



DIRECTOR'S REPORT

To

The Members,

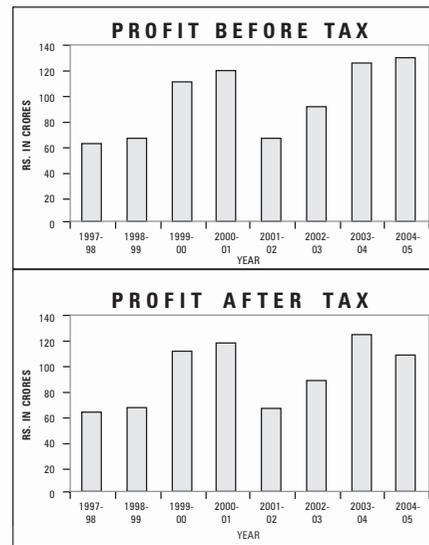
Your Directors have pleasure in presenting the 13th Annual Report together with the audited statement of accounts for the year ended 31st March, 2005.

FINANCIAL RESULTS

The Financial Results of your Company for the year ended 31st March, 2005, are as follows :

(Rs. In Crores)*

Year Ended March 31,	2005*	2004*
Sales and operating earnings	13515.84	7069.05
Other income	3.03	76.98
Gross Profit before Depreciation, Interest and Tax	184.88	181.45
Finance charges	52.15	53.52
Depreciation	2.11	1.79
Profit before Tax	130.62	126.14
Surplus brought forward from Previous Year	239.38	186.37
Balance available for appropriations	347.67	310.46
Appropriations:		
Dividend on Preference Shares:		
- Interim	0.19	0.99
- Final	-	0.01
Dividend on Equity Shares:		
- Final	9.02	8.82
Tax on Dividend	1.29	1.26
General Reserve	80.00	60.00
Balance carried to Balance Sheet	257.16	239.38
*1 crore equals 10 million		
Total	347.67	310.46



PERFORMANCE OF YOUR COMPANY

Your Directors are pleased to inform you that your Company has posted a Gross Turnover of Rs. 13515.84 Crores as against the Previous Year of Rs. 7069.05 Crores, showing growth of 91.20%. The Profit for the period before taxation for the year under review is Rs. 130.62 Crores as against the Previous Year of Rs. 126.14 Crores. This has been made possible largely due to the top-line growth, focus on value-added products and continued accent on cost-optimisation.

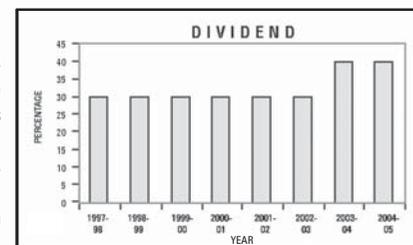
During the year, the turnover has increased substantially as a result of your Company pursuing the twin strategy of concentrating on high value added turnover in its core areas and also focusing on its supportive strength to promote turnover of certain items with marginal overall profitability.

The value addition exercise has been immensely helped by the emphasis on exports and the consequent higher per unit realization. In fact, the exports have grown from Rs. 4841.46 Crores in 2003-04 to Rs. 10807.97 Crores in 2004-05, the representing growth of 123 %.

Your Company has now been recognized as "Five Star Export House" by the Ministry of Commerce and Industry, Office of the Joint Director General of Foreign Trade, Government of India in accordance with the provisions of EXIM Policy.

DIVIDEND

In the Previous Year, your Company had paid a dividend of Rs. 4 per equity share. This year, your Directors are pleased to recommend a dividend of 40% on 225539684 Equity Shares of Re. 1 each absorbing Rs. 10.29 Crores, 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 9th August, 2005. Hence, the total dividend payout for the year under review is Rs. 10.29 Crores including tax thereon. The dividend will not suffer tax in the hands of the shareholders. 50,65,684 equity shares allotted during the year upon conversion of 740 Foreign Currency Convertible Bonds (FCCBs) will be entitled to full dividend.



SEGMENT REPORTING

Your Company is a "Five Star Export House" 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.

"GROUP" FOR INTER-SE TRANSFER OF SHARES

As required under Clause 3(e) of the Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 1997, persons constituting "Group" (within the meaning as defined in the Monopolies and Restrictive Trade Practices



Act, 1969) for the purpose of availing exemption from applicability of the provisions of Regulation 10 to 12 of the aforesaid SEBI Regulations are given in Annexure III attached herewith and the said Annexure III forms part of this Annual Report.

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

The shares of your Company are listed at The Stock Exchange, Mumbai, National Stock Exchange and Ahmedabad Stock Exchange. The listing fee for the year 2005-06 has been paid before the due date.

SHARE CAPITAL

Sub-division of face value of shares :

After obtaining necessary approval of the members at the 12th annual general meeting of the Company held on 3rd July, 2004, the face value of shares of your Company stands sub-divided from Rs. 10/- each per share to Re. 1/- each per share with effect from 7th August, 2004.

