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Annual Report  
2003 - 04



**Adani Exports Limited**  
Golden Super Star Trading House

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**Adani Exports Limited**  
Golden Super Star Trading House

## SEVEN YEARS AT A GLANCE

### FINANCIAL HIGHLIGHTS

(RS. IN LACS)

		(2003-04)	(2002-03)	(2001-02)	(2000-01)	(1999-00)	(1998-99)	(1997-98)
<b>ASSETS EMPLOYED</b>	<b>\$ Mn.</b>							
Net Fixed Assets	8.24	3600.85	3692.38	3895.54	3817.44	3614.53	3626.89	3210.99
Investments	15.87	6938.26	7801.61	5656.67	6002.01	3895.08	2306.64	1441.06
Net Current Assets	270.54	118273.90	85949.80	89937.50	97396.98	70044.15	54564.83	42722.27
Miscellaneous Expenditure	0.21	92.28	-----	-----	-----	-----	-----	-----
<b>TOTAL</b>	<b>294.86</b>	<b>128905.29</b>	<b>97443.79</b>	<b>99489.71</b>	<b>1,07,216.43</b>	<b>77553.76</b>	<b>60498.36</b>	<b>47374.32</b>
<b>FINANCED BY</b>								
Share Capital	7.33	3204.74*	3204.74*	4204.74*	5254.74*	6154.74*	4602.37*	4102.37*
Reserves and Surplus	135.34	59166.26	51863.01	47406.03	45486.23	35002.85	26062.95	20340.43
Shareholder's Funds	142.67	62371.00	55067.75	51610.77	50740.97	41157.59	30665.32	24442.80
Loan Funds	151.55	66254.31	42091.42	47546.73	56475.46	36396.17	29833.04	22931.52
Deferred Tax Liability	0.64	279.98	284.62	332.21	-----	-----	-----	-----
<b>TOTAL</b>	<b>294.86</b>	<b>128905.29</b>	<b>97443.79</b>	<b>99489.71</b>	<b>107216.43</b>	<b>77553.76</b>	<b>60498.36</b>	<b>47374.32</b>
<b>SALES &amp; OTHER INCOME</b>	<b>1636.72</b>	<b>715533.35</b>	<b>287250.32</b>	<b>282555.27</b>	<b>306579.94</b>	<b>285310.57</b>	<b>218870.40</b>	<b>241777.53</b>
<b>OPERATING PROFIT</b>	<b>29.26</b>	<b>12792.09</b>	<b>9277.18</b>	<b>6785.83</b>	<b>12167.66</b>	<b>11302.99</b>	<b>6770.04</b>	<b>6419.09</b>
Depreciation	0.41	179.46	185.55	188.84	171.02	202.92	198.55	194.11
<b>PROFIT BEFORE TAX</b>	<b>28.85</b>	<b>12612.63</b>	<b>9091.63</b>	<b>6596.99</b>	<b>11996.64</b>	<b>11100.07</b>	<b>6571.49</b>	<b>6224.98</b>
Tax	0.47	205.01	258.04	29.61	167.00	2.03	2.07	(26.03)
<b>PROFIT AFTER TAX</b>	<b>28.38</b>	<b>12407.62</b>	<b>8833.59</b>	<b>6567.38</b>	<b>11829.64</b>	<b>11098.04</b>	<b>6569.42</b>	<b>6251.01</b>
<b>Dividends (including Tax on Dividend)</b>								
Equity	2.28	994.89	661.42	661.42	728.89	468.96	363.78	363.78
Preference	0.26	111.99	143.22	365.49	617.37	586.81	479.78	208.35
Retained Earnings	25.85	11300.74	8028.95	5540.47	10483.38	10042.27	5725.86	5678.88
Foreign Exchange Earnings (Net)	614.85	268796	(19536.52)	11449.65	33714.45	30649.11	68124.69	121892.64
<b>US \$</b>								
Earning Per Share (Rs.)	1.28	55.77	39.42	28.13	50.86	80.10**	55.24	54.82
Dividend Per Share (Rs.)	0.09	4.00	3.00	3.00	3.00	3.00	3.00	3.00
Book Value Per Share (Rs.)	6.37	278.36	248.62	225.02	216.31	168.76	246.42	194.50
Debt: Equity Ratio		0.47:1	0.29:1	1:1	1.25:1	1.08:1	1.10:1	1.07:1
Bonus Issue						1 : 1		

\* Includes Preference Share Capital of Rs. 3000 Lacs in 1997-98, Rs. 3500 Lacs in 1998-99, Rs. 3950 Lacs in 1999-00, Rs. 3050 Lacs in 2000-01, Rs. 2000 Lacs in 2001-02, Rs. 1000 Lacs in 2002-03 & Rs. 1000 Lacs in 2003-04.

