating businesses are organised and managed separately according to the nature of products manufactured and services provided. The identified reportable segments are Own Manufactured Fertilizers, Own Manufactured Phosphoric Acid and Trading. The "Own Manufactured Fertilizers Segment" includes manufacture and

marketing of urea, which is a controlled commodity, the price and distribution of which is decided by the Government of India (GOI). However, under the New Pricing Scheme, GOI has permitted partial de-control of movement.

The "Own Manufactured Phosphoric Acid" includes manufacturing and marketing of Phosphoric Acid. The "Trading Segment" includes the purchase and sale of Fertilizers and Agri Inputs and this activity though different in risk perception from own manufactured urea, is carried out mainly with an objective of providing Fertilizers/Agri Inputs under one roof.

The Others Segment includes the software, yarn, food processing business, shipping business, housing finance and horticulture technology activities of the Group.

Secondary Segment: Geographical Segment

The analysis of geographical segments is based on the geographical location of the customers.

Intersegment Transfer:

The Company accounts for inter segment sales and transfers as if the sales or transfers were to third parties at current market prices.

Unallocated items:

All the common income, expenses, assets and liabilities, which are not possible to be allocated to different segments, are treated as unallocated items.

Segment Information

The following table presents segment revenues, results, assets & liabilities in accordance with AS-17 as on 31.3.2005.

(Rs. in Lacs)

Particulars	Own Manufactured Urea	Own Manufactured Phosphoric acid	Trading	Others	Total	Own manufactured Urea	Own Manufactured Phosphoric acid	Trading	Others	Total
	2004-05	2004-05	2004-05	2004-05	2004-05	2003-04	2003-04	2003-04	2003-04	2003-04
Revenue										
External Sales/Income	210955.05	33204.62	35155.68	31559.25	310874.61	174715.95	23333.12	34592.35	22826.00	255467.42
Inter Segment Sales					(172.96)				(233.28)	(233.28)
Total Sales	210955.05	33204.62	35155.68	31559.25	310701.65	174715.95	23333.12	34592.35	22592.72	255234.14
Unallocated Income					1525.53					2174.40
Total Revenue					312227.18					257408.54
Results										
Segment Results	30487.44	3833.32	1498.81	(848.19)	34971.37	31299.62	(1825.32)	523.75	(1138.30)	28859.75
Unallocated Expenses (Net)					4736.55					2826.70
Operating Profit Before Non Recurring Items/ Exceptional Items					30234.83					26033.05
Exceptional Items					6166.17					-
Interest Expenses					9635.42					12671.79
Interest Income					1087.53					1391.26
Income Tax					5971.22					5535.87
Net Profit after Tax					21881.88					7825.40
Pre-acquisition Losses adjusted against Goodwill					58.50					50.25
Share In Profit/(Loss) of Associates					(245.73)					(115.65)
Share of Minority Interest in Losses					567.92					59.02
Net Profit for the Year					22262.57					7819.59
Other Information										
Segment Assets	209892.55	37684.58	11507.33	18508.87	277593.32	216028.63	44073.36	3989.58	41229.16	305320.73
Unallocated Assets					28923.88					18357.51
Total Assets	209892.55	37684.58	11507.33	18508.87	307417.21	216028.63	44073.36	3989.58	41229.16	323678.24
Segment Liabilities	20272.26	5368.76	8003.72	5723.83	39368.57	16186.05	5828.21	2261.02	3254.32	27529.60
Unallocated Liabilities					5152.56					10210.42
Total Liabilities	20272.26	5368.76	8003.72	5723.83	44521.13	16186.05	5828.21	2261.02	3254.32	37740.02
Capital expenditure	(485.61)	0.00	10.25	14231.51	13756.15	656.82	1325.00	11.25	838.73	2831.80
Depreciation	13329.63	4507.69	9.71	2005.16	19852.19	13190.75	4365.20	11.49	1087.34	18654.78
Unallocated depreciation					146.83					237.36
Amortization	0.00	111.80	0.00	53.81	165.61		106.65		40.10	146.75
Other non-Cash Expenses	162.52				162.52	262.14				262.14



Secondary Segment Reporting (by Geographical Segments)

The following is the distribution of the Company's consolidated revenue by geographical markets, regardless of where the goods were produced.