Your directors are pleased to inform you that after reduction in the unit price of the shares, the shares of the Company have now become more affordable to the retail investors and this has resulted into improvement in terms of liquidity in the scrip significantly.

Issue of Foreign Currency Convertible Bonds (FCCBs)

In September 2004, in order to meet the long term fund requirements, we raised a sum of Rs. 174.42 Crores (USD 38 million) by issuing 1% Foreign Currency Convertible Bonds (FCCBs) in the international markets.

We are pleased to inform you that this was one of the most successful issues in the overseas market. Allocations were made to top quality investors. The conversion price of the share was fixed at Rs. 67 per share. The fixed exchange rate at which the aggregate principal amount of the Bonds deposited for conversion shall be translated into INR (the "Fixed Exchange Rate") is INR 45.865 for USD 1.

These bonds are convertible into equity shares of the Company at Rs. 67 per share at the option of the bondholders, any time during the conversion period from November 8, 2004 to September 23, 2009. Unless the Bonds are previously purchased and cancelled or the Bonds are converted as herein provided, the Company will redeem the Bonds at 124 per cent on October 23, 2009, without any previous notice.

It's a matter of great pleasure to inform you that Foreign Currency Convertible Bonds (FCCBs) issue has given advantages of prevailing low financing costs regime existing in the international markets to your Company.

The above FCCB issue is a clear demonstration of the confidence of investors in your Company. FCCB issue has made your Company financially even stronger and has enhanced its ability to encash any growth opportunity that may come its way.

Conversion of Foreign Currency Convertible Bonds into Equity Shares of the Company and increase in Paid up Share Capital

During the year under review, your Company had received seven conversion notices for conversion of 740 Foreign Currency Convertible Bonds (FCCBs) of USD 10,000 each into 50,65,684 equity shares of the Company.

35,25,442 equity shares were allotted to FCCB holders upon conversion of 515 FCCBs on 18th February, 2005 and 15,40,242 equity shares were allotted to FCCB holders upon conversion of 225 FCCBs on 21st March, 2005.

In view of this, paid up share capital of your Company stands increased from Rs. 220474000/- to Rs. 225539684/-.

Redemption of Preference Shares and Non Convertible Debentures.

During the year under review, your Company has redeemed 1,00,00,000 9.9% Cumulative Redeemable Preference Shares of Rs. 10/- each – Series VII. The Company has paid dividend @ 9.9% p.a. upto the date of redemption.

As per the terms of issue, last installment of Rs. 5,00,00,000/- of 15,00,000 privately placed 14.50% Secured Redeemable Non Convertible Debentures of Rs. 100/- was redeemed on 29th December, 2004 being its due date for redemption.

CORPORATE GOVERNANCE

Your Directors are pleased to inform you that name of your Company has figured amongst the **Top 25 Companies** selected for the purpose of Corporate Governance Award, 2004 by the Institute of Company Secretaries of India (ICSI).

Your Company has already implemented mandatory requirements of Corporate Governance in terms of the provisions of Clause 49 of the Listing Agreement in its letters and spirit and continuously tries to improve it.

Adequate steps have been taken to ensure that all the provisions of Clause 49 of the Listing Agreement are duly complied with.

A separate section on Corporate Governance and a Certificate from the Auditors of the Company regarding compliance of conditions of Corporate Governance as stipulated under Clause 49 of the Listing Agreement/s with Stock Exchange/s together with the Management Discussion and Analysis of the financial position of the Company, forms part of the Annual Report.

FORMATION OF VARIOUS COMMITTEES

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



DIRECTORS

Re-appointment of Managing Director

The tenure of Shri Rajesh S. Adani as Managing Director is due to expire on 10th June, 2005. In view of his expertise in the financial and commercial intricacies, he is in charge of the day to day operations of the Company. His proactive and personalised approach to business and competitive spirit has been instrumental in the Company establishing business relationships and a wide network of contacts with traders across the globe.

The remuneration committee of the Company at its meeting held on 11th May, 2005 and subsequently, the Board at its meeting held on 11th May, 2005 have re-appointed Shri Rajesh S. Adani as Managing Director unanimously for a further period of five years with effect from 10th June, 2005 subject to the approval of the shareholders in General Meeting

In view of this, it will be in the best interest of the Company to re-appoint Shri Rajesh S. Adani as Managing Director of the Company w.e.f. 10th June, 2005. Terms and conditions for his re-appointment are contained in the Explanatory Statement forming part of the Notice of the ensuing Annual General Meeting.

Increase/revision of remuneration of Executive Chairman

On review of the duties and responsibilities assigned to Mr. Gautam S. Adani, Executive Chairman and looking to the time devoted and from taxation point of view, the Board of Directors of your Company on recommendation of remuneration committee have decided to increase remuneration payable to him as detailed in the Explanatory Statement forming part of the Notice of the ensuing Annual General Meeting.

Resignation/cessation of Director(s)

Shri Vasant S. Adani has resigned as Whole-time Director of the Company w.e.f. 11th May, 2005. Shri Vasant S. Adani will continue as Non-executive Director of the Company.

