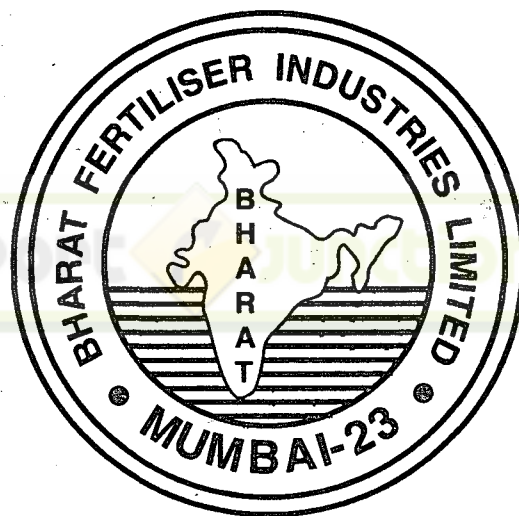


BHARAT FERTILISER INDUSTRIES LTD.

MUMBAI



**22nd. ANNUAL REPORT
(2006 - 2007)**

BHARAT FERTILISER INDUSTRIES LTD.

BOARD OF DIRECTORS

Shri Yogendra D. Patel
Chairman & Managing Director

Smt. Anjani Y. Patel
Joint Managing Director

Shri Kantilal N. Jethwa
Director

Shri Suresh M. Bhadrecha
Director

Shri G V. Dandile
Director

AUDITORS

M/s. Chandulal M. Shah & Co.
304, Maker Bhavan No. 3,
21, New Marine Lines,
Mumbai - 400 020.

PLANT

Village : Kharivali,
Taluka : Wada,
Dist. : Thane

REGISTERED OFFICE

Bharat Fertiliser House,
12, Nanabhai Lane, Fort,
Mumbai : 400 023.

REGISTRARS FOR SHARE TRANSFERS AND DEMATERIALISATION

M/s. Intime Spectrum Registry Pvt. Ltd.
C-13, Pannalal Silk Mills Compound,
L. B. S. Marg, Bhandup (W),
Mumbai : 400 078.

Annual General Meeting on Friday, 28th September, 2007 at 3.30 p.m.
at Sardar Patel Baug, Shri Vile Parle Patidar Mandal, Parleshwar Road,
Vile Parle (East), Mumbai - 400 057.

22nd. ANNUAL REPORT (2006 - 2007)**BHARAT FERTILISER INDUSTRIES LIMITED****NOTICE**

Notice is hereby given that the Twenty Second Annual General Meeting of the Company will be held as detailed below :

Day	Friday
Date	28th September' 2007
Venue	Sardar Patel Baug Shri Vile Parle Patidar Mandal Parleshwar Road Vile Parle (East) Mumbai 400 057
Time	3.30 P.M.

The Agenda will be as under

ORDINARY BUSINESS

1. To receive, consider and adopt the Audited Balance Sheet as at 31st March 2007, Profit and Loss Account for the Accounting year from 1st April, 2006 to 31st March, 2007, Directors' Report and the Auditors' Report thereon.
2. To appoint a Director in place of Shri Genu Vitthal Dandile who retires by rotation and being eligible, offers himself for reappointment.
3. To appoint Auditors to hold office from the conclusion of this meeting until the conclusion of the next Annual General Meeting and to fix their remuneration.

SPECIAL BUSINESS

4. **To consider and if thought fit to pass with or without modifications the following Resolution as an Ordinary Resolution.**

RESOLVED THAT the consent of the Company in General Meeting be and is hereby granted to the Board of Directors of the Company to take up repairs, reconstruction, renovation, demolition of the Company's Registered Office Building viz. Bharat Fertiliser House, 12, Nanabhai Lane, Fort, Mumbai 400 023 at total cost of not exceeding Rs.3.00 Crores (Approx) based on prevailing cost of construction.