1 US \$ = Rs. 43.7175 (Exchange Rate as on 31st March, 2004)

\*\* Annualised



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## Our Vision

To be a globally competitive,  
India centric organisation,  
with leadership in trading and  
related integrated businesses;  
committed to the delight  
of our customers and shareholders.



**Adani Exports Limited**  
Golden Super Star Trading House

#### BOARD OF DIRECTORS

Shri Gautam S. Adani, Chairman  
Shri Rajesh S. Adani, Managing Director  
Shri Vasant S. Adani, Whole-time Director  
Shri Jay H. Shah  
Dr. Pravin P. Shah  
Dr. A. C. Shah  
Shri C. R. Shah  
Shri Biswajit Choudhuri, UTI Nominee

#### COMPANY SECRETARY

Ms. Birva C. Patel

#### AUDITORS

M/s. Dharmesh Parikh & Co.  
Chartered Accountants  
Ahmedabad

#### BANKERS

State Bank of India, Ahmedabad  
Bank of India, Ahmedabad  
Sumitomo Mitsui Banking Corporation, Mumbai  
State Bank of Travancore, Ahmedabad  
Development Credit Bank Ltd., Ahmedabad  
Societe Generale, Mumbai  
State Bank of Hyderabad, Ahmedabad  
The Jammu & Kashmir Bank Ltd., Ahmedabad  
State Bank of Saurashtra, Ahmedabad

Bank of Baroda, Ahmedabad  
Punjab National Bank, Ahmedabad  
Andhra Bank, Ahmedabad  
IndusInd Bank Ltd., Ahmedabad  
Abu Dhabi Commercial Bank Ltd., Mumbai  
Canara Bank, Ahmedabad  
UCO Bank, Ahmedabad  
Syndicate Bank, Ahmedabad  
Oriental Bank of Commerce, Ahmedabad

#### REGISTERED OFFICE

"Adani House"  
Near Mithakhali Six Roads  
Navrangpura, Ahmedabad - 380 009

#### SHARE TRANSFER AGENT

Pinnacle Share Registry Private Ltd.  
Near Asoka Mills Ltd., Naroda Road  
Ahmedabad - 380 025  
Tel No. +91-79 2220 4226, 2220 0591, 2220 0582  
Fax +91-79-2220 2963

#### SHARES LISTED AT

Ahmedabad Stock Exchange  
The Stock Exchange, Mumbai  
National Stock Exchange, Mumbai



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## DIRECTOR'S REPORT

To

The Members,

Your directors have great pleasure in presenting the twelfth Annual Report on the business and operations of your Company together with the audited accounts for the financial year ended March 31, 2004.

### COMPANY'S PERFORMANCE

Your Company has posted a superior performance during the year under review with revenue growth of 149% and profit after tax growth of 40% over the previous year respectively. During the year under review, your Company's total income was Rs. 7155.33 crores (Rs. 2872.27 crores) while gross profit (before depreciation, interest and taxation) and net profit increased to Rs. 172.25 crores (Rs. 130.92 crores) and Rs. 124.09 crores (Rs. 88.34 crores) respectively. During the year, although there has been a substantial increase in turnover due to the broad-basing of the Company's product portfolio in line with the policy thrust, this has only marginally contributed to the overall profitability. The Company, however continues to achieve robust growth in its focussed global trading operations. As part of its venture development strategy, your Company earned Rs. 76.98 crores (Rs. 60.37 crores) as other income from planned disinvestment.