Shri Biswajit Choudhuri, who was appointed as Nominee Director of Unit Trust of India on the Board of Directors of the Company on 26th October, 2002 has resigned with effect from 24th January, 2005.

The Board has placed on record the valuable contribution made to the Company by Shri Vasant S. Adani as Whole-time Director and Shri Biswajit Choudhuri as Nominee Director of Unit Trust of India.

Retirement by Rotation

In accordance with the requirements of the Companies Act, 1956 and the Articles of Association of the Company, Shri Vasant S. Adani and Shri C.R. Shah retire by rotation at the forthcoming Annual General Meeting and being eligible, offer themselves for re-appointment.

DIRECTORS' RESPONSIBILITY STATEMENT

The Directors' Responsibility Statement as required under Section 217(2AA) of the Companies Act, 1956.

Directors hereby confirm :

- That in the preparation of the accounts for the financial year ended 31st March, 2005, the applicable accounting standards have been followed and that no material departures have been made from the same.
- That the Directors have selected such accounting policies and applied consistently and reasonable and prudent judgements 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.
- 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.
- That the Directors have prepared the annual accounts on a "going concern" basis.

CONSOLIDATED ACCOUNTS

Your Directors have pleasure in attaching the Consolidated Financial Statements in accordance with the Clause 32 of the Listing Agreement with the Stock Exchanges and Accounting Standard 21 on "Consolidated Financial Statements" issued by the Institute of Chartered Accountants of India, which form part of the Annual Report and Accounts.

SUBSIDIARY COMPANIES

Adani Global Limited is a wholly owned subsidiary of your Company. Adani Global Pte. Ltd., Singapore and Adani Global FZE, Dubai are subsidiary Companies of Adani Global Ltd. The Directors report, Audited Statement of Accounts and the Auditors' Report thereon of these subsidiary companies are annexed pursuant to Section 212 of the Companies Act, 1956.

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 also annexed herewith.

Further, as required under Accounting Standard AS-21 issued by The Institute of Chartered Accountants of India, in compliance with the Listing Agreement/s with the Stock Exchange/s, Consolidated Statement of Accounts together with the Auditors' report are annexed.



AUDITORS AND AUDITORS' REPORT

- The statutory auditors, M/s. Dharmesh Parikh and Co., Chartered Accountants, Ahmedabad, retire at the ensuing Annual General Meeting and being eligible, offer themselves for re-appointment.
- M/s. Dharmesh Parikh and Co. have confirmed their eligibility for re-appointment 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 2005-06.
- The notes to the Accounts referred to in Auditors' Report are self explanatory and, therefore, do not call for any further explanation under Section 217(3) of the Companies Act, 1956.

CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION, ETC.

Since 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 and forms part of this report.

EMPLOYEES

Your Company continues to focus on its core values of **Quality, Integrity, Leadership, Collaboration and Respect for people**. As a part of talent acquisition exercise, 47 professional were recruited to meet gaps in skill sets and support growth areas.

Relations between the Company and the employees continue to be cordial at all locations.

Information required to be given pursuant to the provisions of Section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975 is enclosed herewith, marked Annexure – II and forms part of this report.

AWARDS AND RECOGNITIONS

Your Company has received the following awards/recognition/trophies during the year under review:

1. Name of your Company was figured amongst the **Top 25 Companies selected** for the purpose of Corporate Governance Award, 2004 by the Institute of Company Secretaries of India.
2. Your Company was recognized as **"Five Star Export House"** by the Ministry of Commerce and Industry, Office of the Joint Director General of Foreign Trade, Government of India in accordance with the provisions of EXIM Policy.
3. **GCCI Export Appreciation Award 2003-04** in recognition for your Company's outstanding export performance in the field of Agro, Textile and Marine Products, Cut and Polished Diamonds etc, as Merchant Exporter in the category of Rs. 1000 Crores and above.
4. **Secured 63rd rank in Dun and Bradstreet's India's Top 500** Companies, 2004.

TSUNAMI RELIEF

Just prior to the year end the country was drawn into the totally unexpected Tsunami disaster. This was amongst the worst disasters that the world has faced and the entire Adani family responded to the process of relief and rebuilding. Your Company donated Rs. 50,00,000/- (Rupees Fifty Lacs Only) to Prime Ministers Relief Fund towards rehabilitation to Tsunami victims. Besides this, all the employees of your Company donated one day salary to the Prime Minister's Relief Fund.

ACKNOWLEDGEMENT

Your Directors record their thanks to the Company's employees at all levels for their dedication and commitment throughout the year. Your directors would also like to record their thanks to the Company's shareholders, bankers, financial institutions, Central and State Government officials, vendors, traders and all customers for their continued support and co-operation.