	(Rs. in Lacs)	
	Current Year	Previous Year
Revenue from Indian Market	252989.16	235766.36
Revenue from Overseas Markets	59238.02	21642.17
	312227.18	257408.53

21. Related Party Disclosures

During the year, the Company entered into transactions with the related parties. Those transactions along with related balances as at 31st March 2005 and for the year then ended are presented in the following table.

(a) Joint Ventures

BHW Birla Home Finance Limited (BBHFL) (upto 31st October, 2004)
Indo Maroc Phosphore S.A.(IMACID)
Chambal Agritech Limited (upto 12th May, 2004)

(Rs. in Lacs)

Nature of Transactions	Current Year	Previous Year
Purchase of Finished and Other Goods	-	0.01
Chambal Agritech Limited	-	0.01
Purchase of Fixed Assets	-	3.68
BHW Birla Home Finance Limited	-	3.67
Others	-	0.01
Sale of Fixed Assets	-	0.23
BHW Birla Home Finance Limited	-	0.23
Interest and Guarantee Commission Income	0.56	6.81
Chambal Agritech Limited	0.56	6.81
Sale of Software	0.55	0.66
Chambal Agritech Limited	0.55	-
BHW Birla Home Finance Limited	-	0.66
Other Income	33.48	34.26
Indo Maroc Phosphore S.A	33.48	33.01
Others	-	1.25
Corporate Guarantees Given	-	2682.20
Chambal Agritech Limited	-	1782.20
BHW Birla Home Finance Limited	-	900.00
Investments Made/ (Refund Received)	-	174.95
Chambal Agritech Limited	-	174.95
Outstanding Balances as at the year end		
Receivables (Debtors)	38.16	81.26
Indo Maroc Phosphore S.A.	35.62	49.12
Chambal Agritech Limited	-	32.14
Others	2.54	-
Payables (Creditors)	-	1.30
BHW Birla Home Finance Limited	-	1.30

(b) Associates

Zuari Investments Limited (ZIL)
India Steamship Company Limited (upto 31st August, 2004)
Chambal Biotech Private Limited (upto 30th September, 2004)
Technico Pty. Ltd. (upto 30th September, 2004)
Chambal Agritech Limited (from 12th May, 2004 to 30th September, 2004)

(Rs. in Lacs)

Nature of Transactions	Current Year	Previous Year
Services Expenses	6.30	3.32
Zuari Investments Ltd.	6.30	3.32
Interest and Guarantee Commission Income	38.25	99.67
Zuari Investments Ltd.	23.21	-
India Steamship Company Ltd.	12.25	99.67
Chambal Agritech Limited	2.79	-
Sale of Software	-	1.65
Technico Pty Ltd.	-	1.65
Other Income	9.47	0.50
Zuari Investments Ltd.	9.47	0.50
Loans/Deposits Granted	1000.00	600.00
Zuari Investments Ltd.	1000.00	600.00
India Steamship Company Ltd.	-	600.00
Loan/Deposits Refunded	1000.00	100.00
Zuari Investments Ltd.	1000.00	100.00
India Steamship Company Ltd.	-	100.00
Corporate Guarantees Given	1350	1350
India Steamship Company Ltd.	1350	1350
Investments Made	1824.46	338.04
Zuari Investments Ltd.	813.46	-
Chambal Biotech Private Limited	1011.00	338.04
Sale of Investment	(1302.38)	-
Technico Pty Ltd.	(1302.38)	-
Outstanding Balances as at the year end		
Receivables (Debtors)	1.77	0.34
Zuari Investments Ltd.	1.77	0.34

(c) Key Management Personnel of Group and their relatives

Mr. H.C.Grover	:	MD of Chambal Fertilisers and Chemicals Ltd. *
Mr. Sunil Sethy	:	MD of Chambal Fertilisers and Chemicals Ltd.
Mrs. Rani Grover	:	Wife of Mr. H.C. Grover *
Mrs. Rita Sethy	:	Wife of Mr. Sunil Sethy
Mr. Niel Bhaskar	:	CEO of Novasoft Information Technology Corp USA*
Dr. Nirmal Jain	:	CEO of Novasoft Information Technology Corp USA*
Mr. K.V.Iyer	:	MD of Chambal Agritech Limited*
Mr. Fikrat	:	Indo Maroc Phosphore S. A, Morocco*
Mr. Guergachi	:	Indo Maroc Phosphore S. A, Morocco*
Mr. S.M.Bhalla	:	Indo Maroc Phosphore S. A, Morocco
Mr. S. Despande	:	Indo Maroc Phosphore S. A, Morocco
Mr. S. Dutta Gupta	:	MD Birla Home Finance Limited*
Mr. Ralph Haerke	:	Birla Home Finance Limited*
Mr. M Muller	:	Birla Home Finance Limited*
Mr. Vinod Gupta	:	Zuari Investments Limited*
Mr. David McDonald	:	Technico Pty Ltd Australia