The Company's performance for the year under review is summarised below:

### FINANCIAL HIGHLIGHTS

	(Rs. In Crores)*	
Year Ended March 31,	2004	2003
Sales and operating earnings	7078.35	2811.89
Other income	76.98	60.37
Gross Profit before Depreciation, Interest and Tax	172.25	130.92
Interest	44.32	38.14
Depreciation	1.79	1.85
Profit before Tax	126.14	90.92
Provision for Tax	2.05	2.58
Profit after Tax	124.09	88.34
Surplus brought forward from previous year	186.37	164.43
Balance available for appropriations	310.46	252.77
Appropriations:		
Dividend on Preference Shares:		
- Interim	0.99	1.43
- Final	0.01	0.01
Dividend on Equity Shares:		
- Final	8.82	6.61
Tax on Dividend	1.26	0.85
Transferred to		
Preference Share Capital Redemption Reserve	-	10.00
Debenture Redemption Reserve	-	7.5
General Reserve	60.00	40.00
Balance carried to Balance Sheet	239.38	186.37
Total	310.46	252.77

\*1 crore equals 10 million

### FOREIGN EXCHANGE EARNINGS

Your Company remains committed to enlarging foreign exchange earnings. Earnings from exports give impetus to the Indian economy and also serve as benchmark to the competitiveness of your Company's performance with global standards. In this context, it is significant that during the year under review, your Company's earnings from export of goods on F.O.B. basis registered a robust growth of 1186% in dollar terms.

### DIVIDEND

Considering the overall performance of the Company, the Directors are pleased to recommend a dividend of 40% (Rs. 4/- per share of Rs. 10/- fully paid-up) for the year ended March 31, 2004 as against 30% for the year ended March 31, 2003. This entails dividend payment of Rs. 9.95 crores including tax thereon, which if approved at the forthcoming Annual General Meeting, will be paid to all those equity shareholders whose names will appear on the Register of the Members as on 30th June, 2004.

Interim dividend for 2003-2004 on 9.9% 1,00,00,000 cumulative redeemable preference shares of Rs. 10 each was paid aggregating to Rs. 98.73 lacs for the period from 1st April, 2003 to 29th March, 2004 (both days inclusive). Besides, a final dividend on the aforesaid cumulative redeemable preference shares amounting to Rs. 54,246/- (for the period from 30th March, 2004 to 31st March, 2004) for the year 2003-2004 is recommended.

### SEGMENT REPORTING

Your Company is a global trading organisation with operations covering a wide range of commodity groups such as, Agro, Energy, Precious Goods and Textiles. In view of the integrated nature of business in its entirety, there are no separate segments within the Company as defined by Accounting Standard 17 (Segmental Reporting) issued by the ICAI.

### FIXED DEPOSITS

Your Company has neither invited nor accepted / renewed any deposits from the Public within the meaning of section 58A of the Companies Act, 1956 during the year under review.

### LISTING OF SHARES

Your Company is listed on three stock exchanges in India viz. The Stock Exchange, Mumbai, National Stock Exchange and Ahmedabad Stock Exchange. The Listing Fees for the financial year 2004-2005 are paid to all the three stock exchanges within the prescribed time limits.



## SHARE CAPITAL

The Board of Directors of the Company at their meeting held on 5th May, 2004, inter alia, approved of a proposal to split the equity shares of the Company currently of the face value of Rs. 10/- each into ten equity shares of the face value of Rs. 1/- each, subject to necessary approval of the members at the ensuing General Meeting of the Company. The Board believes that the reduction in the unit price of the shares is beneficial to the retail investors and would improve the liquidity in the scrip significantly.

## FOREIGN CURRENCY CONVERTIBLE BONDS (FCCBs)

Your directors have approved the issue of Foreign Currency Convertible Bonds (FCCBs) upto US\$ 40 million to tap the international capital markets to raise funds to meet the cost of the projects and / or other purposes in accordance with the applicable guidelines / regulations from time to time subject to the necessary approval of the members in the ensuing General Meeting of the Company and other authorities, if any. This would enable the Company to take advantage of the prevailing low financing costs regime existing in such markets.

## CORPORATE GOVERNANCE

Your Company is committed to adhere to appropriate standards for good Corporate Governance. Towards this end and in line with guidelines recommended by SEBI committee on Corporate Governance, adequate steps have been taken to ensure that all the provisions of Clause 49 of the Listing Agreement are duly complied with.