RESOLVED further that the Board of Directors is authorized to give effect to the proposal mentioned hereinabove and for that purpose appoint Builders, Architects, contractors, sub-contractors, solicitors, Consultants, Bankers and borrow funds within stipulated limits to carry out the Re-development of the Company's property at 12, Nanabhai Lane, Fort, Mumbai-400 023.

BHARAT FERTILISER INDUSTRIES LTD.

5. To consider and if thought fit to pass with or without modifications the following Resolution as an Ordinary Resolution.

RESOLVED THAT the Board of Directors is authorized to take on lease office premises of approximately 2000 +/-10% sq.feet on Lease fees of @Rs.85/- per sq.feet at Ground and 4th floor at Vimla Kunj , Nariman Road, Vile Parle (East), Mumbai - 400057 for 2005-06, 2006-07 & 2007-08 from Company's Chairman & Mg. Director surplus area and reimburse lease fees only when Company's financial position cash flow improves after starting construction activity at Majiwada, Thane on the terms and conditions stipulated in Lease Agreement dated 01/04/2005 placed before the meeting, as initiated by the chairman for the purpose of identification.

6. To consider and if thought fit to pass with or without modifications the Following Resolution as an Ordinary Resolution.

RESOLVED THAT the consent of the company in General Meeting is accorded to Board of Directors to enter into Joint Venture/Joint Development agreement with reliable/reputed organisation having adequate experience of construction activities for development of Company's Land at Majiwada, Thane for Construction of Residential/ Commercial Complex .

RESOLVED FURTHER THAT after completion of residential flats and commercial area (Super Market) and service apartment activities, the Shri Yogendra D. Patel, Chairman & Mg. Director, or Smt. A.Y. Patel be and is hereby authorized to decide the disposal by outright sale or lease of the said premises from time to time.

Bharat Fertiliser Industries Ltd.

Yogendra D. Patel
Chairman & Mg. Director

Place : Mumbai

Dated : 17/08/2007

Registered Office:

Bharat Fertiliser House

12 Nanabhai Lane, Fort

Mumbai 400 023.

NOTES

- 1) A member entitled to attend and vote at the meeting is entitled to appoint proxy to attend and vote instead of himself and the proxy need not be a member of the Company.
- 2) The register of Members and Share Transfer Books of the Company will remain closed from Friday, the 21st September, 2007 to Friday, the 28th September 2007 (both days inclusive),

- 3) Members are requested to bring copy of the Annual Report along with them while attending meeting
- 4) Members are requested to immediately notify the Company, Change in their registered address, if any.
- 5) In terms of the directive from Stock Exchange, Mumbai, the company has appointed common agent for share registry work and dematerialisation work. The name and address of the Registrars and Transfer Agents are as under :

INTIME SPECTRUM REGISTRY LIMITED

Registrars for share transfers and Dematerialisation

C-13 Pannalal Silk Mills Compound

LBS Marg, Bhandup West

Mumbai 400078.

The shareholders are requested to contact the Registrars for necessary assistance in the matter of share transfers and dematerialisation.

- 6) Shareholders are requested to send their queries in respect of Financial Accounts of the Company for the year ended 31st March, 2007 at least a week in advance so as to enable the management to keep the information ready at the time of Annual General Meeting.

Details of Director seeking reappointment at ensuing Annual General Meeting.

Name of Director	: Shri Genu Vithal Dandile
Date of Birth	: 29/08/1937
Date of Appointment	: 30/09/2004
Nature of expertise in specific Functional Area	: Plant Management
Directorships in other Companies	: NIL
Names of committees of other Companies in which the director is A Member	: NIL

BHARAT FERTILISER INDUSTRIES LTD.