PLACE : AHMEDABAD
DATE : 11th May, 2005

For and on behalf of the Board of Directors

GAUTAM S. ADANI
Chairman



ANNEXURE TO DIRECTORS' REPORT FOR THE YEAR ENDED 31ST MARCH, 2005

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)	10807.97	4841.46
(II) Foreign exchange used	9228.08	2155.71

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	43	Chairman	1.03	S.Y. B.Com	1/12/93	Business
2	Mr. Rajesh S. Adani	41	Managing Director	1.32	B. Com.	1/12/93	Business
3	Mr. Vasant S. Adani	50	Whole-time Director	0.79	B.A.	7/1/95	Business
4	Mr. Pradeep Mittal	51	CEO (Energy & Minerals)	0.50	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	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.

ANNEXURE - III FORMING PART OF THE DIRECTORS REPORT

The following is the list of persons constituting "Group" (within the meaning as defined in the Monopolistic and Restrictive Trade Practices Act, 1969) for the purpose of availing exemption from applicability of the provisions of Regulation 10 to 12 of Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 1997 ("the said Regulations"), as provided in Clause 3(e) of the said Regulations :

Sr. No.	Particulars	Sr. No.	Particulars	Sr. No.	Particulars
1	Accurate Finstock Pvt. Ltd.	23	Gujarat Adani Energy Ltd.	45	Namrata P. Adani
2	Adani Agri Fresh Ltd.	24	Gujarat Adani Infrastructure Pvt. Ltd.	46	Param P. Adani
3	Adani Agro Pvt. Ltd.	25	Gujarat Adani Port Ltd.	47	Pranav V. Adani
4	Adani Chemicals Ltd	26	I Call India Ltd.	48	Priti G. Adani
5	Adani Global FZE	27	I Gate India Pvt. Ltd.	49	Priti R. Shah
6	Adani Global Ltd.	28	Intercontinental (India)	50	Pushpa V. Adani
7	Adani Global Pte. Ltd.	29	Mahasukh S. Adani Family Trust	51	Rahi R. Adani
8	Adani Infrastructure Services Ltd.	30	Mundra Special Economic Zone Ltd.	52	Rajesh S. Adani
9	Adani Investments	31	Netvantage International Ltd.	53	Rakesh R. Shah
10	Adani Logistics Ltd.	32	Rajesh S. Adani Family Trust	54	Ranjan V. Adani
11	Adani Petronet (Dahej) Port Pvt. Ltd.	33	S. B. Adani Family Trust	55	Riddhi V. Adani
12	Adani Port Infrastructure Ltd.	34	Shahi Property Developers Pvt. Ltd.	56	Sagar R. Adani
13	Adani Power Pvt. Ltd.	35	Shantikrupa Estates Pvt. Ltd.	57	Shantaben Adani
14	Adani Properties Pvt. Ltd.	36	Vasant S. Adani Family Trust	58	Sharmishta Sanghavi
15	Adani Textile Industries	37	Vinod S. Adani Family Trust	59	Shilinben R. Adani
16	Adani Wilmar Ltd.	38	Bhavik B. Shah	60	Surekha B. Shah
17	Advance Exports	39	Gautam S. Adani	61	Suvarna M. Adani
18	B2B India Pvt. Ltd.	40	Jeet G. Adani	62	Vanshi R. Adani
19	B2C India Ltd.	41	Karan G. Adani	63	Vasant S. Adani
20	Crown (International)	42	Kunal D. Shah	64	Vinod N. Sanghavi
21	Ezy Global	43	Mahasukh S. Adani	65	Vinod S. Adani
22	Gautam S. Adani Family Trust	44	Mansi K. Shah		

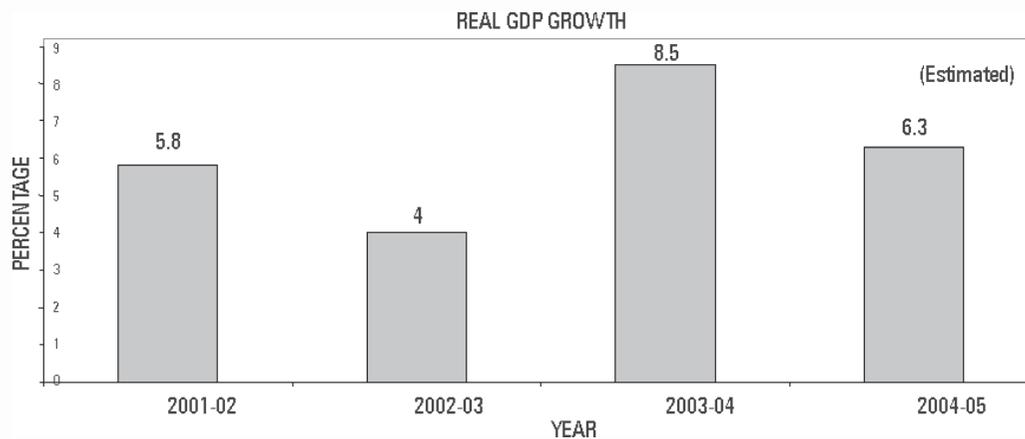


ANNEXTURE - IV MANAGEMENT DISCUSSION AND ANALYSIS REPORT

The management of Adani Exports Limited presents the analysis of performance of the Company for the year 2004-2005 and the outlook for the future, which is based on assessment of the current business environment. It may vary due to future economic and other developments, both in India and abroad.