A report on the Corporate Governance along with a certificate from the statutory auditors of the Company on the compliance of the provisions of Corporate Governance alongwith the Management Discussion and Analysis Report as stipulated under Clause 49 of the Listing Agreements are annexed to this Report as per annexure III & IV.

## FORMATION OF VARIOUS COMMITTEES

Details of various committees constituted by the Board of Directors are given in the Corporate Governance Report annexed and form part of this report.

## DIRECTORS

In accordance with the provisions of the Companies Act, 1956 and the Articles of Association of the Company, Shri Jay H. Shah and Dr. A.C. Shah, directors of the Company, retire by rotation, and being eligible, offer themselves for re-appointment.

## DIRECTORS' RESPONSIBILITY STATEMENT

The Directors confirm that in the preparation of the annual accounts for the year ended March 31, 2004:

- The applicable accounting standards have been followed and that no material departures have been made from the same.
- Such accounting policies have been selected and applied consistently and reasonable and prudent judgments and estimates were made so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profit or loss of the Company for that period.
- Proper and sufficient care has been taken for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956, for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities.
- The annual accounts have been prepared on a going concern basis.

## CONSOLIDATED ACCOUNTS

As required under Clause 32 of the Listing Agreement with the Stock Exchanges, consolidated financial statements have been prepared in accordance with the requirements of Accounting Standard 21 on "Consolidated Financial Statements" issued by the Institute of Chartered Accountants of India. The audited consolidated financial statements form part of the annual report.

## SUBSIDIARY COMPANIES

As required under Section 212, of the Companies Act, 1956, the Accounts relating to subsidiary companies i.e. Adani Global Ltd., Adani Global FZE and Adani Global Pte Ltd. are attached herewith. As the financial year of Adani Global Ltd., Adani Global FZE, and Adani Global Pte Ltd. are not coinciding with that of your Company, the relevant information as required under Section 212(5) of the Companies Act, 1956 of the said Companies are annexed herewith. During the year under review, Gujarat State Export Corporation Ltd. became subsidiary of your Company on March 15, 2004 and ceased to be subsidiary on March 26, 2004. During the year under review Adani Chemicals Ltd. ceased to be a subsidiary of your Company w.e.f. March 26, 2004.

## AUDITORS AND AUDITORS' REPORT

The retiring auditors, M/s. Dharmesh Parikh and Co., Chartered Accountants, Ahmedabad, retire at this Annual General Meeting, and have confirmed their eligibility and willingness to accept office, if re-appointed. They have given a certificate to the effect that the re-appointment, if made, would be within the limits prescribed under Section 224(1B) of the Companies Act, 1956. The audit committee and the Board of Directors recommend re-appointment of M/s. Dharmesh Parikh and Co., Chartered Accountants, Ahmedabad as statutory auditors of the Company for the year 2004-05.

Notes forming part of accounts are self-explanatory and therefore, do not call for any further comments.

## CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION, ETC.

As your Company is a trading unit, the statement containing the information as per Section 217(1)(e) of the Companies Act read with the Companies (Disclosure of particulars in the Report of Board of Directors) Rules, 1988, is not appended. The details of foreign exchange earnings and outgo are appended in the Annexure-I attached herewith.

## EMPLOYEES

Relations with the employees continued to be cordial throughout the year. Your directors express their sincere thanks to employees for their commitment, teamwork and substantial contribution towards achieving corporate objectives. The information required to be included as per Section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975 made thereunder, is set out in the annexure forming part of this Report.

## ACKNOWLEDGEMENT

Your directors take this opportunity to thank the central and state government, customers, suppliers, business associates, shareholders, banks and financial institutions for their continued support and faith reposed in your Company. Your directors also place on record appreciation of the management team and all the employees of the Company for their sincere hard work, dedication and commitment.