Explanatory statement as required by Section 173(2) of the Companies Act 1956

The following explanatory statement relating to Item No. 4, 5 & 6 of the accompanying Notice sets out all Material facts as required under section 173 of the Act :

Item No. 4

The Company's building at Bharat Fertiliser House, 12, Nanabhai Lane, Fort, Mumbai- 400 023 needs repairs/reconstruction/renovation and the cost of the same would be approximately Rs. 3 Crores based on prevailing cost of Construction. The Shareholders have already approved borrowing limits but it is thought advisable to keep the shareholders informed of the development. After Renovation as per BMC rules 9500-10000 Sq. Ft. Area can be offered to any multinational Companies on Lease, after reserving 1000 Sq. Ft. for company's own use to generate other Income from Construction Division in near future.

The resolution as contained in the Notice is a recommended for adoption by the members.

Item No.5

The Shareholders are aware that the company's building at 12, Nanabhai lane, Fort, Mumbai - 400 023 is in a dilapidated condition and requires extensive repairs/renovation/reconstruction. The company has shifted temporarily to Vile Parle, Mumbai- 400 057. The approval of the Shareholders is sought to take on lease the office premises of approx. 2000 +/-10% sq. feet area at a lease fees of Rs. 85/- per Sq.Ft. at Vimla Kunj, Nariman Road, Vile Parle (East) with effect from 01-04-2005 to 31/03/2008, from ShriYogendra D. Patel, Chairman & Mg. Director of the Company.

None of the Directors is interested in the proposal except Shri. Yogendra D. Patel and Smt. Anjani Y. Patel, Directors.

The resolution as contained in the Notice is a recommended for adoption by the members.

Item No.6

The shareholders may recall that they have accorded their approval to the commencement of real estate business on its own by company or on joint venture basis for development, redevelopment of the Land, Buildings, structures as per Clause 45 of the Memorandum of Association of the company approved by Postal Ballot and the company's land at Majiwada admeasuring 6,50,000 Sq. Ft. is under development. Out of total area of 6,50,000 Sq. Ft. of the Company to be developed at Majiwada, Thane, it is proposed to utilize 6,00,000 Sq. Ft. for residential complex of 1,2,3 BHK Flats , 30,000 Sq. Ft. for service apartments to be offered to "IT and BPO Companies" on Lease and "20,000 Sq. Ft. for "Super Market area" to reputed & reliable companies on lease depending upon the market situation from time to time.

Hence, the resolution as contained in the notice is commended for adoption by the members.

Bharat Fertiliser Industries Ltd.

Yogendra D. Patel
Chairman & Mg. Director

Place : Mumbai

Dated : 17/08/2007

22nd. ANNUAL REPORT (2006 - 2007)

DIRECTORS REPORT TO MEMBERS

Your Directors submit herewith their Report along with the Audited Statement of Accounts for the year ended 31st March, 2007. This is the first report to you after your Company's reconstitution through amalgamation with Manufacturing unit of Wada Alums & Acids Pvt. Ltd. with your company.

FINANCIAL RESULTS

	2006-2007 (Rs .in lacs)	2005-2006 (Rs .in lacs)
Turnover	<u>449.98</u>	<u>24.12</u>
Profit/Loss before interest and depreciation	154.17	183.80
Less : Interest	40.17	68.54
Gross Profit/Loss before depreciation	114.00	115.26
Less : Depreciation	16.57	11.56
Amortisation of Goodwill on Amalgamation	62.79	-
	<u>79.36</u>	<u>11.56</u>
Operating Profit/Loss	34.64	103.70
Less : Provision for Tax	6.64	9.14
Surplus/Deficit during the year	<u>28.00</u>	<u>94.56</u>
Balance Carried to Balance Sheet	27.99	94.56

The Accounting Year 2006-2007 has ended in a Profit of Rs.154.17 Lacs as compared to Profit of Rs. 183.80 Lacs during the corresponding period last year. After providing for interest amounting to Rs. 40.17 Lacs and depreciation of Rs. 79.36 Lacs, the Company has made a Profit of Rs. 34.64 Lacs as against the Profit of Rs. 103.70 Lacs during the last year. After taking into account the provision for Taxation and Fringe Benefit Tax for the current year amounting to Rs. 6.64 Lacs the deficit brought forward during last year amounting to Rs. 488.06 Lacs, the total loss of Rs. 460.06 Lacs is carried to Balance Sheet.