Economy and Business Environment

Review of Economy



During the year 2004-2005, the Indian economy fared well with an estimated GDP growth of around 6.3 per cent, better than in the past several years. This growth was spread across all sectors and is an indicator of robustness of the India economy. All the major economic indicators were favorable, helping the India's growth to the second highest position after China.

The foreign exchange reserves of the country swelled to US\$ 135089 Million at the end of the fiscal year and are still continuing to rise. The Indian rupee appreciated by about 3.08 per cent to the U.S. Dollar in this one year. While this was a matter of concern for exporters, exports in 2004-05 were, nevertheless, higher by 24.40 per cent. Imports grew by 35.50 per cent during 2004-05.

Investor confidence in the capital markets revived significantly, with the BSE Sensex remaining over 6,000 at the end of the year. The buoyancy of the primary equity market is expected to continue in fiscal 2005-06 with a number of companies lined up to tap the capital markets. At the same time there are some concerns. Of late, inflation stood at 6.4 per cent. This level of inflation is almost one percentage point higher than the 5.4 per cent inflation experienced in the preceding fiscal year. There are signals that oil prices may rise further. Coal cost has been hiked just recently. The spurt in prices of many agricultural commodities on account of the poor progress of the monsoons and trucker's strike in August 2004 also contributed to the increase. Interest rates seem to have bottomed out and the possibility of it increasing cannot be ruled out. Thus, inflation in 2004-05 could be attributed to supply constraints and rise in cost, driven by hardening of prices in international markets. These factors are likely to increase inflation further and have some negative impact on the business environment.

This has been a year of overall progress. But India will need several years of such robust performance to mature into a developed economy.

Even with these concerns, we believe that all the business indicators are well in place for the economy to achieve an overall GDP growth of about 6.0 per cent in 2005-06.

(Source : CMIE Report)

The management's views on the Company's performance and outlook are discussed below:

A. Agro Commodities

In spite of the poor monsoon, the food grain production for the year 2004-05 is placed at 210.4 million tones, compared to the 213.4 million tones produced in the previous fiscal. It is a matter of great pleasure to inform you that the Company has continued to consolidate its position as one of the leading exporter of agro commodities. For the first time open market procurement of wheat to feed the export market was undertaken. The Company has continued to maintain its leading position as an exporter of wheat from India. Open market procurement was necessitated as government of India stopped releasing wheat from the central pool for export purposes. The Company grew in strength in castor oil exports and the volume during the year was doubled. The Company now handles almost 25% of Castor oil exports from India. The Company has successfully explored and tapped the market of China while retaining its existing customer in Europe, Japan, Thailand & USA.

Hps (Groundnut Kernels), Maize, Rice, Groundnut oil, Soyameal and other oilcakes like castor meal, rapeseed meal continue to do well. The Company has enlarged its agri commodity basket by adding industrial salt to its trading portfolio.

With a view to effectively manage the risk in agro commodities, the Company has initiated hedging operations in the futures exchanges of India like NCDEX, NBOT etc. In the ensuing year the Company plans to expand its operations in domestic trading to have a sustainable business model.



B. Textiles

The textile industry is one of the important sectors of the Indian Economy. Your management is of the opinion that Indian Textile Industry is poised for big growth opportunity because of quota free global trade and its inherent strength in value chain. The textile industry witnessed a healthy recovery in 2004-05. The weighted production index recorded growth of 8.9 per cent in 2004-05 as against 1.1 per cent drop in production in Previous Year.

The Company continued to be on the growth path both in terms of volume as well as overall revenue while maintaining healthy bottom line and enjoyed a dominant position as a merchant exporter of textile products. The implications of quotas phasing out have been far reaching and the Company is in the process of making adjustments in its business model to meet with new challenges.

Thus the focus of the Company firmly remains on trading activities. New avenues of expanding business on trading model are constantly being explored. India as a market is also posing very interesting opportunities and a very serious effort is being made to develop import based business for Indian Market.

The Company continues to enjoy good reputation with all its buyers and suppliers. The management is confident of posting good results in the current year also.

C. Energy & Minerals

The performance of the Energy Sector has shown much improved results in the fiscal year 2004-05 over the working of the Previous Year. Coal production rose by 4.4 per cent in the fiscal 2004-05, on top of a 7.2 per cent increase in the Previous Year. Crude oil production was up by 1.8 per cent in 2004-05, after registering an increase of one per cent in the preceding fiscal. During 2004-05, growth in power generation was 5.2 per cent, same as in the preceding financial year. Performance of the Company in the energy sector is as under :

Coal and Coke : The increase in import of bulk Coal / Coke has been doubled over the previous period. Despite odds, all commitments of domestic orders were fulfilled.

Iron Ore : Procurement of Ore from the mine owners had been difficult during the financial year 2004-05, due to steep increase in ore prices leading to much speculation and withholding of supplies by them, despite which the Company has exported over one million tones of ore and has posted healthy margins. In view of the fluctuation in iron ore prices resulting in constraints in procurement of sufficient iron ore, the Company has made arrangement for dedicated minings.