For and on behalf of the Board of Directors

PLACE : AHMEDABAD  
DATE : 5TH MAY, 2004

GAUTAM S. ADANI  
Chairman



## Annexure to Directors' Report for the year ended 31st March, 2004

### ANNEXURE I

#### FOREIGN EXCHANGE EARNINGS AND OUTGO:

		(figures in crores)	
		Current year	Previous year
(I)	Foreign exchange earned (Including export of goods on FOB basis)	4841.46	376.28
(II)	Foreign exchange used	2155.71	765.18

### ANNEXURE II

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

Sr. No.	Name	Age (yrs.)	Designation	Remuneration Gross (Rs. in Crores)	Qualification	Date of commencement of employment	Last employment held-Designation and Period for which held
1	Mr. Gautam S. Adani	42	Chairman	0.49/-	S.Y. B.Com	1/12/93	Business
2	Mr. Rajesh S. Adani	40	Managing Director	0.66/-	B. Com.	1/12/93	Business
3	Mr. Vasant S. Adani	49	Whole-time Director	0.41/-	B.A.	7/1/95	Business
4	Mr. Pradeep Mittal	50	CEO (Energy & Minerals)	0.48/-	Diploma in Mktg.	1/1/98	Chief General Manager Karamchand Thapar and Brothers (C.S.) Ltd.

#### B. Employed for a part of the financial year and were in receipt of remuneration for any part of the financial year at a rate which in aggregate was not less than Rs. 2,00,000/- per month.

Sr. No.	Name	Age (yrs.)	Designation	Remuneration Gross (Rs. in Crores)	Qualification	Date of commencement of employment	Last employment held-Designation and Period for which held
				N I L			

Note: Remuneration as above includes salary, contribution to provident and other funds and other perquisites.





## ANNEXTURE - III MANAGEMENT DISCUSSION AND ANALYSIS REPORT

### Industry Structure and Development

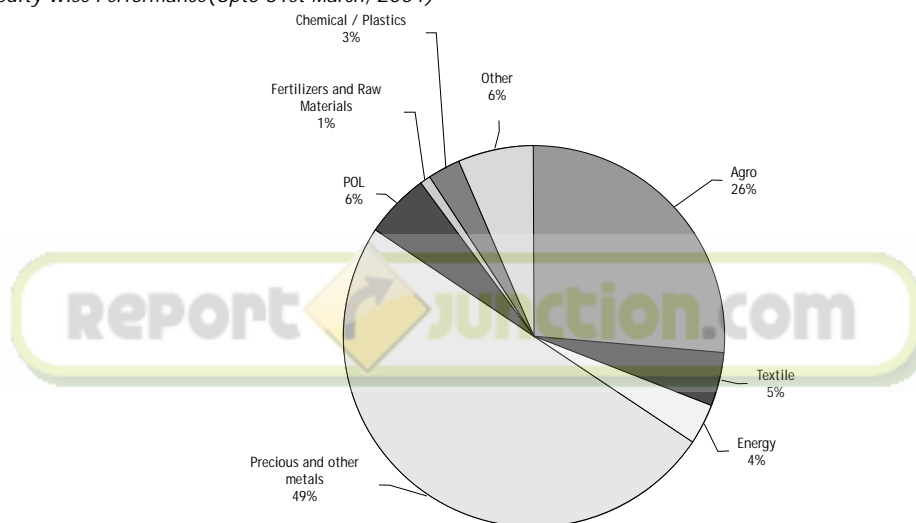
During the year under review, the real GDP of the country registered a robust growth rate of around 8.7 per cent. The lower GDP in 2002-03 stemmed mainly on account of poor monsoons during the period, which impacted the agricultural sector. However, monsoons during the year 2003-04 have been substantially better (and widespread) and this has given impetus to economic recovery. The industrial production was up by 6.7 per cent as compared with a 5.7 per cent increase recorded in the corresponding previous year.

India's Export Industry continues to occupy a place of prominence in the Indian Economy. The Company is predominantly involved in the global trading business, hence its performance is normally influenced by macro-economic growth rate, EXIM policy of government and global competition as well as relative competitive position of the Company. During the fiscal year 2003-04 exports recorded an impressive 17.1 percent growth, on top of the 20 per cent increase clocked in the previous year. In a year when the rupee appreciated by about six percent against the dollar, the performance of export sector is commendable.