BHARAT FERTILISER INDUSTRIES LTD.

DIVIDEND

In order to conserve the resources for Company Working Capital coupled with carried forward losses, the Directors are unable to recommend any dividend for the year.

Review of Operations

During the year under Report the Company has produced 3068.645 M.T. of Single Super Phosphate and sold 5448.000 M.T. of Single Super Phosphate through M/s. Deepak Fertilisers & Petrochemicals Corporation Limited.

Current Year Working

Your Company has obtained Fresh Working Capital Limits of Rs.175 Lacs from Indian Overseas Bank for increasing SSP production and Sales during 2007-08.

Pursuant to a Resolution passed U/s. 81 (1A) of the Companies Act. 1956 at the Extra Ordinary General Meeting of the Company held on 19/06/2006, 5,10,000 Equity Shares of Rs.10/- each at a premium of Rs.12/- per share were issued to Wada Alums & Acids Pvt. Ltd. on Preferential Allotment basis, thereby increasing paid up equity share capital of the company from 34,13,511 to 39,23,511 Equity Shares of Rs.10/- each.

The Scheme of Arrangement between Wada Alums & Acids Pvt. Ltd. and Bharat Fertiliser Industries Ltd., was approved by the Shareholders and Unsecured Creditors at Court Convened Meeting held on 28/03/2007.

Final Order of High Court, Mumbai dated 15/06/2007 was received by the company approving the Scheme of Arrangement between Wada Alums & Acids Pvt. Ltd., and your company w.e.f. 01/04/2006. The Manufacturing division of Wada Alums & Acids Pvt. Ltd., (WAAP) was amalgamated with your company w.e.f. 01/04/2006.

Accordingly, the paid up Equity Capital of the Company has increased by 11,12,000 equity shares of Rs.10/- each allotted to shareholders of Wada Alums & Acids Pvt. Ltd. as per Scheme of arrangement approved by Bombay High Court. The total issued and Paid-up capital of the Company now is 50,35,511 equity Shares of Rs.10/- each and the said Paid-up capital is listed on Stock Exchange, Mumbai.

The figures of year under review are not comparable with that of previous year as these include Assets & Liabilities, Income & Expenditure of manufacturing division of WAAP the amalgamated company.

Regarding development of Company's Land at Majiwada, Thane, for Residential/Commercial Complex of the Company, necessary part permission has been received from Thane Municipal Corporation.

The Company has received Environmental Clearance for construction of proposed Residential cum Commercial Project as per letter dated 17/05/2007 from Ministry of Environment & Forest, New Delhi.

The Urban Development Department, Mantralaya, Mumbai has also cleared the Company's Land at Majiwada, Thane out of range of Chemical Zone and thereby allowing entire Land for Construction of Residential/Commercial purposes.

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As the Company's existing Head Office Building required extensive repairing / demolition and reconstruction owing to old construction of 1909, entire building structure is to be either strengthened or re-constructed in a new Building as per BMC rules and regulations.

Due to Cash Flow Problem for the last 2 years it was difficult to buy new office Premises at exorbitant price, it was neither advisable to carry out repairing or reconstruction of old building as part of is occupied by Tenants.

Now due to improved financial results and settlement of bank's dues under One Time Settlement during 2006-07, we can plan for Head Office Building reconstruction and leasing to any multinational Company at attractive business terms to generate other income with improved Cash Flow due to lease income. The estimated expenditure for Re-construction of Head Office Building would be Rs.3 Crores. After Renovation as per BMC rules 9500, 10000 Sq. Ft. Area can be offered to multinational Companies on Lease, after reserving 1000 Sq. Ft. for company's own use, to generate other Income from Construction Division in near future.