The performance of Iron Ore handling at the Belekeri Port was considerably improved and all supplies to foreign buyers were efficiently executed.

Power Trading: The Operations have resulted in a marked improvement and about 800 million units have been traded with improved margins.

D. Precious Metals

The gems and jewellery industry is undergoing substantial structural change. If one were to look into the history of Gem & Jewellery Exports from India especially, of Cut and Polished diamonds, it will be noticed that the exporters were mainly family owned and run proprietary/partnership firms. Eventually, the globalization, has its effect on this trade too. Like other industrial and business ventures, diamond exporters have also moved to corporatization, in view of the ambitious business strategy of the industry players and significant spurt in the volume of trade on the one hand and the attendant need for huge working capital on the other, which proprietary/partnership firms cannot garner from financial institutions. Other reasons for the corporatisation is the ready availability of highly skilled and trained manpower churned out by several institutions in this field.

Although a recent entrants to this trade, the Company has been able to carve out niche by its consistent and quality supplies to the ever growing quality conscious buyers from a number of countries. The Company also has to its credit substantial exports of gold jewellery from India.

E. Petroleum, Oils and Lubricants (POL)

POL imports have seen robust growth in fiscal 2004-05. POL imports were up by 41.20 per cent during 2004-05 as against a 16.5 per cent rise witnessed during 2003-04. A large portion of the increase was on account of the surge in crude oil prices in international markets and increase in domestic demand for crude oil.

The major users of POL products are industries engaged in generation of power, production of steel, manufacture of fertilizers & solvents etc. Bitumen is used for making roads. Apart from above, we also supply Furnace oil as a fuel to ships. The Company imports these commodities from Middle East countries such as UAE, Bahrain, Iran 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, leveraging facilities at Mundra Port and established marketing credentials to various users in India.

F. Petrochemicals and Industrial Products

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

G. Fertilizers and Raw Materials

During 2004-05, fertiliser production rose by 7.5 percent to 15.3 million tonnes as opposed to a one per cent fall in the previous fiscal.

The Company deals in sulphur ammonium nitrate and phosphoric acid. During the year under review, the trading volume of sulphur and ammonium nitrate have witnessed a healthy growth of around 15% over the Previous Year with substantial



margins. Having executed large 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 customer base. Infact in the past couple of years, the Company has established its name as one of the formidable players in the field of ammonium nitrate trading. In the field of sulphur trading, the Company hopes to expand the business by roping in institutional buyers and by catering to other regular buyers in the markets of Mumbai, especially the chemical units. The Company intends to make a foray in the field of Rock phosphate trading in the coming year in its efforts to expand the basket of products being handled.

Competition/Outlook on opportunities

The Company is looking at the future with a lot of optimism and hope. The Company's growing reputation for developing and delivering quality products at competitive prices has enabled it to expand the turnover significantly. Over the last decade, the Company has established and maintained its pioneer position in the global trading industry. But success of any business apart from its own efforts lies in many external factors, which are beyond the control of the Company. The Company is also not an exception to it. The Company would continue to focus on effective risk management practices. Models to identify and manage risks are constantly fine-tuned to ensure profitable growth. The Company has chalked out sector-wise strategy to improve its competitive positioning. The business prospects for the Company in the Agro, Textile, Energy & Minerals, Power, Petroleum, Oil and Lubricants, Precious Metals and Coal & Coke Sectors are expected to be good.

The quota free global trade offers a great opportunity to the textile industry to increase its share in the world textile exports, which is less than 1% of the world trade. To share the benefits of expected increase in India's textile share, the Company will have to meet the international quality standards and that too at very competitive rates. The Company has already taken steps in this regard and new avenues of expanding business on trading model are constantly being explored. The Company will continue to focus on operational improvements, manpower rationalization and cost reduction efforts for improving the margins in global trading of its textile products.

Prices of agro commodities are dependent upon a host of uncontrollable factors like good and timely monsoons. Indian economy is also slowly integrating itself with the world market and any changes in the global prices for various reasons have a direct and indirect impact on agro commodities in India. Measures being taken includes forecasting future trends and hedging operations in the futures exchanges of India like NCDEX, NBOT etc to minimize the impact on the profitability of the Company.

The Company has maintained its position as major importer of petroleum products in the private sector. The Company plans to trade in Indian Market for all type of petroleum products.

In an environment of rapidly escalating competitive challenges, the Company has also plans to implement its global strategy of operating exclusively in Indian operations. It also aims at building up domestic agro trade on a large scale.

Risk and Concerns

Risk is inherent in any business activity, particularly in global trading industry. As the Company steps up its international operations, and contribution of exports to the total revenue grows larger, the ensuing risk from operating in foreign countries also grows higher. This includes inter-alia political risk, credit risk, litigation risk and currency risk. The Company's exports are principally denominated in US\$ and the rupee appreciation versus the US\$ is a matter of concern. However this is partially compensated by imports denominated in US\$. While the Company manages these exposures through currency hedging, any significant fluctuation in exchange rates may have an adverse effect on its financial condition.