In fiscal 2003-04 imports grew by 25.3 per cent as compared with 17.0 per cent in the corresponding period of 2002-03. The surge in imports was fuelled more by rising non-POL (Petroleum, Oil and Lubricant commodities) imports even as growth in POL imports slowed down. Non-POL imports grew at a robust rate of 30 percent during the current fiscal year as against the 13.7 percent increase recorded during the previous fiscal. Growth in POL imports slowed down to 14.3 percent during 2003-04 as compared with 25.6 percent growth recorded in previous fiscal.

(Source : CMIE Report)

### Commodity Wise Performance (Upto 31st March, 2004)



#### A. Agro Commodities

The Company is successful in maintaining its status as one of the largest exporter of agro commodities. It has retained its position of being the largest exporter of wheat from India. It has remained the biggest exporter of wheat to Middle East and South East Asia maintaining buyer loyalty earned so painstakingly over past years. Whilst exports of castor oil maintained their momentum during the current year, we have added Groundnut oil as a major product of export. In fact the Company has emerged as one of the largest exporters of groundnut oil from the country. During the year the Company has also commenced exports of HPS (groundnut kernels) and sesame seeds to Europe and China. Besides it has also added maize to its ever-expanding agro product portfolio, exporting to Middle East and Far East. Rice is another item wherein the Company sees a good export potential. The Company will continue to consolidate its position in its existing agrobasket comprising of wheat, oilmeals, maize, pulses, castor oil and focus its resources on broad-basing its agro portfolio there by maintaining its position as a leading consolidator and mover of bulk cargo.

#### B. Textiles

Textile Industry is a strong backbone of Indian Economy. Its dominance is due to its contribution in the indian production, employment generation and forex earnings. However, the Industry has been facing very difficult period for the last four years. The major factors affecting exports of textile from India is the relative cost of manufacture in comparison to other countries of Asia as well as demand shrinkage from the overseas market. Export performance of textile sector has been poor during the fiscal 2003-04. Despite poor performance of textile sector during the fiscal 2003-04, the Company has established a strong buyer base for its yarns and has emerged as one of the leading players in the Country. Its position in highly quality sensitive markets like Europe has become stronger. Many new alliances to promote business have been formed and the future looks much brighter.

The import portfolio of the Company also looks positive. Imports possibilities have been very closely studied and the plan will unfold into implementation this year.

The Company is hopeful that the quota free global trade w.e.f. January 1st, 2005 will open up new opportunities.

Textile business of the Company will achieve sustaining momentum that will allow the Company to meet challenges of post quota regime.

#### C. Energy

Performance of energy sector of India improved significantly in the second half of the fiscal 2003-04. This was reflected in the 5.5 per cent growth in coal production during the fiscal 2003-04 as compared with the 4.8 per cent growth registered in the same period of 2002-03. During the year inspite of abnormal increase in FOB price as well as ocean freight compounding with world wide coal shortage, coal business has succeeded in maintaining its market share as well as fulfilled all its commitments to its customers. The Company has also succeeded in sourcing and importing coal from Indonesia.



The Company has also started the iron ore trading successfully during the year 2003-04. With a long term vision, the Company has also started a minor port at Belekeri, North Karnataka to handle iron ore and other bulk cargo.

The Company has been always on the look out for new trading opportunities and increasing its commodity basket and has added more trading venture during the year. Power trading is an accepted business practice in the energy markets across the world and offers attractive opportunities in our country, in view of diversities in demand pattern and mismatch in supply and demand of power across different regions / states. As such power trading by sourcing surplus power and selling to deficit utilities aims to correct above market imbalances and optimize India's power resource as well as bring down average cost of electricity.

Looking into this opportunity and in view of recently promulgated Electricity Act 2003, which provides for trading of power as a separate but licenced activity, the Company decided to diversify its activities in power trading as well. After obtaining provisional licence for trading in power from Central Electricity Regulatory Commission in the month of November 2003, the Company started trading in power and in a very short span of four months i.e. from December 2003 to March 2004, the Company has already traded 102 Million Units of power recording a turnover of about Rs. 22 crores as on 31st March, 2004. The Company aims to increase the volume of trading to approximately 1000 Million Units in financial year 2004-05. The Company is confident of achieving this target with good margins.