(Rs. in Lacs)

Nature of Transactions	Current Year	Previous Year
Dividend paid	0.20	0.19
Mr. Sunil Sethy	0.10	0.02
Mrs. Rita Sethy	0.10	0.01
Mrs. Rani Grover	-	0.16
Rent Expenses	16.89	55.44
Mrs. Rani Grover	-	14.97
Mr. Jannet	-	30.72
Mr. Sunil Sethy	15.00	9.75
Others	1.89	-

Remuneration paid to Key Managerial personnel***		121.27		351.18
Mr. Sunil Sethy	47.90		-	
Mr.D Deshapandy	23.08		-	
Mr. David McDonald	43.25		-	
Mr. S M Bhalla	4.97		-	
Mr. Vinod Gupta	2.07		-	
Deposit Rent		5.00		5.00
Mr. Sunil Sethy	5.00		5.00	

* In previous year only,

** Part of the year only.

*** This includes rent paid (Net of recovery).

Note: The transactions relating to reimbursement of actual expenses to / from related parties have not been considered above.

- (d) Other venturers in respect of Joint ventures Entities
Office Cherifien Des Phosphates (OCP), Morocco
BHW Holdings AG, Germany (upto 31st October, 2004)

Nature of Transactions	Current Year	Previous Year
Purchase of Raw Material & other Goods	7291.49	5305.85
IMACID with OCP	7291.49	5305.85
Rent/Service expenses	55.49	52.54
IMACID with OCP	55.49	52.54
Interest & Guarantee commission Income	-	5.25
Payment of Infrastructure & other services	404.32	434.74
IMACID with OCP	404.32	434.74
Outstanding balance at the year end	1632.48	1708.96

Note: The transactions relating to reimbursement of actual expenses to / from related parties have not been considered above.

- (e) Information in Respect of Subsidiaries

Nature of Transactions	Current Year	Previous Year
Guarantee Given	4499.53	-
Chambal Agritech Limited	4193.00	-
Others	306.53	-

22. Details of the Company's share in Joint Ventures included in the Consolidated Financial Statement are as follows:

Particulars	Current Year	Previous Year
		(Rs. in Lacs)
SOURCES OF FUNDS		
Shareholders Fund	-	-
Reserves & Surplus (Post Acquisition) *	(3104.15)	(5766.39)
Loan Funds		
Secured Loans	0.00	13578.14
Unsecured Loans	22397.74	33083.54
Total	19293.59	40895.29
APPLICATION OF ASSETS		
Fixed Assets		
Gross Block	49466.96	50789.84
Less: Accumulated Depreciation	25231.99	20629.04
Net block	24234.97	30160.80
Capital Work in Progress	-	1.96

(including capital advances)		
Investments	-	(90.26)
Deferred Tax Assets	-	27.24
Current Assets, Loans & Advances		
Inventories	1845.26	2510.69
Sundry Debtors	10067.44	11807.58
Housing Loans	-	19603.17
Cash & Bank Balances	81.97	2223.09
Loans & Advances	789.82	1413.24
Other Current Assets	665.10	13.59
Less: Current liabilities & Provisions		
Current Liabilities	5585.39	6873.82
Provisions	0.00	91.91
Net Current Assets	7864.20	30605.63
Total	32099.17	60705.37

After elimination of Share Capital, Inter Company transactions and balances and adjustment of Accounting Policies aggregating to Rs. 12805.58 lacs (Previous Year Rs. 20096.45 lacs)

INCOME		
Income from Operations	32524.47	24042.47
Other Income	2136.58	1664.59
EXPENDITURE		
Manufacturing & Other Expenses	25345.12	19782.61
Depreciation	4661.85	4615.61
Financial Charges	1587.60	2975.60
Operating Financial Expenses	770.50	1100.68
(Increase)/decrease in stocks of Work in progress & Finished Goods	174.74	501.58
(Loss)/Profit Before Tax	2121.24	(3899.02)
Provision for Tax	-	-
Current Tax	43.56	25.71
Deferred Tax	(92.63)	(41.07)
Net (Loss)/Profit After Tax	2170.31	(3883.66)

Note : The above results include share in BHW Birla Home Finance Limited and Chambal Agritech Limited only upto 31st October, 2004 and 12th May, 2004 respectively as the same were disinvested during the year.