Further, the Company has processes in place to identify warning signals at an early stage to hedge itself against potential threats. On the other hand, these processes enable early recognition of opportunities emerging in the business environment. The Company resorts to risk management methodologies to ensure that various business risk are identified well in time, are assessed for their possible impact and are effectively mitigated through control measures. Open risks, if any are adequately covered by Insurance.

Internal Control Systems and their adequacy

The Company has designed proper and adequate internal control systems to ensure:

- Proper recording and safeguarding of assets
- Maintenance of proper accounting records and reliability of financial information
- Compliance with prevalent statutes, policies, procedures, listing agreements and circulars.
- That transactions are being accurately recorded and cross-verified and promptly reported.
- Adherence to applicable accounting standards and policies.

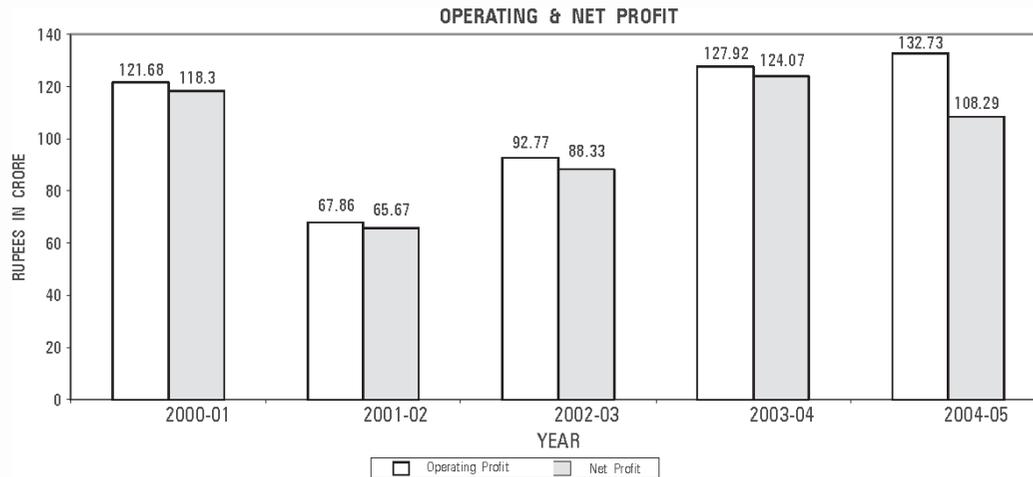
The internal control system provides for well-documented policies, Standard Operating Procedures (SOPs), guidelines, authorizations and approval procedures.

The Company has deployed a comprehensive Internal Auditing System, which is commensurate to the size of the business. Competent professionals who are external to the Company's business are conducting regular and detailed internal auditing. The internal audit department conducts periodic audits across all locations and of all functions throughout the year and brings out the non-compliances or deviations of internal control procedures through its audit report. The observations arising out of audit are subject to periodic review and compliance monitoring. The significant observations made in internal audit reports, are reviewed by the Audit Committee of the Board on a regular basis.

Moreover, the Company continuously upgrades these systems in line with best international practices.

Financial Performance with respect to operational performance

The Company has posted yet another year of handsome growth, testifying to the robustness of the Corporate Strategy of pursuing multiple growth drivers.



The gross turnover was higher by 91.20% at Rs. 13515.84 Crores (Rs. 7069.05 Crores). Profit before tax and exceptional items was higher by 3.55% at Rs. 130.62 Crores (Rs. 126.14 Crores). Net profit after provision for prior year adjustments, income tax stood at Rs. 108.29 Crores (Rs. 124.09 Crores).

This could be achieved primarily due to the focus on higher value added commodities, as well as unabated efforts to eliminate operational inefficiencies. It is a matter of pride that the turnover and profitability levels have been growing sharp.

The Management considers the all round performance of the Company during the year under review satisfactory.

Developments in Human Resources

- **Employee relations:**

The Industrial Relations climate of the Company has been cordial during the year and is geared towards improving productivity, quality and safety.

The management wishes to place on record its acknowledgement and appreciation for the support extended by all the employees of the Company.

- **Employee Strength:**

As on March 31, 2005, the Company has approx. 350 employees, who have different academic background and diverse work experience to their credit.

- **Human Resources:**

AEL, being a people-centric performing organization believes that retaining top talent is essential to organizational success and to retain competitive edge.

To maintain a stable workforce, the Company has deliberately integrated all aspects of human resources management – human resource policies, systems and procedures with the overall corporate objective and framework of the Company with an aim to enhance organizational effectiveness, retaining talent and sustaining the personal motivation levels. These efforts range from re-recruiting interviews to family activities and individualized compensation packages.

At AEL, we believe that Employee training and development initiatives can transform organizations with providing extra skills to our employees to not only increase productivity but training leads to higher job satisfaction, which shows up in better corporate performance.