#### D. Precious Metals

During the year under review gems & jewellery contributed 16.60 percentage points to the overall export growth of India. Having a large share of about 20 per cent, higher growth of gems and jewellery exports augur well for the overall growth in exports of India. The Company in its quest for newer trading avenues had a couple of years ago entered diamond trade. We are glad to report that the Company has achieved substantial volumes in the year under reporting and we were able to add value to the trade by exporting cut and polished diamonds to a number of countries including Hong Kong, USA, Israel and Middle East.

The Company is confident of achieving reasonable volumes in the coming year with good margins.

#### E. Petroleum, Oils and Lubricants (POL)

The major users of POL products are industries engaged in generation of power, solvent fuel etc. and bitumen is used for making roads in India. The Company imports these commodities from Middle East countries such as UAE, Dubai, Qatar etc.

The Company hopes to build up handsome volumes in the trading of the petroleum products, since we have the necessary infrastructure in place in terms of its competitive procurement from the international markets, storage facilities at its port and marketing to various users in India.

The Company continues its focussed trading in a wide range of petrochemicals viz. methanol and has introduced several innovative value added service structures to enhance its profitability.

#### F. Fertilisers and Raw Materials

The Company deals in sulphur & ammonium nitrate. During the year under review, the trading volume of sulphur and ammonium nitrate have witnessed a growth of around 25% over the previous year with reasonable good profitability. Having executed couple of orders of ammonium nitrate successfully, the Company plans to further build up handsome trading volume of this commodity in the coming year(s) by enlarging the customers base. In the field of sulphur trading, the Company hopes to expand the business by roping in institutional buyers & by catering to other regular buyers in the markets of Mumbai, especially the chemical units.

#### G. Treasury

The Company's main activities of treasury include(s) management of cash resources, implementing hedging strategies for foreign currency exposures and ensuring compliance with market risk limits and policies on a daily basis. During the year under review, due to phenomenal GDP growth rate, the surge in the capital inflows led to the huge accretion in forex reserves swelling over US\$ 110 billion by the end of March, 2004. As a result, Rupee registered a steep appreciation of 8.8% on year to year basis. The benchmark US\$ interest rate also remained at its lowest level due to the continued downturn and slow recovery in the US economy.

The appreciation of Indian Rupees and lower US \$ interest rate had a positive impact on our imports and forex loan portfolio. In exports, the Company remained competitive due to its prudent risk management strategy through forex derivative products. As such the Company managed to reduce the cost of trade financing and become more competitive.

#### Competition/Outlook on opportunities

Since inception, the Company has built significant expertise in global trading. However, the success of any business, apart from its own efforts and progress, is often dependent on several external factors, global trading is also not exception to it. This may be in the form of opportunities which it can utilize to its benefits or threats, against which it has to cushion itself. In view of this, favourable opportunities are expected to make a good leap in a highly volatile competitive global market and more particularly in the growth of export activities of the Company. However, the Company has to face competition, appreciation in rupee value and decrease in conversion margins.

Liberalisation process will definitely open up new opportunities as well as challenges to the textile industry. Undoubtedly free business environment will result in rapid growth of exports from low cost supplying countries but it will definitely increase global competition. Cost effectiveness will help in maintaining industry's share in global markets, especially in 2005. Liberalisation of ensuing year should see some interesting developments that will create a platform for future growth. The management is actively studying the possibilities of setting up a manufacturing facility and is planning to have representation in few major markets. Though there are evident signs of improvement in the textile industry scenario but the increase in the prices of raw materials and demand shrinkage from overseas countries, are the cause of concern for the textile industry. The Company will continue to focus on operational improvements, manpower rationalisation and cost reduction efforts for improving the margins in global trading of its textile products.

On the strength of an excellent monsoon, the current year has seen exceptional growth in the farm sector. The Company took full advantage of the tremendous opportunity it afforded and given our past experience in this field. The Company proposes to continue to recognize the tremendous potential agro commodities offer and having developed its core strength of being a consolidator and mover of Agro commodities in bulk. It expects trade in all major agro commodities such as Wheat, DOC, Castor Oil, Groundnut Oil, Maize, Rice, HPS, Sesame Seeds to grow. The Company maintains its status as one of the largest agro players in the country.

The Company continues to be a major importer of petroleum products in the private sector. In future, the Company plans to trade in Indian Market for all type of petroleum products.