23. Figures pertaining to the Subsidiaries, Joint Ventures and Associates Companies have been re-classified wherever considered necessary to bring them in line with the Company's financial statements. Further as indicated in note no. 2 above, several changes have taken place in the group structure during the current year. Accordingly the figures of the current year are not comparable with previous year figures.

24. Previous Year's figures have been regrouped where necessary to confirm to this year's classifications.

As per our report of even date

For S.R. BATLIBOI & COMPANY
Chartered Accountants

SUNIL SETHY
Managing Director

K.K. BIRLA
Chairman

per **RAJ AGRAWAL**
Partner
Membership No - 82028

V. KRISHNAN
Vice President - Corporate Finance

H.S. BAWA
Vice Chairman

New Delhi
August 20, 2005

M.S.RATHORE
General Manager – Legal & Secretary

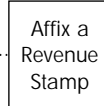


CHAMBAL FERTILISERS AND CHEMICALS LIMITED
 Regd. Office : Gadepan, Distt. Kota, Rajasthan, PIN - 325 208

PROXY FORM

I/Weof
 in the district ofbeing a member/ members of the above
 named Company, hereby appoint Mr./Mrs.....of
 in the district ofor failing him/her Mr./Mrs.of
in the district ofas my/our proxy to attend and vote for me/us and
 on my/our behalf at the Twentieth Annual General Meeting of the Company to be held at 1030 hours on Thursday, the 20th day
 of October, 2005 at its Regd. Office at Gadepan, Distt. Kota (Rajasthan), PIN - 325 208 and any adjournment thereof.
 Signed thisday of2005.

Signature



Ledger Folio / Client ID No.DP ID No.
 No. of Shares held

Note : The proxy form must be deposited at the Registered Office of the Company not less than 48 hours before the scheduled time for holding the meeting.



CHAMBAL FERTILISERS AND CHEMICALS LIMITED
 Regd. Office: Gadepan, Distt. Kota, Rajasthan, PIN - 325 208

ATTENDANCE SLIP

(Please complete the Attendance Slip and hand it over at the entrance of the Meeting Hall).

I hereby record my attendance at the Twentieth Annual General Meeting of the Company being held on October 20, 2005.

Member's/Proxy's name (In Block Letters)

Signature of Shareholder/Proxy

Ledger Folio / Client Id No..... DP ID No.

No. of Shares held.....

ECS MANDATE FORM

1. Shareholder's name (in Block letters) : _____
: (First holder)
: _____
: (Joint holder)
2. Folio Number (for Physical shares) :

--	--	--	--	--	--	--	--
3. Number of Shares : _____
4. Bank Name : _____
5. Branch Name & Address : _____

6. Status of the Investor : Resident Non-Resident
(Mark "√" in the appropriate box)
7. Account Type : SB A/C-10 Current A/C-11
(Mark "√" in the appropriate box)
Other
8. Account Number : _____
9. Ledger Folio No. of the A/C (if appearing on Cheque Book) : _____
10. Nine digit code number of Bank and Branch appearing on the Cheque :

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I/We hereby declare that the particulars given above are correct and complete. If credit is not effected for reasons of incomplete or incorrect information, I/We would not hold the Company responsible.

Dated: _____

Signature of the First holder
(as appearing in the Company's records)

Note: In case, shares are held in electronic form, kindly submit ECS particulars to your Depository Participants. (DPs)

Certificate of the Shareholder's Bank

Certified that the particulars of the Bank Account furnished above are correct as per our records.

Bank Stamp:

Signature of the authorised
official of the Bank

Date: _____

Note: Please attach a photocopy of cheque issued by your bank relating to your above account for verifying the accuracy of the code number.

Book-Post

Thomson Press

If undelivered, please return to:



"Investor Service Centre"
Chambal Fertilisers and Chemicals Ltd.
International Trade Tower,
F Block, 2nd Floor,
Nehru Place,
New Delhi - 110 019

10/14/2005, 9:55 AM

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