Valuable training also includes situational training that provides personnel the skill sets that allow them to make timely, knowledgeable decisions that benefit both the customer and the Company.

For career development of our employees, we organize various training programmes and career development workshops on continuous basis. During the year 2004-05, the employees benefited from various training programmes, which covered issues relating to management, technology, safety, health and environment.

The Company uses competency mapping and organization need analysis to manage individual potential and organization development. We strongly believe that a highly skilled, motivated and empowered manpower is the key to organization success.

Cautionary Note

Statements in the Management Discussion and Analysis describing the Company's objectives, projections, estimates and expectations may be "forward-looking statements" within the meaning of applicable securities laws and regulations. Actual result might differ materially from those either expressed or implied. Important factors that could make a difference to the Company's operations include, among others, economic conditions affecting demand/supply and price conditions in the domestic and overseas markets in which the Company operates, changes in the Government regulations, tax laws and other statutes and incidental factors. The Company assumes no responsibility to publicly amend, modify or revise any forward-looking statements on the basis, of any subsequent developments, information or events.



ANNEXTURE - V CORPORATE GOVERNANCE REPORT

INTRODUCTION

Corporate Governance is a synonym for sound management, transparency and disclosure. Corporate Governance encompasses not only the way in which a Company is managed and deals with its shareholders but also addresses all aspects of its relationship with the society. Good corporate governance helps to achieve excellence to further enhance stakeholder's value by focusing on long-term stakeholder value creation without compromising on integrity, social obligations and regulatory compliances.

The detailed report on implementation by the Company, of the Corporate Governance Code as incorporated in Clause 49 of the Listing Agreement with the Stock Exchanges, is set out below :

A. MANDATORY REQUIREMENTS

1. Company's Philosophy on Corporate Governance

"OUR CORPORATE GOVERNANCE IS OUR CONSTANT JOURNEY TO ADOPT GLOBALLY RECOGNISED CORPORATE GOVERNANCE PRACTICES TO ACHIEVE ECONOMIC AND SOCIAL GROWTH."

The Company's philosophy on the code of Corporate Governance is to ensure:

- That the Company follows **globally recognized corporate governance** practices.
- Fullest commitment of the Management and the Board for the maximization of shareholder value.
- That the employees of the Company subscribe to the corporate values and apply them in their conduct
- **Transparency and professionalism** in all the activities of the organization
- Implementation of policies and procedures prescribed by the Company to ensure high ethical standards in all its business activities and responsible and responsive management.

The aforesaid principles of Corporate Governance are being followed by the Company over the years. We at Adani Exports Limited believe that the essence of Corporate Governance is to conduct the Company's business and deal with its stakeholders in a clean and transparent manner. Corporate Governance to us means not only compliance with the provisions of Company law, allied acts and listing agreement but also management's responsibility to work with morality, ethics and accountability towards stakeholders for their acts and decisions.

The Company aims at fairness, transparency, accountability and responsibility in its functioning with the ultimate objective of realizing and enhancing stakeholder's values.

The Company continues to make its best endeavors to uphold and nurture these core values in all facets of its operations and aims to increase and sustain its corporate value through growth and innovation.

COMPLIANCE WITH CLAUSE 49 OF THE LISTING AGREEMENT

The Company is in full compliance with the requirements under Clause 49 of the Listing Agreement with the Stock Exchanges. The statutory auditors have certified that the Company has complied with the conditions of Corporate Governance as stipulated in Clause 49 of the Listing Agreement with the Stock Exchanges and the same is enclosed herewith.

SEBI has vide its circular no. SEBI/CFD/DIL/CG/1/2005/29/3 dated March 29, 2005 extended the date for implementation of provisions of revised clause 49 of the listing agreement from 31st March, 2005 to 31st December, 2005. In view of this, provisions of the revised clause 49 of the listing agreement will be implemented before 31st December, 2005.

BOARD OF DIRECTORS

Composition and Category

The Board of Directors provides strategic direction and thrust to the operations of the Company.

The Board of Directors of the Company consists of eminent persons with considerable professional expertise and experience of business and global trading industry, finance, international trade, legal, accounting, real estate management and administration etc.

As per Clause 49 of the Listing Agreement, at least 50% of the Board shall comprise of non-executive directors. As on 31st March, 2005, in Adani Exports Limited (AEL), 4 out of 7 directors (57.14%) are non-executive directors.

Where the Chairman is executive chairman, at least 50% of the Board shall comprise of independent directors. In AEL, all the 4 non-executive directors constituting 57.14% of the total strength of the Board are independent directors.

The composition of the Board is in conformity with Clause 49 of the Listing Agreement.

Independent Directors are Directors, who apart from receiving Directors' remuneration do not have any other material pecuniary relationship or transactions with the Company, its promoters, its management or its subsidiaries, which in the judgement of the Board may affect independence of the judgement of the Directors.

None of the Directors on the Board is a member on more than 10 Committees and Chairman of 5 Committees (as specified in clause 49), across all the Companies in which he is a Director.