The share holders are requested to approve Lease fees charges of Rs.85/- per sq. ft in favour of Company's Chairman & Mg. Director for office area approx. 2000 +-10% sq. feet at Vile Parle already used for the years 2005-06 & 2006-07 & 2007-08 and reimburse lease fees only when Company's Financial Cash Flow improves after starting construction activity at Thane. A separate agreement for such arrangement is entered subject of shareholders approval in ensuing Annual General Meeting.

At present the Company is engaged in development of Company's land at Majiwada admeasuring 6,50,000 Sq. Ft. is under development. Out of total area of 6,50,000 Sq. Ft. of the Company to be developed at Majiwada, Thane, it is proposed to utilize 6,00,000 Sq. Ft. for residential complex of 1,2,3 BHK Flats, 30,000 Sq. Ft. for service apartments to be offered to "IT and BPO Companies" on lease and "20,000 sq. Ft. for "Super Market area" on lease to Reliable & Reputed Companies depending upon the market situation from time to time.

DIRECTORS:

During the year under report, Shri Genu Vithal Dandile, Director, retires by rotation and being eligible offers himself for re-appointment. Necessary item has been included in the Notice convening the 22nd Annual General Meeting and the re-appointment of Shri. Genu Vithal Dandile and is recommended for approval of members.

CORPORATE GOVERNANCE :

A Report on the Corporate Governance for the period commencing 01.04.2006 to 31.03.2007 is annexed hereto.

AUDITORS REPORT :

Report of the Auditors is self-explanatory and replies to observations of the Auditors have been sufficiently covered in the notes forming part of accounts.

BHARAT FERTILISER INDUSTRIES LTD.

FIXED DEPOSITS :

As on 31st March 2007, the Fixed Deposits amounted to Rs. 1,03,59,000/-. There was no instance of any unclaimed or overdue deposit during the year (Previous year: Rs. 32,94,500/-)

ANNEXURE TO DIRECTORS' REPORT :

Pursuant to Section 217(1)(C) of the Companies Act, 1956 read with the companies (Disclosures of particulars in Directors Report) Rules 1988 the relevant information is given in the Annexure "A" forming part of this report.

PARTICULARS OF EMPLOYEES UNDER SECTION 217 (2A) OF THE COMPANIES ACT 1956 READ WITH THE COMPANIES (PARTICULARS OF EMPLOYEES) RULES, 1975.

There are no employees of the company who are in receipt of remuneration in excess of the limits prescribed under Section 217 (2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules 1975 as amended to date.

DIRECTORS' RESPONSIBILITY STATEMENT.

The Directors confirm that :

- (a) In the preparation of the annual accounts, the applicable accounting standards have been followed; except accounting of Gratuity on Cash basis and not providing liability on actuarial valuation.
- (b) Appropriate accounting policies have been selected and applied consistently and judgements and estimates made are reasonable and prudent so as to give a true and fair view of the state of affairs of the company for the year ended 31st March, 2007.
- (c) 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.
- (d) The annual accounts have been prepared on a going concern basis.

Auditors :

M/s Chandulal M. Shah & Company, Chartered Accountants are retiring at the ensuing Annual General Meeting of the Company and being eligible offer themselves for reappointment for the year 2007-2008. The appointment of M/s. Chandulal M. Shah & Company, Chartered Accountants is recommended.

ACKNOWLEDGEMENTS :

Your Directors wish to place on record their sincere thanks to the Central Government, State Government, Agricultural Department, Thane Municipal Corporation, Collector office, Company's Bankers, Shareholders, Customers and business consultants for their valued co-operation and support at all times.

Your Directors also place on record the untiring efforts of the employees at all levels during the difficult periods faced by the company.

For and on behalf of the Board

Place : Mumbai

Date : 17/08/2007

Registered Office :

Bharat Fertiliser House,
12, Nanabhai Lane, Fort,
Mumbai 400 023.

(YOGENDRA D. PATEL)
CHAIRMAN & MG. DIRECTOR